

## EDGAR SUBMISSION SUMMARY

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Submission Type	20-F
Live File	On
Return Copy	On
Exchange	NYSE
Confirming Copy	Off
Filer CIK	0000316888
Filer CCC	xxxxxxx
Period of Report	12-31-2021
Emerging Growth Company	No
Notify via Filing website Only	Off
Emails	file@discountedgar.com

## Documents

Form Type	File Name	Description
20-F	avino_20f.htm	FORM 20-F
EX-1.1	avino_ex11.htm	MEMORANDUM
EX-1.2	avino_ex12.htm	ARTICLES
EX-2.d	avino_ex2d.htm	DESCRIPTION OF SECURITIES
EX-8.1	avino_ex81.htm	LIST OF SUBSIDIARIES
EX-12.1	avino_ex121.htm	CERTIFICATION
EX-12.2	avino_ex122.htm	CERTIFICATION
EX-13.1	avino_ex131.htm	CERTIFICATE
EX-13.2	avino_ex132.htm	CERTIFICATE
EX-13.3	avino_ex133.htm	CONSENT
EX-13.4	avino_ex134.htm	CONSENT
EX-13.5	avino_ex135.htm	CONSENT
EX-13.6	avino_ex136.htm	CONSENT
EX-15.1	avino_ex151.htm	MANAGEMENT DISCUSSION AND ANALYSIS
EX-101.SCH	avino-20211231.xsd	XBRL TAXONOMY EXTENSION SCHEMA
EX-101.LAB	avino-20211231_lab.xml	XBRL TAXONOMY EXTENSION LABEL LINKBASE
EX-101.CAL	avino-20211231_cal.xml	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
EX-101.PRE	avino-20211231_pre.xml	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE
EX-101.DEF	avino-20211231_def.xml	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE
GRAPHIC	avino_ex11img18.jpg	
GRAPHIC	avino_ex992img2.jpg	
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## Module and Segment References

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

**FORM 20-F**

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

or

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

For the fiscal year ended December 31, 2021

or

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

or

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

Date of event requiring this shell company report \_\_\_\_\_

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number **001-35254**

**AVINO SILVER & GOLD MINES LTD.**

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

British Columbia, Canada

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

David Wolfen, Chief Executive Officer

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

Tel: 604-682-3701, Email: dwolfen@avino.com

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

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

Common Shares, without Par Value

ASM

NYSE American, LLC

Title of Each Class

Trading Symbol

Name of Each Exchange on Which Registered

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

Not Applicable

(Title of Class)

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

Not Applicable

(Title of Class)

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

**There were 102,243,211 common shares, without par value, issued and outstanding as of December 31, 2021.**

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of “large accelerated filer”, “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Emerging Growth Company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

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

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

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

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

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

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## Nomenclature

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

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

## Forward-looking Statements

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

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

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

## Currency

Effective January 1, 2017, the Company changed its presentation currency to US dollars from Canadian dollars. The Company believes that the change in presentation currency will provide shareholders with a better reflection of the Company’s business activities and to enhance the comparability of the Company’s financial information to its peers. All references to dollar amounts are expressed in the lawful currency of the United States of America, unless indicated otherwise. Per share amounts are expressed in United States dollars, **unless indicated otherwise**. All references to Canadian dollars will be indicated with a “C\$”.

## Foreign Private Issuer Filings

We are considered a “foreign private issuer” pursuant to Rule 405 promulgated under the Securities Act of 1933, as amended (the “**Securities Act**”). In our capacity as a foreign private issuer, we are exempt from certain rules under the Exchange Act that impose certain disclosure obligations and procedural requirements for proxy solicitations under Section 14 of the Exchange Act. In addition, our officers, directors and principal shareholders are exempt from the reporting and “short-swing” profit recovery provisions of Section 16 of the Exchange Act and the rules under the Exchange Act with respect to their purchases and sales of our common shares. Moreover, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as United States companies whose securities are registered under the Exchange Act. In addition, we are not required to comply with Regulation FD, which restricts the selective disclosure of material information.

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For as long as we are a “foreign private issuer” we intend to file our annual financial statements on Form 20-F and furnish our quarterly financial statements on Form 6-K to the SEC for so long as we are subject to the reporting requirements of Section 13(g) or 15(d) of the Exchange Act. However, the information we file or furnish will not be the same as the information that is required in annual and quarterly reports on Form 10-K or Form 10-Q for U.S. domestic issuers. Accordingly, there may be less information publicly available concerning us than there is for a company that files as a domestic issuer.

We will continue to file our Forms 20-F or 6-K until we are no longer a foreign private issuer. We are required to determine our status as a foreign private issuer on an annual basis at the end of our second fiscal quarter. We would cease to be a foreign private issuer at such time as more than 50% of our outstanding voting securities are held by United States residents and any of the following three circumstances applies: (1) the majority of our executive officers or directors are United States citizens or residents; (2) more than 50% of our assets are located in the United States; or (3) our business is administered principally in the United States. If we lose our “foreign private issuer status” we will be required to comply with Exchange Act reporting and other requirements applicable to U.S. domestic issuers, which are more detailed and extensive than the requirement for “foreign private issuers”.

## Glossary of Mining Terms

<b>agglomeration</b>	<i>Cementing crushed or ground rock particles together into larger pieces, usually to make them easier to handle; used frequently in heap-leaching operations.</i>
<b>anomalous</b>	<i>A value, or values, in which the amplitude is statistically between that of a low contrast anomaly and a high contrast anomaly in a given data set.</i>
<b>anomaly</b>	<i>Any concentration of metal noticeably above or below the average background concentration.</i>
<b>assay</b>	<i>An analysis to determine the presence, absence or quantity of one or more components.</i>
<b>Breccia</b>	<i>A rock in which angular fragments are surrounded by a mass of finer-grained material.</i>
<b>cretaceous</b>	<i>The geologic period extending from 135 million to 65 million years ago.</i>
<b>cubic meters or m<sup>3</sup></b>	<i>A metric measurement of volume, being a cube one meter in length on each side.</i>
<b>cyanidation</b>	<i>A method of extracting exposed silver or gold grains from crushed or ground ore by dissolving it in a weak cyanide solution.</i>
<b>diamond drill</b>	<i>A rotary type of rock drill that cuts a core of rock that is recovered in long cylindrical sections, two centimeters or more in diameter.</i>
<b>fault</b>	<i>A fracture in a rock where there has been displacement of the two sides.</i>
<b>grade</b>	<i>The concentration of each ore metal in a rock sample, usually given as weight percent. Where extremely low concentrations are involved, the concentration may be given in grams per tonne (g/t or gpt) or ounces per ton (oz/t). The grade of an ore deposit is calculated, often using sophisticated statistical procedures, as an average of the grades of a very large number of samples collected from throughout the deposit.</i>
<b>hectare or ha</b>	<i>An area totaling 10,000 square meters.</i>
<b>highly anomalous</b>	<i>An anomaly which is 50 to 100 times average background, i.e. it is statistically much greater in amplitude.</i>
<b>induced polarization (IP)</b>	<i>A method of ground geophysics surveying employing an electrical current to determine indications of mineralization.</i>
<b>Inferred Mineral Resource</b>	<i>That part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.</i>  <i>Confidence in the estimate is insufficient to allow the meaningful application of technical and economic parameters or to enable an evaluation of economic viability worthy of public disclosure.</i>
<b>Indicated Mineral Resource</b>	<i>An Indicated Mineral Resource is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation.</i>



**Measured Mineral Resource**

*A Measured Mineral Resource is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit.*

*Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation.*

*A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proven Mineral Reserve or to a Probable Mineral Reserve*

**Mineral Reserve**

*A Mineral Reserve is the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction could reasonably be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.*

*Mineral resources are sub-divided in order of increasing confidence into Probable Mineral Reserves and Proven Mineral Reserves. A Probable Mineral Reserve has a lower level of confidence than a Proven Mineral Reserve. The term "mineral reserve" need not necessarily signify that extraction facilities are in place or operative or that all governmental approvals have been received. It does signify that there are reasonable expectations of such approvals.*

**Mineral Resource**

*A concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.*

*A Mineral Resource is an inventory of mineralization that under realistically assumed and justifiable technical and economic conditions might become economically extractable.*

**mineralization**

*Usually implies minerals of value occurring in rocks.*

**Modifying Factors**

*Modifying Factors are considerations used to convert mineral resources to mineral reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors.*

**net smelter returns (NSR) royalty**

*Payment of a percentage of net mining revenue after deducting applicable smelter charges.*

**NI 43-101**

*National Instrument 43-101, Standards of Disclosure for Mineral Projects, adopted by the Canadian Securities Administrators in Canada.*

**Oxide**

*A compound of oxygen and some other element.*

**ore**

*A natural aggregate of one or more minerals which may be mined and sold at a profit, or from which some part may be profitably separated.*

**prefeasibility study and preliminary feasibility study**

*Each means a comprehensive study of the viability of a mineral project that has advanced to a stage where mining method, in the case of underground mining, or the pit configuration, in the case of open pit mining, has been established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering, operating and economic factors, and the evaluation of other relevant factors which are sufficient for a qualified person, acting reasonably, to determine if all or part of the mineral resource may be classified as a mineral reserve.*

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<b>Probable Mineral Reserve</b>	<i>Is the economically mineable part of an Indicated and, in some circumstances, a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.</i>
<b>Proven Mineral Reserve</b>	<i>Is the economically mineable part of a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.</i>  <i>The term should be restricted to that part of the deposit where production planning is taking place and for which any variation in the estimate would not significantly affect potential economic viability.</i>
<b>quartz</b>	<i>Silica or SiO<sub>2</sub>, a common constituent of veins, especially those containing silver and gold mineralization.</i>
<b>Tailings</b>	<i>Material rejected from a mill after most of the recoverable valuable minerals have been extracted.</i>
<b>ton</b>	<i>Imperial measurement of weight equivalent to 2,000 pounds.</i>
<b>Tonne</b>	<i>Metric measurement of weight equivalent to 2,205 pounds (1,000 kg)</i>
<b>Tpd</b>	<i>Tonnes per day.</i>
<b>Trench</b>	<i>A long, narrow excavation dug through overburden, or blasted out of rock, to expose a vein or ore structure.</i>
<b>veins</b>	<i>The mineral deposits that are found filling openings in rocks created by faults or replacing rocks on either side of faults.</i>

**PART I**

**Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

**Item 2. Offer Statistics and Expected Timetable**

Not applicable.

**Item 3. Key Information**

**A. Selected Financial Data**

**B. Capitalization and indebtedness**

Not Applicable.

**C. Reasons for the offer and use of proceeds**

Not Applicable.

**D. Risk factors**

An investment in our common shares involves a high degree of risk and should be considered speculative. You should carefully consider the following risks set out below and other information before investing in our common shares. If any event arising from these risks occurs, our business, prospects, financial condition, results of operations or cash flows could be adversely affected, the trading price of our common shares could decline and all or part of your investment may be lost.

Our operations are highly speculative due to the high-risk nature of our business, which include the acquisition, financing, exploration, development of mineral properties and operation of mines. The risks and uncertainties set out below are not the only ones we face. Additional risks and uncertainties not currently known to us or that we currently deem immaterial, may also impair our operations. If any of the risks actually occur, our business, financial condition and operating results could be adversely affected. As a result, the trading price of our common shares could decline, and investors could lose part or all of their investment. Our business is subject to significant risks and past performance is not a guarantee of future performance.

***Our results of operations, cash flows and the value of our properties are highly dependent on the market prices of silver and gold and certain base metals and these prices can be volatile.***

The profitability of our silver and gold mining operations and the value of our mining properties are directly related to the market price of silver, and to a lesser extent gold and other base metals. The price of silver may also have a significant influence on the market price of our common shares. The market price of silver historically has fluctuated significantly and is affected by numerous factors beyond our control. These factors include supply and demand fundamentals, global or national political or economic conditions, expectations with respect to the rate of inflation, the relative strength of the U.S. dollar and other currencies, interest rates, silver and gold sales and loans by central banks, forward sales by metal producers, accumulation and divestiture by exchange traded funds, and a number of other factors.

We derive a significant portion of our revenue from the sale of silver and our results of operations will fluctuate as the prices of this metals change. A period of significant and sustained lower silver prices would materially and adversely affect our results of operations and cash flows. During the past fiscal year, silver prices have decreased and, in the event, mineral prices decline or remain low for prolonged periods of time; we might be unable to develop our existing exploration properties, which may adversely affect our results of operations, financial performance, and cash flows. An asset impairment charge may result from the occurrence of unexpected adverse events that impact our estimates of expected cash flows generated from our producing properties or the market value of our non-producing properties, including a material diminution in the price of silver and/or gold.

***The Completion of the Proposed Acquisition of La Preciosa Property and Operations Thereof May Impose Additional Risks to the Company.***

In October 2021, the Company entered into definitive agreements to acquire the La Preciosa Property, a development stage silver resource mineral property located adjacent to the Company's existing operations at the Avino Property in Durango, Mexico. The completion of the acquisition of the La Preciosa Property raises potential additional risks to the Company including integrating the La Preciosa Property into the Company's operations and the need to raise additional capital to develop, mine and operate the property.

***We may be required to raise additional capital to mine our properties.***

The Company is currently focusing on further defining plans to mine its Avino mineralized material, as well as further exploration of the Avino properties in Mexico. The Company may be required to raise capital to further advance the Avino Mine and its infrastructure, as well as to explore the Avino properties. Our ability to raise funds will depend on several factors, including, but not limited to, current economic conditions, our perceived value for our properties, our prospects, metal prices, businesses competing for financing and our financial condition. There can be no assurance that we will be able to raise funds, or to raise funds on commercially reasonable terms. Historically, the Company has raised funds through equity financing and the exercise of options and warrants. The raising of capital may have a dilutive effect on the Company's per share book value.

***We have experienced net operating losses.***

We began extracting and processing resources at levels intended by management at the San Gonzalo Mine during the fourth quarter of 2012 (ceasing operations in 2019), and at the Avino Mine in the third quarter of 2015. For the year ended December 31, 2021, we incurred net loss from continuing operations of (\$2,057,000). For the years ended December 31, 2020, and 2019, we earned net loss from continuing operations of (\$7,482,000) and, (\$2,335,000), respectively. Prior to the 2013 fiscal year, we had not been profitable. There is no assurance that our operations will be profitable in the future.

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

We have not established the presence of any proven or probable mineral reserves at any of our properties. Any mineralized material discovered or produced by us should not be considered proven or probable reserves.

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

***You may experience future dilution as a result of future equity offerings.***

In order to raise additional capital, we may in the future offer additional shares of our common shares or other securities convertible into or exchangeable for our common shares at prices that may not be the same as the price per share paid by investors. We may sell shares or other securities in any other offering at a price per share that is less than the then current trading price, and investors purchasing shares or other securities in the future could have rights superior to existing stockholders. The price per share at which we sell additional shares of our common shares, or securities convertible or exchangeable into common shares, in future transactions may be higher or lower than the price per share paid by an investor.

***Impact of COVID-19 on mining operations.***

Mexico has been particularly impacted by the COVID-19 pandemic. The Company's mining operations were temporarily shut-down in April 2020 first as a result of governmental COVID-19 quarantine and containment measures, and later in July 2020 due to a labour strike, which was resolved in October 2020. The labour settlement agreement was approved by Mexican governmental labour authority. Although the Company takes appropriate measures and safeguards to protect its staff from infection, these events can result in volatility and disruption to supply chains, operations, transportation, and mobility of people, which are beyond the control of the Company, and which have had and could continue to adversely affect the availability of components, supplies and materials, labour, interest rates, credit ratings, credit risk, inflation, business operations, financial markets, exchange rates, and other factors material to the Company, including in particular, the Company's revenues and concentrate delivery schedule.

***In 2012 and 2015, we decided to begin extracting and processing resources at levels intended by management at the San Gonzalo Mine and the Avino Mine, respectively, without preparing a pre-feasibility study or bankable feasibility study which may subject us to more risks.***

We decided to begin extracting and processing resources at levels intended by management at the San Gonzalo Mine (which ceased operations during 2019) and the Avino Mine without preparing a pre-feasibility study or bankable feasibility study which is a more common practice within the mining industry and therefore may subject us to more business risks. Our decision to begin extracting and processing resources at the San Gonzalo Mine and the Avino Mine were based on limited prior historical information, bulk sample drilling programs, small pilot plant and bench scale testing. Therefore, our decision to begin extracting and processing resources at the San Gonzalo Mine and the Avino Mine were based on limited information which may or may not be representative of information regarding the mines had we otherwise prepared a more comprehensive study. In addition, basing our decision to begin extracting and processing resources on limited information may make us susceptible to risks including:

- certain difficulties in obtaining expected metallurgical recoveries when scaling up to extracting and processing activities at levels intended by management from pilot plant scale;
- the inability to predict the amount of minerals within an area to be mine due the limited sample drilling programs which makes it a challenge to predict our revenues;
- the preliminary nature of mine plans and processing concepts and applying them to full scale extracting and processing activities at levels intended by management.
- determining operating/capital cost estimates and possible variances associated with constructing, commissioning and operating the Avino facilities based on limited information;
- that metallurgical flow sheets and recoveries are based on information at the time and may not be representative of results of the Avino Mine; and
- that we may underestimate capital and operating costs without a comprehensive bankable feasibility study.

***Company has a limited number of customers.***

The Company produces concentrates containing silver and gold. The Company sells its concentrates to metals traders and smelters. During the year ended December 31, 2021, one customer accounted for more than 75% of revenues. The Company believes that a small number of customers will continue to represent a significant portion of its total revenue. However, the Company does not consider itself economically dependent upon any single customer or combination of customers due to the existence of other potential metals traders or smelters capable of purchasing the Company's production. There is a risk that the Company could be subject to limited smelter availability and capacity, or it may not be able to maintain its current significant customers or secure significant new customers on similar terms, any of which may have a material adverse effect on the Company's business, financial condition, operating results and cash flows.

***Company may be subject to substantial decommissioning and reclamation costs.***

The Company reviews and reassesses its reclamation obligations at each of its mines based on updated mine life estimates, rehabilitation and closure plans. As at December 31, 2021, the Company had a provision of approximately \$0.726 million for future reclamation and remediation associated with the expected retirement of its mineral properties, plant, and equipment. The present value of these reclamation provisions may be subject to change as a result of management's estimates of ultimate decommissioning and reclamation costs, changes in the remediation technology or changes to applicable laws, regulations and interest rates. Such changes will be recorded in the accounts of the Company as they occur.

The costs of performing the decommissioning and reclamation must be funded by the Company's operations. These costs can be significant and are subject to change. The Company cannot predict what level of decommissioning and reclamation may be required in the future by regulators. If the Company is required to comply with significant additional regulations or if the actual cost of future decommissioning and reclamation is significantly higher than current estimates, this could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

***Company's operations are subject to political risk and government regulations***

The Company's mining, exploration and development activities are focused in Mexico and Canada, and are subject to national and local laws and regulations, governing prospects, taxes, labour standards, occupational health, land use, environmental protection, mine safety and others which currently or in the future may have a substantial adverse impact on the Company. In order to comply with applicable laws, the Company may be required to incur significant capital or operating expenditures. Existing and possible future environmental legislation, regulation and action could cause additional expense, capital expenditures, restriction, and delays in the activities of the Company, the extent of which cannot be reasonably predicted. Violations may require compensation of those suffering loss or damage by reason of the Company's mining activities, and the Company may be fined if convicted of an offence under such legislation.

Mining and exploration activities in Mexico and/or Canada may be affected in varying degrees by political instabilities and government regulations relating to the mining industry. Any changes in regulations or shifts in political conditions are beyond the Company's control and may adversely affect the business. Operations may also be affected to varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and mine safety. The status of Mexico as a developing country may make it more difficult for the Company to obtain any required financing for projects. The effect of all these factors cannot be accurately predicted. Notwithstanding the progress achieved in improving Mexican political institutions and revitalizing its economy, the present administration, or any successor government, may not be able to sustain the progress achieved. The Company does not carry political risk insurance.

Under the Foreign Investment Law of Mexico, there is no limitation on foreign capital participation in mining operations; however, the applicable laws may change in a way which may adversely impact the Company and its ability to repatriate profits. Under Mexican Income Tax Law, dividends are subject to a withholding tax. Corporations with their tax residence in Mexico are taxed on their worldwide income. Mexico levies a value-added tax, known as the IVA, which is an indirect tax levied on the value added to goods and services, and it is imposed on corporations that carry out activities within Mexican territory.

During 2013, the Mexico Senate passed tax reform legislation, which took effect on January 1, 2014. The tax reform includes an increase in the corporate tax rate from 28% to 30%, the introduction of a special mining royalty of 7.5% on the profits derived from the sale of minerals, and the introduction of a mining royalty of 0.5% on the gross income derived from the sale of gold, silver and platinum. These changes may have a material impact on the Company's future earnings and cash flows, and possibly on future capital investment decisions.

***Exploration and development risks.***

The business of exploration and development for minerals involves a high degree of risk and few properties become producing mines. Unprofitable efforts result not only from the failure to discover mineral deposits, but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. There is no assurance that the Company's future exploration and development activities will result in any discoveries of commercial bodies of ore. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of mining facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Company not receiving an adequate return on invested capital.

***The mining industry is highly speculative and involves substantial risks.***

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

***The commercial quantities of ore cannot be accurately predicted.***

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

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

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

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

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

***Mining activities are inherently risky and subject to accidents.***

Mining activities are risky and heavily regulated. Despite our attempts to minimize accidents through strict safety procedures, individuals may be injured or harmed working in our mines. Should any accidents occur, our mine may be partially or fully shut down to aid regulators in their investigation, even if it is determined we are not at fault for the cause of the accident. In this regard, there were two accidental deaths at the Company's San Gonzalo mine in March 2016, and an accidental death at the Avino Mine complex processing facility in June 2014. We do not believe that we were at fault in these accidents and, unfortunately, believe that the accidents were the result of the employees not following the proper safety protocols. Following the accidents, local authorities allowed us to resume mining activities. Notwithstanding our belief that we were not at fault for the accidents, we may nevertheless be found liable and subject to fines and/or penalties or we may be required to revise and implement new safety procedures that would make it more costly to operate our mines. Currently, we do not have insurance covering accidents, but may obtain insurance in the future.

***Our concentrates are subject to theft and loss.***

The concentrates produced by the Company have significant value, and are loaded onto road vehicles for transport to smelters in Mexico or to seaports for export to smelters in foreign markets, such as Europe and Asia, where the metals are extracted. The geographic location of the Company's operating mines in Mexico and trucking routes taken through the country to the smelters and ports for delivery, give rise to risks including concentrate theft, road blocks and terrorist attacks, losses caused by adverse weather conditions, delays in delivery of shipments, and environmental liabilities in the event of an accident or spill. In addition, the Company may have significant concentrate inventories at its facilities or on consignment at other warehouses awaiting shipment. The Company has taken steps to secure its concentrate, whether in storage or in transit. The Company has insurance coverage for its inventory while in transit; however, recovery of the full market value may not always be possible. Despite these risk mitigation measures, there remains a continued risk that theft of concentrate may have a material impact on the Company's financial results.

***Our mining operations are subject to number of risks including uninsured risks which may result in suspension of operations.***

Mining operations generally involve a high degree of risk which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The business of mining and exploration is subject to a variety of risks including, but not limited to, fires, power outages, labour disruptions, industrial accidents, flooding, explosions, cave-ins, landslides, environmental hazards, technical failures, and the inability to obtain suitable or adequate machinery, equipment or labour. Such occurrences, against which the Company cannot, or may elect not to insure, may delay production, increase production costs or result in liabilities. The payment of such liabilities may have a material adverse effect on the Company's financial position. The economics of developing mineral properties are affected by such factors as the cost of operations, variations in the grade and metallurgy of the ore mined, fluctuations in mineral markets, costs of processing and equipment, transportation costs, government regulations including regulations relating to royalties, allowable production, importing and exporting of mineral product, and environmental protection rules and regulations.

During the period between the end of April to June 2020, the Company was required to shut down operations at the Avino Mine due to COVID-19 pandemic safety measures imposed by the Mexican authorities. In June 2020, mining operations briefly resumed, until a labour strike in July 2020 resulting in a suspension of operations. The labour strike was resolved in October 2020.

***The exercise of our outstanding warrants, stock options into common shares and issuance of RSUs will result in ownership dilution to our shareholders and could temporarily suppress the price of our common shares.***

As at December 31, 2021, we had outstanding warrants to purchase 1,950,412 common shares at a weighted average exercise price of \$0.80 per share. As at December 31, 2021, there were outstanding share options exercisable into 2,839,000 common shares at a weighted average exercise price of Cdn\$1.68 and RSUs outstanding for the issuance of a further 1,439,477 common shares at a weighted average exercise price of Cdn\$1.32. If all these options and warrants are exercised and RSUs are issued, such issuance will cause ownership dilution to our shareholders. The dilution may result in a decline in the market price of our common shares.

***Market forces may adversely affect the marketability of mineral resources.***

There is no assurance that, even if commercial quantities of mineral resources are discovered, that these can be sold at a profit. Factors beyond the control of the Company may affect the marketability of any mineral occurrences discovered. The prices of silver, gold and copper have experienced volatile and significant movements over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations (specifically, the United States dollar relative to the Canadian dollar and other currencies), interest rates and global or regional consumption patterns (such as the development of gold coin programs), speculative activities and increased production due to improved mining and production methods.



***The Company is subject to foreign corrupt practices laws.***

The Company is subject to the Foreign Corrupt Practices Act (the “FCPA”), the Corruption of Foreign Public Officials Act (Canada) (“CFPOA”), and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by persons and issuers as defined by the statutes, for the purpose of obtaining or retaining business. It is our policy to implement safeguards to discourage these practices by our employees; however, our existing safeguards and any future improvements may prove to be ineffective, and our employees, consultants, sales agents or distributors may engage in conduct for which the Company might be held responsible. Violations of the FCPA, CFPOA, and/or other laws may result in criminal or civil sanctions and the Company may be subject to other liabilities, which could negatively affect our business, operating results and financial condition. The Company is also subject to the Extractive Sector Transparency Measures Act (Canada) (“ESTMA”), which requires us to maintain records of specific payments (including taxes, royalties, fees, production entitlements, bonuses, dividends, and infrastructure improvements) to all government entities in Canada and abroad, and to publicly disclose payments of \$100,000 or more in any payment category on an annual basis within 150 days of our fiscal year end, to increase transparency and deter corruption in the extractive industry sector.

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

In those jurisdictions where the Company has property interests, the Company undertakes searches of mining records and obtains title opinions from reputable counsel in accordance with mining industry practices to confirm satisfactory title to properties in which it holds or intends to acquire an interest, but the Company does not obtain title insurance with respect to such properties. The possibility exists that title to one or more of its properties, particularly title to undeveloped properties, might be defective because of errors or omissions in the chain of title, including defects in conveyances and defects in locating or maintaining such claims, prior unregistered agreements or transfers, and title may be affected by undetected defects or native land claims. For unsurveyed mineral claims, the location and boundaries of such mining claims may be in doubt. The ownership and validity of mining claims are often uncertain and may be contested. The Company is not aware of any challenges to the location or area of its mineral claims. There is, however, no guarantee that title to the Company’s properties will not be challenged or impugned in the future. The properties may be subject to prior unregistered agreements or transfers.

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

***We do not intend to pay dividends in the foreseeable future.***

We have never paid, and we do not intend to pay, any cash dividends in the foreseeable future.

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

Certain provisions of our Articles of Incorporation (“Articles”) may have the effect of delaying or preventing a change in control of our Company or deterring tender offers for our common shares that other shareholders may consider in their best interests.

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

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

***Our business is subject to competition.***

There is a limited supply of desirable mineral lands available for acquisition, claim staking or leasing in the areas where the Company contemplates expanding its operations and conducting exploration activities. Many participants are engaged in the mining business, including large, established mining companies. There can be no assurance that the Company will be able to compete successfully for new mining properties. The resource industry is intensely competitive in all its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than itself. Competition could adversely affect the Company’s ability to acquire suitable producing properties or prospects exploration in the future.

***Uncertainty of exploration and evaluation programs.***

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

***If the Company fails to obtain or maintain the necessary permits, this may adversely affect the Company's financial condition and business.***

Existing and possible future environmental legislation, regulations and actions could give rise to additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Regulatory requirements and environmental standards are subject to constant evaluation and may become more restrictive, which could materially affect the business of the Company or its ability to develop its properties. Before production can commence on any of its mineral properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals will be obtained, or if they are obtained, if they will be granted on a timely basis. The cost of compliance with existing and future governmental regulations has the potential to reduce the profitability of operations or preclude entirely the economic development of the Company's mineral projects and properties.

Permitting of exploration programs in Mexico requires the completion of agreements with the indigenous communities in the vicinity of the project. The timing for the completion of such agreements is unpredictable. The process of obtaining such agreements is also affected by the two-year election cycle for the councils of the indigenous communities.

***Political or economic instability or unexpected regulatory change may adversely affect the Company.***

The Company is subject to a number of factors beyond its control. Our primary property is located in a foreign country that may be subject to political and economic instability, or unexpected legislative change than is usually the case in certain other countries, provinces and states. Our mineral exploration and mining activities could be adversely affected by:

- political instability and violence;
- war and civil disturbances;
- expropriation or nationalization;
- changing fiscal regimes;
- fluctuations in currency exchange rates;
- high rates of inflation;
- underdeveloped industrial and economic infrastructure;
- changes in the regulatory environment governing exploration and evaluation assets; and
- unenforceability of contractual rights, any of which may adversely affect our business in that country.

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

We maintain our bank accounts in Canadian and U.S. Dollars and Mexican pesos. Any appreciation in the currency of Mexico or other countries where we may carry out exploration and mining activities against the Canadian or U.S. Dollar will increase our costs of carrying out operations in such countries. In addition, any increase in the Canadian Dollar against the U.S. Dollar will result in a loss on our financial statements to the extent we hold funds in Canadian Dollars. Copper, gold and silver are typically sold in U.S. dollars. As a result, the Company is subject to foreign exchange risks relating to the relative value of the U.S. dollar as compared to the Canadian dollar and the Mexican peso. To the extent that the Company generates revenues at the Avino Mine, it will be subject to foreign exchange risks as revenues will be received in U.S. dollars while certain operating and capital costs will be incurred primarily in Mexican pesos. A decline in the U.S. dollar would result in a decrease in the Company's revenues and adversely impact the Company's financial performance.

***We may be subject to land reclamation requirements.***

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

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

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

***Current global financial conditions may adversely affect the Company's ability to secure financing.***

Financial markets globally have been subject to increased volatility. Access to financing has been negatively affected by liquidity crises and uncertainty with respect to sovereign defaults throughout the world. These factors may impact the ability of the Company to obtain loans and other forms of financing in the future and, if obtained, on terms favourable to the Company. If these levels of volatility and market turmoil continue or worsen, the Company may not be able to secure appropriate debt or equity financing when needed, any of which could affect the trading price of the Company's securities in an adverse manner.

***There may be potential conflicts of interest between the Company and our directors, officers, affiliates and promoters.***

There are potential conflicts of interest to which the directors, officers, insiders and promoters of the Company will be subject in connection with the operations of the Company. The directors, officers, insiders and promoters of the Company are engaged in and will continue to be engaged in corporations or businesses which may be in competition with the Company. Accordingly, situations may arise where such directors, officers, insiders and promoters will be in direct competition with the Company. The Company has a process to identify and declare any conflicts. Conflicts, if any, will be subject to the procedures and remedies as provided under the Business Corporations Act of British Columbia.

***We are dependent on our management.***

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

***We are subject to competition for recruitment and retention of qualified personnel.***

We compete with other exploration and mining companies, many of which have greater financial resources than us or are further in their advancement, for the recruitment and retention of qualified employees and other personnel. Competition for exploration and mining resources at all levels is highly cyclical and can quickly become very intense, particularly affecting the availability of manpower, drill rigs and supplies. Recruiting and retaining qualified personnel in the future is critical to the Company's success. As the Company explores its Avino Mine and other properties, the need for skilled labour will increase. The number of persons skilled in the exploration of mining properties is limited and competition for this workforce is intense. The exploration and other initiatives of the Company may be significantly delayed or otherwise adversely affected if the Company cannot recruit and retain qualified personnel and/or obtain other exploration and mining resources as and when required.

***Our common shares are subject to limited and volatile trading volume.***

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

***Our common shares are subject to volatile share price.***

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

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

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

***Disruptions to our information technology systems, including future cyber-attacks and security breaches, and the costs of maintaining secure and effective information technology systems could negatively affect our business and results of operations.***

The efficient operation of our businesses is dependent on computer hardware and software systems. Information systems are vulnerable to security breaches by computer hackers and cyber terrorists. We rely on industry accepted security measures and technology to securely maintain confidential and proprietary information maintained on our information systems and continue to invest in maintaining and upgrading these systems and applications to ensure risk is controlled. Regardless of our efforts to maintain and upgrade our cyber security systems, there can be no assurance that we will not suffer an intrusion, that unauthorized parties will not gain access to confidential or personal information, or that any such incident will be discovered promptly. The techniques used by criminals to obtain unauthorized access to sensitive data change frequently and often are not recognized until launched against a target, and we may be unable to anticipate these techniques or implement adequate preventative measures. The failure to promptly detect, determine the extent of and appropriately respond to a significant data security breach could have a material adverse impact on our business, financial condition and results of operations. In addition, the unavailability of the information systems or failure of these systems to perform as anticipated for any reason, including a major disaster or business interruption resulting in an inability to access data stored in these systems or sustain the data center systems necessary to support functions to meet our needs, and any inability to respond to, or recover from, such an event, could disrupt our business and could result in decreased performance and increased overhead costs, causing our business and results of operations to suffer.

***We are a multinational company that faces complex taxation regimes in various jurisdictions. Audits, investigations, and tax proceedings could have a material adverse effect on our business, results of operations, and financial condition.***

We are subject to income and non-income taxes in numerous jurisdictions. Income tax accounting often involves complex issues, and judgment is required in determining our worldwide provision for income taxes and other tax liabilities. In particular, most of the jurisdictions in which we conduct business have detailed transfer pricing rules, which require that all transactions with non-resident related parties be priced using arm's length pricing principles within the meaning of such rules. In addition, the application of withholding tax, value added tax, goods and services tax, sales taxes and other non-income taxes is not always clear and we may be subject to tax audits relating to such withholding or non-income taxes. We believe that our tax positions are reasonable and our tax reserves are adequate to cover any potential liability. However, tax authorities in certain jurisdictions may disagree with our position, including the propriety of our related party arm's length transfer pricing policies and the tax treatment of corresponding expenses and income. If any of these tax authorities were successful in challenging our positions, we may be liable for additional income tax and penalties and interest related thereto in excess of any reserves established therefor, which may have a significant impact on our results and operations and future cash flow.

***Changes to tax laws in any of the jurisdictions in which we operate or plan to operate in the future could have a material adverse effect on our business, results of operations, and financial condition.***

We are a multinational company that is subject to complex taxation regimes in numerous jurisdictions. Our future effective tax rates could be affected by changes in tax laws or their interpretation in any of those jurisdictions. Tax laws, including tax rates, in the jurisdictions in which we operate may change as a result of macroeconomic or other factors outside of our control. Changes in tax laws, treaties, or regulations or their interpretation or enforcement are unpredictable. Any of these occurrences could have a material adverse effect on our results of operations and financial condition.

#### **Item 4. Information on the Company**

Preliminary Note. References to the "Technical Report" refers to the "Resource Estimate Update For the Avino Property, Durango, Mexico", dated January 13, 2021, as amended in the "Amended Resource Estimate Update For the Avino Property, Durango, Mexico" in the NI 43-101 Technical Report prepared by Tetra Tech Inc. and Red Pennant Communications Corp. and is intended to comply with the requirements of subpart 1300 of Regulation S-K (the "SEC Mining Modernization Rules") and Canadian National Instrument 43-101—Standards of Disclosure for Mineral Projects ("NI 43-101"). The mineral resource estimate contained in the Technical Report for the Avino Property was filed as an exhibit to Form F-3 January 27, 2021, as amended on Form 6-K on December 21, 2021, and was filed on Sedar on January 15, 2021, as amended on December 21, 2021. The mineral resource estimates contained in the Technical Report for the Avino Property, as amended, is effective as of the date of January 13, 2021, and has not been updated since that time. The Company believes that activity at the Avino Property subsequent to the effective date of the mineral resource estimates would not result in a material change to the information contained in the Technical Report. The Company has no proven or probable mineral reserves. Hassan Ghaffari, P.Eng., M.A.Sc., Jianhui (John) Huang, Ph.D., P.Eng and Michael F. O'Brien, P.Geo., M.Sc., Pr.Sci.Nat., FAusIMM are the Qualified Persons who prepared the Technical Report. None of Messrs. Ghaffari, Huang nor O'Brien, or their respect companies, Tetra Tech Canada Inc. and Red Pennant Communications Corp., was an affiliate of or had an interest in the Company or had an interest in the Avino Property at the time of the Technical Report. A copy of the Technical Report is referenced as Exhibit 96.1

##### ***A. History and development of the Company***

The Company was incorporated by Memorandum of Association under the laws of the Province of British Columbia on May 15, 1968, and on August 22, 1969, by virtue of an amalgamation with Ace Mining Company Ltd., became a public company whose common shares are registered under the Exchange Act, changing its name to Avino Mines & Resources Limited. On April 12, 1995, the Company changed its corporate name to International Avino Mines Ltd. and effected a reverse stock split of one common share for every five common shares outstanding. On August 29, 1997, the Company changed its corporate name to Avino Silver & Gold Mines Ltd., its current name, to better reflect the business of the Company of exploring for and mining silver and gold

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The Company is a reporting issuer in all Provinces of Canada, except for Quebec, a foreign private issuer in the United States, and is listed on the Toronto Stock Exchange, under the symbol "ASM", on the NYSE-American under the symbol "ASM", and on the Berlin and Frankfurt Stock Exchanges under the symbol "GV6". The principal executive office of the Company is located at Suite 900, 570 Granville Street, Vancouver, British Columbia V6C 3P1, and its telephone number is 604-682-3701.

The Company is a natural resource company primarily engaged in the extracting and processing of silver and to a lesser extent, gold and copper and the acquisition and exploration of natural resource properties. The Company's principal business activities have been the exploration for and extracting and processing of silver, gold and copper at mineral properties located in the State of Durango, Mexico. The Company also owns other exploration and evaluation assets in British Columbia and the Yukon, Canada.

**B. Business overview**

***Operations and Principal Activities***

The Company is a Canadian-based resource firm focused on silver, gold, and copper exploration, extraction and processing. The Company has a long prior history of operation, beginning in 1968 with the development of the Avino Silver Mine, located in the state of Durango, Mexico (the "Avino Mine"). From 1974 to 2001, the Avino Mine produced silver, gold, copper and lead and provided hundreds of jobs for the Durango region before closing due to depressed metal prices and closing of a smelter. Beginning in 2002, the Company re-directed its corporate strategy to focus almost entirely on silver, and the Company began acquiring silver properties in North America. In October 2014, Avino acquired Bralorne Gold Mines Ltd. ("Bralorne"), a British Columbia company, which owns the past producing Bralorne Gold Mine in British Columbia, as a wholly-owned subsidiary. The Avino Mine in Mexico, the Bralorne Mine in British Columbia, and surrounding mineral leases continue to hold silver and gold potential. On December 13, 2019, the Company completed the sale of Bralorne to Talisker. The sale includes the Bralorne Gold Mine and is part of the Company's plan to focus on its core mining operations in Mexico. For more information regarding the sale, please see below. The Company also had an option agreement with Alexco Resources Corp. on its wholly-owned Eagle Property located in the Yukon. This option agreement was terminated on January 31, 2019. The Avino Property, along with other silver and gold projects, will remain the Company's principal focus for the foreseeable future. The Eagle Property is currently inactive.

In the second quarter of 2016, the Company declared that effective April 1, 2016, extracting and processing resources at levels intended by management had been achieved at the Avino Mine following an advancement and test period of 19 months. The decision was based on the following criteria:

- All critical capital components have been acquired and installed to achieve desired mining and processing results;
- The necessary labor force, including production and development mining contractors, has been secured to mine and process at planned levels of output;
- The mill has consistently processed at levels above design capacity and budgeted production levels of 1,250 tpd with consistent recoveries and grades; and
- The Company entered into a long-term sales agreement with Samsung C&T U.K. Limited ("Samsung"). Further, Samsung has provided Avino with a term facility which has provided capital to facilitate further expansion and development of the Avino Mine.

Subsequently, on July 11, 2018, upon further review of the Company's experience at the Avino and San Gonzalo mines, the Company concluded to change its accounting policy under IFRS 6 and IAS 16 in accounting for the Company's Exploration and Evaluation Assets and Development Costs, including the determination that the Company commenced production effective July 1, 2015. The voluntary change in accounting policy was intended to provide investors with a better reflection of the Company's business activities to enhance the comparability of the Company's financial statements to the Company's peers and to make the Company's financial statements more relevant to the economic decision-making needs of users.

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As a result of applying the change in accounting policy, we have determined that we would have been deemed to be in the production phase effective July 1, 2015. Accordingly, we have applied this retrospective application of this change in accounting policy for (i) the year ended December 31, 2015; (ii) the year ended December 31, 2016; and (iii) the year ended December 31, 2017.

On December 13, 2019, Avino closed an agreement to sell all of the issued and outstanding shares of Bralorne to Talisker for:

- (i) A cash consideration of C\$8.7 million;
- (ii) The issuance of 12,580,000 common shares of Talisker (the “Talisker Shares”);
- (iii) The issuance of 6,290,000 share purchase warrants (the “Talisker Warrants”) exercisable at C\$0.25 per share for a period of three years after the Closing Date

In addition, as part of the sale of Bralorne to Talisker, Avino also assigned all of its rights and obligations to the nine BRX mineral claims to Talisker. As a result of the sale, Avino acquired the Talisker Shares, representing 9.9% of the total issued and outstanding shares of Talisker, and the Talisker Shares and Talisker Warrants represent 14.85% of Talisker on a fully diluted basis assuming the exercise of the Talisker Warrants. The Talisker Shares and Talisker Warrants were acquired by Avino for investment purposes.

On February 25, 2020, the Company exercised its Talisker Warrant to purchase 6,290,000 common shares. On that same date, the Company sold 3,000,000 common shares of Talisker. As a result of these transactions, the Company, as of February 25, 2020, held 15,870,000 common shares of Talisker representing approximately 9.6% of Talisker common shares.

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

On October 27, 2021, the Company announced that it has entered into a share purchase agreement (the “La Preciosa Transaction”) with Coeur Mining Inc. (“Coeur”) to acquire through the purchase of shares of certain holding companies, the La Preciosa property (“La Preciosa”). The property is located adjacent to the Avino Mine in the state of Durango, Mexico.

Consideration of \$20,000,000, of which \$15,000,000 is payable at the closing of the La Preciosa Transaction and the remaining \$5,000,000 is payable before the first anniversary of the closing date.

Avino will issue 14,000,000 units (the “Units”) comprised of one common share and one half of a common share purchase warrants.

Cash consideration of US\$8.75 million will be payable by the Company to Coeur within 12 months of initial production at La Preciosa. Avino may elect to pay up to half of the contingent cash consideration in Avino shares. Coeur will retain ownership of a 1.25% net smelter royalty on the Gloria and Abundancia areas of La Preciosa, and a 2.00% gross value royalty on all areas of La Preciosa other than the Gloria and Abundancia areas.

So long as Coeur holds 10% or more of the outstanding shares of Avino, Coeur has the option to nominate one director for election to the Avino board or designate a board observer. At closing, Coeur has also been granted pre-emptive rights to maintain its equity ownership position in Avino and has entered into a voting agreement with Avino.

The completion of the proposed La Preciosa Transaction is subject to a number of customary conditions precedent, as well as, the authorization of the Mexican Federal Economic Commission,. The Toronto Stock Exchange has provided conditional approval of the project and the NYSE American has approved the listing of the common shares and warrants to be issued in the La Preciosa Transaction. The La Preciosa Transaction closed on March 21, 2022.

### **Competition**

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

### **Seasonality**

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

### **Governmental Regulation**

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

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

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

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



### **Governmental Regulation - Mexico**

Mineral exploration and mining in Mexico is covered under the Mining Law as first published in June 1992, and most recently amended in August 2014. Mining activities in Mexico are administered by the Ministry of Economy. Environmental regulations are covered under “Ley General del Equilibrio Ecológico y la Protección al Ambiente” (General Law of Ecological Balance and Environmental Protection) and its regulations. Certain other environmental laws, including “Ley de Aguas Nacionales” (Law of National Waters) and “Ley Forestal” (Forestry Law) and their associated regulations may also cover certain operations. The kind of permits or authorizations required to conduct mining or mineral exploration operations in Mexico depend upon the type of operation. Common exploration activities do not require prior environmental authorization or licenses, but it is advisable to request a confirmation from the National Water Commission that planned operations will not affect the water table. It is also necessary to confirm that any planned operations will not be conducted in protected natural areas.

### **Governmental Regulation - British Columbia**

Mining activities in British Columbia are subject to the Mines Act and the Health, Safety and Reclamation Code (the “Code”), which are administered by the EMPR, and in particular its Mines and Minerals Resource Division, as well as the Chief Inspector of Mines. Mining permits are issued upon meeting certain conditions, including the provision of a security reclamation bond, and mining activities are regularly inspected for compliance with the Code. At this time, our three properties located in British Columbia are in the care and maintenance phase.

### **C. Organizational structure**

The Company’s Mexican subsidiaries are the wholly-owned subsidiary Oniva Silver and Gold Mines S.A. de C.V., referred to as “Oniva”, the wholly-owned subsidiary Nueva Vizcaya Mining S.A. de C.V., referred to as “Nueva Vizcaya”, Promotora, in which the Company has direct ownership of 79.09%, and Avino Mexico in which the Company has a 98.45% direct ownership and an additional 1.22% indirect ownership held through Promotora. The Company’s total effective ownership interest in Avino Mexico is 99.67%. All of these subsidiaries are incorporated under the laws of Mexico. The Company also previously owned 100% of Bralorne Gold Mines Ltd., incorporated in British Columbia, Canada which was sold during calendar 2019.

### **D. Property, plant and equipment**

The Company was extracting resources and processing it to yield a bulk silver/gold concentrate at the San Gonzalo Mine ceasing operations in 2019 and a copper concentrate from the Avino Mine, both of which are located on the Avino property in Durango, Mexico. The Company is also exploring options to re-process a large tailings resource left from past mining on the Avino property.

All of the Company’s mineral property interests in Canada are wholly-owned by the Company. In Mexico, the Company has a 99.67% interest in Avino Mexico, a Mexican company which is involved in the mining of commercial resources and resource exploration and evaluation, including the operation of the Avino and San Gonzalo Mines.

The Company owns and manages its Canadian properties. Exploration in Canada was previously focused on the Bralorne Mine project in southwest British Columbia which was acquired by the Company in 2014. The Bralorne Mine project was considered in the advanced exploration phase and extracting and processing resources at trial levels took place between 2011 and 2014. In calendar 2019, the Company sold the Bralorne Mine. Avino has in recent years conducted limited prospecting, trenching and drill programs on the Eagle (which was optioned to Alexco Resource Corp. and returned to the Company), Olympic-Kelvin, and Minto properties.

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

**Avino Property, Durango, Mexico**

*Location*

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

The property is situated as illustrated in the figures below:

**General Property Location Map**



### Regional Property Location Map



#### *Accessibility and Local Resources*

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

The nearest major city is Durango, with a population of approximately 600,000. Durango is a major mining center in Mexico where experienced labour and services can be obtained. The two towns nearest the mine are Pánuco de Coronado and San José de Avino, where the majority of the employees live while working at the mine. Pánuco de Coronado has a population of approximately 12,000, and San José de Avino is a small center with a population of less than 1,000.

*Geology and Mineralization*

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

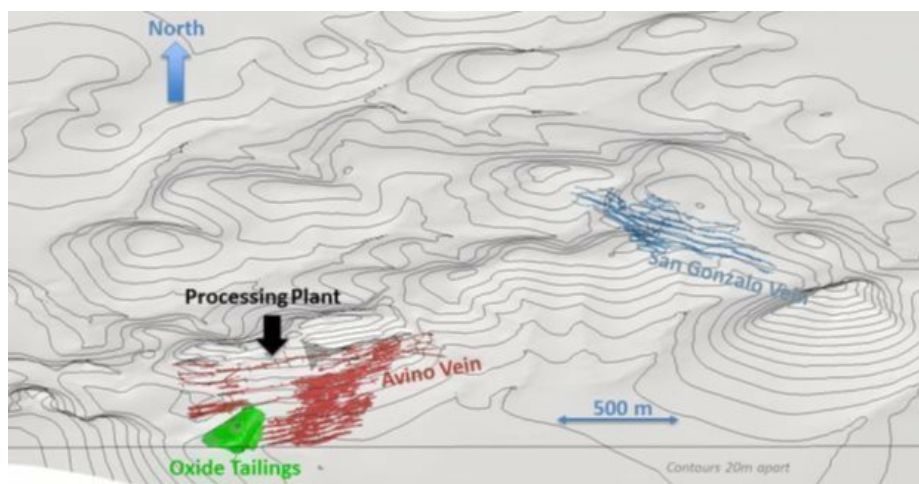
A large monzonitic intrusion is observed in the region in the form of dykes and small stocks, which appear to be linked to the onset of the Avino vein mineralization. Other post-mineralization dykes of intermediate to felsic composition outcrop in various areas and appear to cause minor structural displacements.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

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

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

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

**Perspective View of the Property Looking North and Showing the Three Deposits**



*Property Ownership*

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

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

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

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

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

On June 4, 2013, the Company converted existing loans advanced to Avino Mexico into new additional shares of Avino Mexico, resulting in the Company's ownership increasing by 0.38% to an effective 99.67%. The issuance of shares to the Company by Avino Mexico on June 4, 2013 resulted in a reduction in the non-controlling interest from 0.72% to 0.34%.

On August 26, 2015, the Company converted existing loans advanced to Avino Mexico into new additional shares, resulting in an increase of the Company's ownership by 0.01% to an effective 99.67%. The intercompany loans and investments are eliminated upon consolidation of the financial statements. The Company had a pre-existing effective ownership interest of 99.66% in Avino Mexico prior to the 0.01% increase. The issuance of shares to the Company by Avino Mexico on August 26, 2015, resulted in a reduction in the non-controlling interest from 0.34% to 0.33%.

**Summary of Property Ownership**

<b>Company</b>	<b>Relationship to Avino Silver &amp; Gold Mines Ltd.</b>	<b>Effective Ownership of Avino Mine Property (%)</b>
Avino Mexico	Subsidiary	98.45
Promotora Avino, S.A. de C.V.	Subsidiary	1.22
Total Effective Ownership of Avino Mine Property	-	99.67
Estate of Ysita	Non-controlling interest	0.33
<b>Total</b>	-	<b>100.00</b>

*Mineral Concessions and Agreements*

The current property is comprised of 23 mineral concessions, totalling 1,103.934 ha. Of these, 22 mineral concessions totalling 1,005.104 ha, are held by Avino Mexico, Promotora Avino SA de CV, and Susecion de la Sra. Elena del Hoyo Algara de Ysita. Ownership proportions and mineral concessions are summarized in the tables following the next paragraphs regarding Claim Staking and Mineral Tenure in Mexico.

*Claim Staking and Mineral Tenure in Mexico*

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

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

Owners of mining concessions are obliged to:

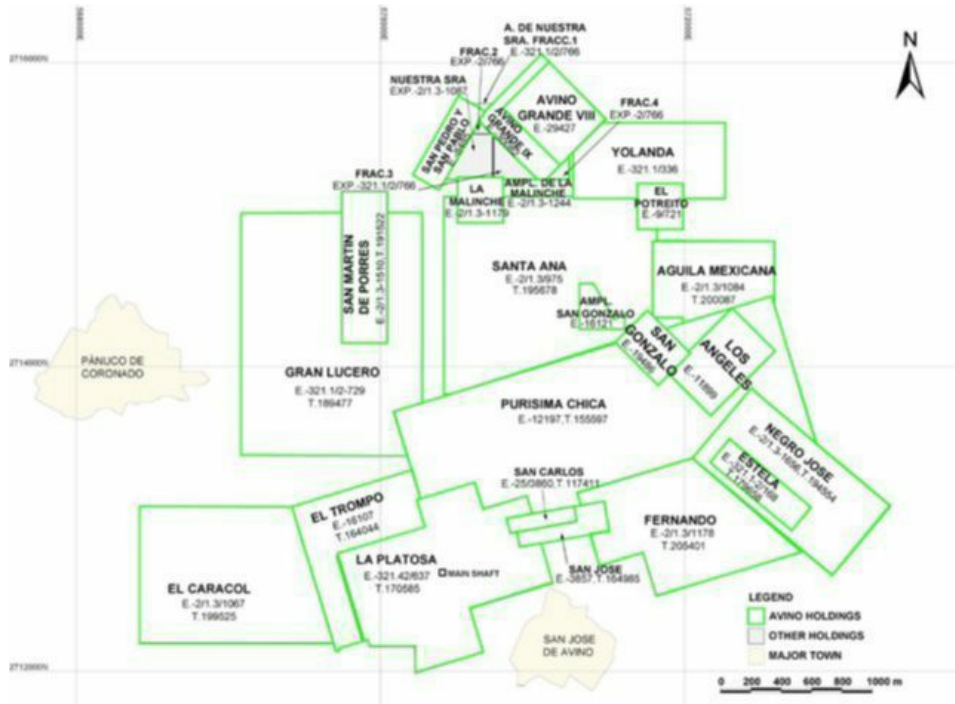
- Execute work under the terms and conditions established in the mining law;
- Pay fees to the Secretaria de Economia on a semi-annual basis;
- Locate on the ground a starting point (mojonera) for the location of the concession, and maintain the mojonera in good condition;
- Begin work on the concession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

Mineral Concessions – Avino Property

Concession Name	Concession No.	Claim Type	Location	Hectares (ha)	Date Acquired	Expiration Date	Cost (US\$/ha)	Payment (US\$)
Agrupamiento San Jose (Purisma Chica)	155597	Lode	Pánuco	136.708	30/09/1971	29/09/2021	124.74	17,052.91
Agrupamiento (San Jose)	164985	Lode	Pánuco	8	13/08/1979	12/8/2029	124.74	997.92
Agrupamiento San Jose (El Trompo)	184397	Lode	Pánuco	81.547	13/10/1989	12/10/2039	124.74	10,172.12
Agrupamiento San Jose (Gran Lucero)	189477	Lode	Pánuco	161.468	5/12/1990	4/12/2040	124.74	20,141.57
Agrupamiento San Jose (San Carlos)	117411	Lode	Pánuco	4.451	5/2/1961	16/12/2061	124.74	555.16
Agrupamiento San Jose (San Pedro Y San Pablo)	139615	Lode	Pánuco	12	22/06/1959	21/06/2061	124.74	1,496.88
Aguila Mexicana	215733	Lode	Pánuco	36.768	12/3/2004	29/06/2044	70.88	2,606.12
Ampliacion La Malinche	204177	Lode	Pánuco	6.01	18/12/1996	17/12/2046	124.74	749.72
Ampliacion San Gonzalo	191837	Lode	Pánuco	5.85	19/12/1991	18/12/2041	124.74	729.67
Avino Grande Ix	216005	Lode	Pánuco	19.558	2/4/2002	1/4/2052	70.88	1,386.24
Avino Grande Viii	215224	Lode	Pánuco	22.882	14/02/2002	13/02/2052	70.88	1,621.85
El Caracol	215732	Lode	Pánuco	102.382	12/3/2002	28/04/2044	70.88	7,256.84
El Potrerito	185328	Lode	Pánuco	9	14/12/1989	13/12/2039	124.74	1,122.66
Fernando	205401	Lode	Pánuco	72.129	29/08/1997	28/08/2047	124.74	8,997.33
La Estela	179658	Lode	Pánuco	14	11/12/1986	12/12/2036	124.74	1,746.36
La Malinche	203256	Lode	Pánuco	9	28/06/1996	27/06/2046	124.74	1,122.66
Los Angeles	154410	Lode	Pánuco	23.713	25/03/1971	24/03/2021	124.74	2,957.96
Negro Jose	218252	Lode	Pánuco	58	17/10/2002	16/10/2052	70.88	4,111.04
San Gonzalo	190748	Lode	Pánuco	12	29/04/1991	28/04/2041	124.74	1,496.88
San Martin De Porres	222909	Lode	Pánuco	30	15/09/2004	14/09/2054	70.88	2,126.40
Santa Ana	195678	Lode	Pánuco	136.182	14/09/1992	13/09/2042	124.74	16,987.38
Yolanda	191083	Lode	Pánuco	43.458	29/04/1991	28/04/2041	124.74	5,420.91
<b>Total hectares</b>				<b>1,005.106</b>			<b>110.29</b>	<b>110,856.58</b>

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

Map of Avino Mine Property Concessions





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

Pursuant to the *Minerales Agreement*, Avino has the exclusive right to explore and mine the concession for an initial period of 15 years, with the option to extend the agreement for another 5 years. In consideration of the grant of these rights, Avino must pay to *Minerales* the sum of \$250,000, by the issuance of 135,189 common shares of Avino. Avino will have a period of 24 months for the development of mining facilities. In addition, after the development period, if the minimum monthly processing rate of the mine facilities is less than 15,000t, then Avino must pay to *Minerales* in an event a minimum royalty equal to the applicable NSR royalty based on processing at a minimum rate of 15,000t. In the event of a force majeure, Avino shall pay the minimum royalty as follows:

- First quarter: payment of 100% of the minimum royalty
- Second quarter: payment of 75% of the minimum royalty
- Third quarter: payment of 50% of the minimum royalty
- Fourth quarter: payment of 25% of the minimum royalty
- In case of force majeure still in place after one year of payments, payment shall recommence at a rate of 100% of the minimum royalty and shall continue being made as per the quarterly schedule.

Avino has also agreed to pay to *Minerales* a royalty equal to 3.5% of NSRs. If at the commencement of commercial production from the concession.

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

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

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

## **History**

### *Avino Mine*

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

In 1880, the mines were taken over by Avino Mines Ltd., a company controlled by American and English interests. With aid of new industrial technology the Avino Mine developed into a more efficient mining operation. By 1908, the Avino Mine was considered one of the largest open pit mines in the world and equipped with one of the largest smelters.

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

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

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

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

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

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

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

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

In November 2001, delays in payments, low metals prices and the closure of the toll smelter led to the suspension of mine operations. During the 27-year period of extracting and processing resources starting in 1974, output from the Avino mine totalled approximately 497 tons of silver, three tons of gold, and 11,000 tons of copper. When mining activities stopped, level 12 of the mine had been reached.

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

### *San Gonzalo Mine*

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

### **Current Condition**

#### *San Gonzalo Mine*

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

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

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

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

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

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

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

During 2013 the extraction of resources came mainly from level 4. Advancement of level 5 was ongoing and by year end a sampling program totaling 440 meters had been completed. The ramp from level 5 to level 6 had been completed by April 2014.

During 2014, mine exploration and advancement included the discovery of significant additional mineralization along strike to the southeast while drifting on level 5. These areas had not previously been considered for mining. Following this discovery, the extension of this new mineralized zone was explored on levels 2 through 6. Previous exploration did not encounter this area as the vein had pinched out and an offset of the vein was not considered at that time. During 2014, extraction of resources came primarily from levels 5 and 6 as well as from mined material from the new zone on level 3. Advancement work on level 6 continued throughout the fourth quarter, and by year end the main haulage ramp had progressed past the level 7 elevation of 2,043 meters above sea level towards level 8.

During 2015, San Gonzalo mill feed came primarily from stopes on levels 4, 5 and 6. During the second quarter, the ramp advance was deferred (at 70 metres below level 7) in favor of using the mining equipment to advance levels 5, 6 and 6.5 laterally along the San Gonzalo structure to the East and West where the new mineralized zones were identified in 2014.

During 2016, San Gonzalo mill feed came from stopes on level 4, 5, 6 and 7 with the bulk of the tonnage coming from stopes 4-050, 5-030, 5-500, 5-600, 6-030, 6-100 and 7-070.

In 2017, San Gonzalo mill feed came from stopes on levels 4, 5, 6 and 7 with most of the tonnage coming from stopes 4-020, 6-030, 6.5-070 and 7.5-200. Smaller amounts came from 5-020 and 5-030.

In 2018, San Gonzalo mill feed came from stopes on levels 2, 3, 4, 5 and 6 with most of the tonnage coming from stopes 3-020, 4-010, 4-020, 5-010, 6-020 and 6.5-070. Smaller amounts came from 2-380 and 6.5-100.

In 2019, San Gonzalo mill feed came from stopes on levels 2, 4, 4.5 and 5 of the Santiago and Angelica vein with most of the tonnage coming from stopes 4-400, 4-500, 4.5-010, 5-400 and 5-500. These veins are adjacent to San Gonzalo and are accessed via the San Gonzalo underground infrastructure. During the last quarter of the year, San Gonzalo reached the end of its current resources and mining was stopped. It will remain open for continued exploration at different underground levels.

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

The San Gonzalo Mine has been the subject of four mineral resource estimates, the most recent of which was published on January 13, 2021; please see the section below on *Mineral Resource Estimates* for more details.

### *Avino Mine*

In February 2012, a new long-term royalty agreement was signed to grant Avino mining rights to the main Avino vein. At the time of signing this agreement, Avino planned to refurbish the existing 1,000 TPD circuit to process the material from the main Avino vein.

To resume underground advancement at the Avino Mine, the existing underground workings had to be de-watered; the dewatering process was completed in May 2014. The process lasted for a total of 482 days, and successfully removed 1,013,069 cubic meters of acidic water which was then treated for the removal of base metals using lime. The treated water, which met agricultural standards for discharge, was used for mill processes and the excess was gravity fed to the Company-built La Caricol dam; sludge from the water treatment plant was disposed of in the tailings storage facility.

Following dewatering and rehabilitation of the haulage ramp, underground mining activities re-commenced at the Avino Mine. Full scale mining began at level 11.5 with drifts heading east and west along the vein during the third quarter of 2014. By the end of 2014, a total of 877 metres of underground advancement had taken place on levels 11.0 and 12.0 with the haulage ramp advancing to level 12.5.

Initially, new material from underground at Avino was processed on a limited scale using the existing 250 TPD Mill Circuit 2. By year end, rehabilitation of the 1,000 TPD Mill Circuit 3 had been completed and sufficient material had been stockpiled; on January 1, 2015, the Company commenced testing of mining and milling methods at levels anticipated for full-scale activities.

During 2015, underground advancement totalled 5,056 metres and took place mainly in levels 12.5 to 14.5 with the ramp advancing to level 15. The breakdown of the advance in 2015 consisted of 2,855 metres of drifts, 785 metres of ramp, 1,050 metres of crosscuts and 366 metres of raises.

During 2016, underground advancement totalled 3,901 metres with the ramp advancing to level 16. Breakdown of the advance consisted of 1,489 metres of drifts, 415 metres of ramp, 1,609 metres of crosscuts and 390 metres of raises. Production mining with the Trac Drill took place on levels 12, 12.5 and 14.5. Mill feed from development mining came from levels 14.5, 15, 15.5 and the crosscuts towards the hanging wall breccia on levels 12.5 and 14.5 where high gold values were encountered.

During 2017, underground advancement totalled 2,905 metres with the ramp advancing to level 16.5. Breakdown of the advance consisted of 961 metres of drifts, 287 metres of ramp, 1,375 metres of crosscuts and 283 metres of raises. Production mining with the Trac Drill took place on all the developed levels up to level 15. Some mill feed from development mining came from levels 15.5 and 16.

In 2017, the Company announced plans to increase the throughput capacity of the processing plant by adding an additional 1,000 TPD circuit intended to process mill feed from another area of the Mine known as San Luis. The San Luis area of the Avino Mine was last mined in the 1990's and is accessed through a separate portal located approximately 2 km from the main entrance of the Avino Mine (Elena Tolosa area). Current resources at San Luis were included in the most recent resource estimate on the Avino property, which can be found in Avino's news release dated February 21, 2018

During 2018 work at San Luis was primarily focused on restoration of the main haulage ramp, which was completed during the third quarter. With the haulage ramp complete, work is underway to begin drifting on levels 6 and 6.5, followed by levels 7, 7.5, 8, 8.5 and 9. Most of these areas were partially developed during the 1980's and 90's prior to the mine's closure. Underground development at San Luis was temporarily reduced to save costs in the third and fourth quarters. Mill feed from the San Luis area was processed using the 250 TPD Mill Circuit 2.

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During 2018, underground advancement totaled 3,462 metres with the ramp advancing to level 17. Breakdown of the advance consisted of 1,502 metres of drifts, 224 metres of ramp, 1,336 metres of crosscuts and 400 metres of raises. Production mining with the Trac Drill took place on all the developed levels up to level 17. Some mill feed from development mining came from levels 15.5 and 16. The drill results were disclosed as follows:

- The Company announced drill results from Avino Open Pit Mine area on its press release dated December 4, 2018 and on Form 6-K with SEC on the same date;
- The Company announced drill results from the El Chirumbo and Guadalupe Area of the Avino Property on its press release dated July 11, 2018 and on Form 6-K with SEC on the same date;
- The Company announced drill results from its current exploration drill program on the El Chirumbo, Guadalupe, and San Juventino Area of the Avino Property on its press release dated February 6, 2018 and on Form 6-K with SEC on the same date.

During 2019, underground advancement totaled 3,677 meters. There were no advancements with the ramp as level 17 is the deepest level of the mine currently. Breakdown of the advance consisted of 1578 metres of drifts, 1850 metres of crosscuts and 249 metres of raises. Production mining with the trac drill and jumbo took place on level 11.5, 12, 16.5 and 17 complemented with development mining mill feed from levels 12, 16.5 and 17.

A sampling campaign comprising 52 recent and historic holes that were previously drilled in the hanging-wall of the Avino vein stockwork system located on the Avino property. The drill results were disclosed as follows:

- The Company announced drills results from the Hanging-Wall Breccia sampling campaign on its press release dated July 23, 2019 and on Form 6-K with SEC on the same date;

During 2020, underground advancement totaled 1,267 meters. There were no advancements with the ramp as level 17 is the deepest level of the mine currently. Production mining with the trac drill and jumbo took place on level 16.5 and 17.

The Avino Mine has been the subject of four mineral resource estimates, the most recent of which was published on January 13, 2021 and amended December 20, 2021; please see the section below on *Mineral Resource Estimates* for more details.

### *Tailings Mineral Resource*

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

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

The existing tailings storage facility is presently being used in connection with the operation of Mill Circuits 1, 2, 3 and 4. In 2017-2019, the Company continued to evaluate plans to build a new tailings storage facility and other tailings storage options which is necessary to allow the existing TSF to be decommissioned, which will enable Avino to begin assessing the upper sulphide bench as well as the lower oxide bench in areas that are currently being used to store tailings from our active operations. The assessment work is part of the recommendations contained in a 2013 technical report intended to advance the oxide tailings mineral resource towards a production decision for an agglomerated heap leach Merrill-Crowe precipitation operation.

In 2019, the construction of the tailings thickener, which reduces water sent to the tailings facility, was completed and is now in full operation.

Also in 2019, a geomembrane was installed in a portion of the old historic open pit to allow for tailings deposition. Tailings were sent to this area starting in October 2019 and will continue into 2021.

For longer term tailings storage the Company has been exploring the potential of dry stack tailings for another one of its permitted tailings storage facilities, which we refer to as, TSF#2.

For 2021, there were no changes to the tailings storage plans or the oxide tailings resource.

The oxide tailings were produced between 1974 and 1993 from open pit mining of the main Avino vein. For further details regarding the oxide tailings, please see the sections below titled: *Mineral Resource Estimates* and *Preliminary Economic Assessment on the Oxide Tailings Resource* or the Company's Technical Report on the Avino Property, dated January 13, 2021.

*Project Infrastructure*

The Avino Mine is connected to the local power grid with a line capacity quoted at 4 MW when the mine last operated in 2001. With the shutdown, much of this excess power was diverted to the surrounding towns in the district. Between 2001 and 2016 the powerline provided only 1,000 kW of power with 500 kW servicing the mill, 400 kW for San Gonzalo and the balance for the well at Galeana, the employee accommodation facility and water reclamation from the tailings dam. In 2009 a power line to the San Gonzalo Mine was built to replace the contractor's diesel generator used during mine advancement.

Discussions with CFE, the federal electricity commission in Mexico, on a new 34.5kV power line were completed in 2014 along with a study covering the proposed locations of towers and power poles. Additionally, in October 2014, CFE informed the Company that it had completed internal upgrades to several transformers that would enable CFE to provide Avino with sufficient grid power to operate all three mill circuits and both underground locations in the interim period prior to the commissioning of the new power line. Construction of the new power line was completed in 2015; and energized in June 2016. The new line is now fully functional at the design capacity of 5 megawatts ("MW"). Current power consumption at the mine is approximately 2MW, leaving sufficient additional power for near-term expansion projects that are currently being organized, such as the Oxide Tailings Heap Leach/Merrill-Crowe Precipitation Project (which would require 1 MW) and expansion of the processing plant, which will require a further 1 MW.

While water supply was found to be limiting in the past, Avino has taken the necessary steps to secure adequate supply. To supplement the 1 Mm<sup>3</sup> dam built by Avino in 1989, a well (Galeana) was drilled to the west of the mine site in 1996 to a depth of 400 m and is reported to have a water level at 40 m below the collar. From this, a pipeline connection has been installed to the mine. Additionally, Avino Mexico, in cooperation with the government, has repaired a government dam (El Caracol) and raised the dam wall by 6 m. A pipeline to the mine has also been installed. This dam is shared with the population of Pánuco de Coronado for their irrigation needs, as 60% for the mine and 40% for the town, with government setting the annual total take to which percent sharing applies. Mine site water use is from a combination of tailings water reclaim, El Caracol, and Galeana with preference given to mine site sources for which no water conservation charge was applicable.

Both the San Gonzalo and Avino mines are equipped with two mine dewatering pumps. The pumps at San Gonzalo are each capable of pumping 20L/s to surface via 2 six inch lines. One pump operates 24 hours per day and the other 10 hours per day. At Avino one pump operates constantly with the second on standby. Each pump is capable of handling the entire inflow via a 6 inch line. Water from both mines is pumped to the surface and is sent to the process water tanks in the plant. Any water not used in the plant flows by gravity to the La Caricol Dam for agricultural use.

*Processing Plant*

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

In order to perform the bulk sample program at San Gonzalo, major infrastructure spending and mill repairs were required. Most of these expenditures took place in 2008 and 2009 with additional spending required more recently as further needs arose to meet the demands of mining activities.

Beginning in May 2011, when the San Gonzalo stockpiled material was depleted following the bulk sample, the process plant was used to treat old stockpiles from historic extraction at the Avino Mine. These were lower-grade stockpiles which were originally considered marginal or waste due to prevailing metal prices at the time. These stockpiles were processed until underground advancement at San Gonzalo was sufficient to provide mill feed at a sustained rate of 250 tonnes per day. On October 1, 2012, Avino made the transition to San Gonzalo mill feed and declared that resource extraction and processing had reached levels intended by management at San Gonzalo.

During the second quarter of 2013, a second 250 tpd circuit ("Mill Circuit 2") in the mill was commissioned and put into operation for the processing of remaining Avino Mine surface stockpiles. In September 2014, Mill Circuit 2 began processing new mineralized material from the Avino Mine during the mine's commissioning phase. On January 1, 2015, Mill Circuit 2 transitioned to processing feed material from the San Gonzalo Mine stockpile which continued throughout the first half of 2015 apart from May, when Mill Circuit 2 was once again used to process Avino Mine surface stockpiles. During the second half of 2015, Mill Circuit 2 was used to process mineralized material from the Avino Mine underground in July, August, November and December; and mineralized material from the San Gonzalo Mine during September and October. In 2016, Mill Circuit 2 is expected to primarily process mineralized material from the Avino Mine.

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In November 2014, Avino completed its Mill Circuit 3 expansion in preparation for the re-opening of the main Avino Mine. The refurbished circuit was initially commissioned using historic above ground Avino Mine stockpiles during November and December of 2014. Mill Circuit 3 began processing new mill feed from underground at the Avino Mine beginning on January 1, 2015. During 2015, Mill Circuit 3 was optimized to process approximately 1,150 tonnes per day. In the second quarter of 2016, the Company declared that effective April 1, 2016, extraction and processing had reached levels intended by management at the Avino Mine.

In June 2018, Avino completed its 1,000 TPD Mill Circuit 4 expansion, increasing the plants throughput capacity to 2,650 TPD. During the startup, testing and commissioning phase which lasted through the end of 2018, Mill Circuit 4 processed material from historic above ground Avino Mine stockpiles. Mill Circuit 4 is expected to transition to processing newly mined mill feed from the San Luis area of the Avino Mine in 2019 once sufficient development work is completed to support the 1,000 TPD circuit.

For 2020 there have been no material changes to the mill and equipment. The processing configuration is tabulated below

<b>Circuit #</b>	<b>Operating Throughput (TPD)</b>	<b>Sources of Mill Feed</b>	<b>Operating Status</b>
1	250	Avino Mine ("Hanging Wall Breccia")	Online
2	250	Avino Mine ("ET")	Online
3	1,050	Avino Mine ("ET")	Online
4	1,050	Avino Mine ("ET")	Online

- In 2020 Circuit 1 processed mineralized material from Hanging Wall Breccia ("HWB") area of the Avino Mine.
- Circuit 2 is expected to continue to process mineralized material from the Elena Tolosa ("ET") area of the Avino Mine.
- Circuit 3 is expected to continue to process mineralized material from the Elena Tolosa ("ET") area of the Avino Mine.
- Circuit 4 is expected to process mineralized material from Elena Tolosa ("ET") area of the Avino Mine.

*\*No feasibility study or preliminary economic assessment has been carried out on the Avino Mine and San Gonzalo Mine resources. The Company has determined extraction and processing of resources at levels intended by management without undertaking any further formal studies.*

*\*\* The San Luis area of the Avino Mine going forward will be referred to as Avino West.*

**Mining Fleet**

To operate the Avino and San Gonzalo Mines, Avino's mining fleet currently consists of 3 front end loaders, a D6R Cat dozer, 12 scoop trams, 6 jumbos, 2 combination backhoe and rock breakers, 3 excavators, a forklift, 2 surface and an underground diamond drill, 2 mini loaders, a CAT grader suitable for both surface and underground, 20 contractor provided haulage trucks, a shotcrete machine, a welding machine, 33 light service passenger vehicles, a contractor provided water truck, a 15 tonne capacity contractor provided truck to distribute explosives and a contractor provided fuel truck, 3 power generators, 7 air compressors, a mobile crane, a mobile crushing plant and an ambulance.

**Costs Incurred to Date**

The table below for the years ended December 31, 2019 to December 31, 2021 contains selected financial data prepared in accordance with IFRS derived from our audited consolidated financial statements for the periods ending on such dates.

	<b>Exploration and Evaluation Expenditures</b>	<b>Capital Expenditures</b>	<b>Mine Operating Expenditures</b>	<b>Administrative Expenditures*</b>	<b>Total</b>
2019	134,000	3,223,000	32,016,000	4,130,000	39,503,000
2020	223,000	1,460,000	15,832,000	4,759,000	22,274,000
2021	1,003,000	2,844,000	7,681,000	5,035,000	16,563,000

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

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Below is a table summarizing the estimated planned future costs for 2022. The Company expects that cash flows generated from mining operations will cover its planned future costs. No assurance can be given that the Company will be able to generate revenues to cover the expenses in the table below or that actual future costs will equal the amounts in the table below. If the Company is unable to raise capital to meet its planned future costs, it may have to curtail planned activities.

Year	Mine Operating and Administrative Expenses	Capital and Exploration and Evaluation Expenditures	TOTAL
2022	\$ 34,170,000	\$ 8,265,000	\$ 42,435,000

*Mineral Reserve Estimates*

There are currently no mineral reserves on the Property.

*Mineral Resource Estimates*

Below is a summary of current mineral resources at the San Gonzalo and Avino Mines as well as the oxide tailings mineral resource (as reported in the January 13, 2021 Technical Report on the Avino Property, Durango, Mexico, as Amended in December 2021) grouped into the measured, indicated and inferred categories (the "Technical Report"). The effective date of the resource estimates is January 13, 2021.

The mineral resource estimates were prepared by Michael O'Brien P.Geo., Pr.Sci.Nat., who is a "Qualified Person" within the meaning of National Instrument 43-101 and who is an employee of Red Pennant Communications Corp.) and independent of Avino, as defined by Section 1.5 of NI 43-101.

**Avino Mine  
Mineral Resources Summary  
as at October 31, 2020**

Measured & Indicated Mineral Resources				Grade				Metal Contents			
Resource Category	Deposit	Cut-off (AgEQ g/t)	Metric Tonnes	AgEQ g/t	Ag g/t	Au g/t	Cu %	AgEQ Million Tr Oz*	Ag Million Tr oz	Au Thousand Tr Oz	Cu Tonnes
Measured	Avino - ET	60	6,102,000	146	64	0.53	0.54	28.6	12.6	105	33,035
Measured	San Gonzalo System	130	267,000	356	263	1.36	0.00	3.1	2.3	12.0	0
<b>Total Measured</b>	<b>All Deposits</b>		<b>6,369,000</b>	<b>155</b>	<b>73</b>	<b>0.57</b>	<b>0.52</b>	<b>31.7</b>	<b>14.9</b>	<b>116</b>	<b>33,035</b>
Indicated	Avino - ET	60	20,365,000	120	50	0.53	0.41	78.2	32.4	347	83,215
Indicated	San Gonzalo System	130	216,000	304	230	1.09	0.00	2.1	1.6	8.0	0.00
Indicated	Oxide Tailings	50	1,120,000	124	89	0.42	0.00	4.5	3.2	15.0	0.00
<b>Total Indicated</b>	<b>All Deposits</b>		<b>21,710,000</b>	<b>122</b>	<b>53</b>	<b>0.53</b>	<b>0.38</b>	<b>84.8</b>	<b>37.2</b>	<b>370</b>	<b>83,215</b>
<b>Total Measured &amp; Indicated</b>			<b>28,070,000</b>	<b>129</b>	<b>58</b>	<b>0.54</b>	<b>0.41</b>	<b>116.5</b>	<b>52.1</b>	<b>486</b>	<b>116,250</b>
Inferred Mineral Resources											
Inferred	Deposit	Cut-off (AgEQ g/t)	Metric tonnes	AgEQ g/t	Ag g/t	Au g/t	Cu %	AgEQ Million Tr Oz*	Ag Million Tr oz	Au Thousand Tr Oz	Cu T
Inferred	Avino - ET	60	9,626,000	100	40	0.43	0.36	30.8	12.4	135	34,810
Inferred	San Gonzalo System	130	85,000	298	233	0.96	0.00	0.8	0.6	3.0	0
Inferred	Oxide Tailings	50	1,230,000	125	85	0.47	0.00	5.0	3.4	19.0	0
<b>Total Inferred</b>	<b>All Deposits</b>		<b>10,941,000</b>	<b>104</b>	<b>47</b>	<b>0.44</b>	<b>0.32</b>	<b>36.6</b>	<b>16.4</b>	<b>156</b>	<b>34,810</b>

Notes:

Figures may not add to totals shown due to rounding.

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

The Mineral Resource estimate is classified in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum's (CIM) Definition Standards for Mineral Resources and Mineral Reserves incorporated by reference into National Instrument 43-101 (NI 43-101) Standards of Disclosure for Mineral Projects.

Based on recent mining costs (Section 21) Mineral Resources are reported at cut-off grades 60 g/t, 130 g/t, and 50 g/t AgEQ grade for ET, San Gonzalo, and oxide tailings, respectively.

AgEQ or silver equivalent ounces are notational, based on the combined value of metals expressed as silver ounces

Cut-off grades were calculated using the following consensus metal price assumptions: gold price of US\$1,875/oz, silver price of US\$24.00/oz, and copper price of US\$3.10/lb.

Metal recovery is based on operational results and column testing.

The silver equivalent was back calculated using the following formulas: ET AgEQ = Ag + 65.1 \* Au + 86.6 \* Cu ppm / 10,000 ; SG AgEQ = Ag + 72.54 \* Au; Oxide Tailings AgEQ = Ag + 84.55 \* Au.



### **Method of Calculation**

The estimation methods used were substantially the same for all three deposits (Ordinary Kriging), providing a consistent baseline for strategic planning.

Mineral resources were estimated by ordinary kriging, optimized using kriging neighborhood analysis and verified by means of nearest neighbor and inverse distance methods, swathplot comparisons of estimates and visual inspections. Block models were created for the San Gonzalo and Avino Vein Systems and the Oxide Tailings deposit and estimates were made utilizing blocks of sizes 20 m easting x 5 m northing x 10 m elevation for Avino (ET Mine), sizes 10 m easting x 5 m northing x 10 m elevation for San Gonzalo and 40 m easting x 40 m northing x 2 m elevation for Oxide Tailings.

Classification of the mineral resource was based on 'slope of regression' as a measure of uncertainty, with adjustment to practical geometries using geological knowledge of the deposit.

Fundamental changes since the previous mineral resource estimates are (1) depletion due to mining (over 800 thousand tonnes milled since the beginning of 2017), (2) significant new sampling information (3) changes to cut-off calculations and (4) reclassification of mineral resources in the light of improved understanding of confidence in the deposits from the underground channel samples and drill hole samples.

More sampling information does not always lead to direct increases in resource tonnages and contained metal. In some cases, the new information provides improved understanding (developed by variogram modelling and kriging neighborhood analysis) that may demote some portions of mineral resource from high confidence categories, such as measured and indicated, to a lower confidence category such as inferred.

Currently, for the San Gonzalo and Avino Vein Systems, estimated blocks more than thirty five metres from sampling are not considered to be of sufficient confidence to be included in the indicated category resources and have been classified as inferred resources.

For the Oxide Tailings, estimated blocks more than fifty metres from sampling are not considered to be sufficiently confident to be included in the indicated category resources.

Silver equivalent cut-off grades were applied to satisfy the condition of reasonable prospects for eventual economic extraction and were calculated using conversion formulas  $AgEQ = Ag + 65.1 * Au + 86.6 * Cu$  for Avino Vein,  $AgEQ = Ag + 84.55 * Au$  for oxide tailings and  $AgEQ = Ag + 72.54 * Au$  for San Gonzalo vein System.

Cut-off grades were calculated using current costs, silver price of US\$24.00/oz, gold price of US\$1,875/oz and copper price of US\$3.10/lb.

### **Mineral Resource Discussions**

#### **Oxide Tailings**

A mineral resource was estimated for the oxide tailings generated from prior historical mining operations, using ordinary kriging (OK) interpolation and uncapped grades. The assay values for this estimate are based on 28 drill holes, which were completed on the oxide tailings by Compañía Minera Mexicana de Avino, S.A. de C.V. in 1990, and include 407.75 m of drilling and 383 assays of both gold and silver. The oxide tailings are estimated to contain a 2.34 Mt inferred mineral resource at a grade of 91.3 g/t silver and 0.54 g/t gold, with a 50 g/t silver cut-off. The entire resource is classified as an inferred mineral resource, based on the historical nature of the drilling (prior to the institution of NI 43-101 and associated quality assurance/quality control (QA/QC) requirements). Verification samples collected confirmed the presence of gold and silver mineralization at grades similar to those obtained in the original tailings drilling campaign and confirmed that the Mine's lab assays are not materially different from those of external labs. It is Red Pennant Communications Corp's opinion that the oxide tailings sampling data are considered sufficient to support the purpose of the Technical Report and a current inferred mineral resource.

#### **Mineral Resources**

The new mineral resource estimates include data from 57 holes drilled during the last two years. Due to closer drill hole spacing, there is sufficient information to justify elevating 1,330,000 tonnes of the previous 2,340,000 tonnes of inferred resources to the indicated category. However, there is still an additional inferred resource of 1,810,000 tonnes in the new estimate. The oxide tailings resource is accessible on surface and contains significant gold and silver grades. The resource estimate used for the oxide tailing resource is outlined in the table above at a cut-off grade of 50 AgEq g/t.

### **Note on Mineral Resources and Production**

Mineral resources that are not mineral reserves do not have demonstrated economic viability. No current preliminary economic assessment, pre-feasibility study, or feasibility study has been carried out on the Company's mineral resources. The Company has determined extraction and processing of its mineral resources at levels intended by management without undertaking any further formal studies.

### **Recommendations**

The Technical Report contains the following recommendations for further work:

#### **Database Management and Underground Sampling**

It is recommended that tailings sampling and QA/QC data be added to the drillhole and channel sampling database. The underground sampling should be improved by making an advance drift along the footwall side of the Avino Vein system from which fan drilling at 40 metre intervals can be drilled to provide advanced and balanced sample coverage. The Company should develop the database for specific gravity data using drill cores, grab samples from controlled underground exposures, and large samples cut from the faces of the oxide tailings. QA/QC standards and blank submissions should be included in the master database, and bismuth (which is a significant deleterious penalty element) should be assayed at the same rate as copper to provide detailed information for mine planning.

#### **Resource Estimation**

An internal capacity to perform mineral resource estimation using geostatistical methods should be developed.

#### **Exploration for the Western Extension of the Avino Vein**

The known portion of the Avino Vein system west of San Luis terminations on a post-mineralization fault, and it is recommended that the extension to the system be investigated.

#### **Long-Term Mine Planning**

It is recommended that the Company prepare a long-term mine plan based on the resource estimates.

#### **Metallurgical Studies**

It is recommended that the Company further optimize its processing conditions, including metallurgical tests, to improve metallurgical performances for the mill feeds.

#### **Oxide and Sulphide Tailings**

Further tests are recommended to evaluate the metallurgical performances of the tailing samples, including the sulphide tailings samples. The test work should include: head characterization and mineralogical determination; leaching condition optimization, leaching retention time, agglomeration binding material types and dosages; determination of the effect of the particle size distribution on metal extraction and agglomeration; further confirmation of the effect of flotation pre-concentration on improving metal recovery; residual cyanide management tests, and further evaluations to compare heap leach vs. tank leach methods. The potential for handling sulphide tailings as a mineralized material, rather than waste material, should be investigated based on appropriate metallurgical tests, and optimization of the mine plan for the oxide tailings should be conducted.

## **Environmental**

Government agencies should be consulted prior to the permitting process to determine if current permits for the San Gonzalo Mine can be revised for an oxide tailings project. Permitting costs and the cost of expropriation of agricultural land for the leach pad, and the cost of water which would have to be redirected to the heap leach project, should be investigated, and the cost for monitoring environmental effects post-mine closure needs to be estimated in a detailed study.

## **Qualified Person(s)**

The Qualified Persons as defined by NI 43-101, who supervised and are responsible for the Technical Report, and have reviewed the scientific, technical and financial content of this Annual Report, are Hassan Ghaffari, M.A.Sc., P.Eng. and Jianhui Huang, Ph.D., P.Eng., all of Tetra Tech Canada Inc., and Michael O'Brien P.Geo., Pr.Sci.Nat., Communications Corp. and each of whom is independent of Avino, as defined by Section 1.5 of NI 43-101.

## **San Gonzalo Mine – Resource Depletion**

The mineral resource estimate at San Gonzalo factors in depletion from ongoing mining activities up to the effective date of October 31, 2020. As at December 31, 2019, management had determined that the economic life of the San Gonzalo Mine was Nil, and had stopped the processing of mineralized ore.

## **Avino Mine – Resource Depletion**

The mineral resource estimate at Avino factors in depletion from ongoing mining activities up to the effective date of October 31, 2020.

### *Exploration - Avino Vein*

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

Between 1968 and 2001, at least 25 diamond drill holes, ranging in length from 132 to 575 m, are reported to have been drilled from surface into the Avino vein. Included in this total are 10 holes that were drilled by Selco in 1970 when they were re-habilitating some of the old underground workings to provide access for sampling. No further information on these drill holes was available to Tetra Tech and they are not included in the resource estimate for the Avino vein.

#### Oxide Tailings, 1990 to 1991

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

#### Recent Drilling (Post Mine Closure), 2001 to Present

A total of 156 surface and underground drill holes have been completed on the Avino and San Gonzalo veins, totalling 35,846.5 m. Additional exploration holes have been drilled elsewhere on the Property, but those drilling results are not considered material. Most holes were surveyed down hole using a Tropari single-shot magnetic instrument. Of those holes for which down hole surveys were completed, the majority contain three or fewer measurements, typically at the collar and near the end of hole, and sometimes part-way down the hole. Many holes were not surveyed to within 10 m of the end of the hole.

#### Geophysical Surveys: Induced Polarization (IP)

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

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### [Avino Vein \(including ET Zone\) and Nearby Veins](#)

Since 2001, Avino has drilled 34 holes below Level 12, where mining ceased, for a total of 11,523.2 m. Drilling has targeted the ET Zone in particular. There were 5 holes completed in 2006 (2,166.85 m), 12 holes in 2007 (3,906.5 m), 8 holes in 2008 (2,186.7 m), and 9 holes in 2012 (3,263.15 m).

In September 2016, Avino began an exploration diamond drilling program between the San Luis Mine, which was last mined in the 1990's, and the ET Mine, which is the area of current production; both areas are part of the Avino Mine. The area between the two mines is approximately 300 metres long and 220 metres deep and was recently the subject of a geological review where it was determined that the main Avino vein showed economically viable values, was open at depth and was largely underexplored. The 22-hole program, comprising approximately 3,374 metres, was extended from the original 18-hole program to fully evaluate the tonnage and the grade of the new area of the Avino Vein System and was completed in August 2017. The drill results support the continuation of the extensive Avino vein system. This new area is close to surface and accessible from the existing Avino Mine underground workings.

Additional drilling around the Avino Vein in 2017 and 2018 was focused on the El Chirumbo and San Juventino areas. The historic El Chirumbo area is located at the east end of Avino vein and was previously mined prior to 1940 and is characterized by gold rich mineralization in narrow veins. In 2017 and 2018, 10 diamond drill holes were completed totalling approximately 2,240 metres. An additional five holes totalling 1,300 metres were drilled at the San Juventino area which is located where the Avino-San Juventino and Footwall Breccia intersect north of the main Avino Vein system.

During 2019 a sampling campaign comprising 52 recent and historic holes that were previously drilled in the hanging-wall of the Avino vein stockwork system located on the Avino property. The relogging and sampling by the mine geology team of intervals previously regarded as not of economic interest has revealed extensive Hanging-wall Breccia ("HWB") material with significant and consistent metal grades and wide vein widths. The HWB material has not yet been exploited and is close to the existing development levels 6 and 9 where services such as compressed air, water and electricity can be accessed swiftly if mineability is confirmed. At the time of the drilling, the main Avino vein structure was the target and the potential of the HWB was unknown, therefore the spacing in the vein intercepts which were recently sampled was 30 to 70 metres apart.

Since the Avino deposit strikes approximately east-west and dips at 60° to 70° to the south, holes are generally oriented from south to north at various bearings and dip angles in order to intersect the structure at a target depth. Holes were drilled using Avino's Longyear 44 core rig at thin wall NQ diameter.

### [San Gonzalo and Nearby Veins](#)

At San Gonzalo, Avino drilled 40 holes in 2007 (9,222.9 m), 6 in 2008 (1,782.65 m), 18 in 2011 (3,618.57 m), 15 in 2014 (3,631.93 m), and 25 in 2015 (3,197.60m) for a total of 104 drill holes and 21,453.65 m. All holes were of thin wall NQ size core diameter and were completed using Avino's Longyear 44 core rig with the exception of 6 underground holes in 2014 and 14 in 2015. Additional holes also explored the nearby Guadalupe, San Juventino, San Lucerno, Mercedes, San Jorge, and Yolanda veins.

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

In 2011, 69 holes totalling 9,862.97 m were drilled principally in the following locations: San Gonzalo (18 holes, as above), Aguila Mexicana (2 holes), Guadalupe (25 holes), La Potosina (9 holes), Mercedes (1 hole), San Jorge (3 holes), San Juventino (3 holes), San Lucero (5 holes), Tucero (1 hole), and Yolanda (2 holes). With the exception of the San Gonzalo vein, all of these locations are considered targets for further exploration.

In 2014, Avino undertook a 15 hole (3,631.93 m) surface and underground definition drill program to test the San Gonzalo vein at depth. In April 2014, a 70 meter cross cut was completed on level 6, and the underground drill program started on May 2. Three holes were drilled from the cross cut (SG-14-01 through SG-14-03).

Surface drill holes SG-14-04 through SG-14-10 were drilled between June and October 2014. Hole SG-14-11 was an underground hole drilled in October 2014 from the end of the San Gonzalo level 6 crosscut (same location as SG-14-01 through SG-14-03).

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Holes SG-14-12 and SG-14-13 were drilled during October and November 2014 from the end of a crosscut on level 7. A sudden inflow of water on November 17, 2014 caused hole SG-14-13 to be terminated. Surface drilling later resumed and holes SG-14-14 and SG-14-15 were drilled by December 31, 2014.

In 2015, the Company continued its definition drill program intended to define the boundaries of the San Gonzalo structure. In total, 25 holes were completed totaling 3,197.60m metres. From January 2015, through the end of April, 19 holes were drilled of which 5 were from surface and 14 were underground holes (SG-15-1 through SG-15-16). Drilling resumed in September 2015 with Hole CH-07-01 which was the deepening of a hole drilled in 2007 on the Chihuahua vein, which is an extension of the San Gonzalo structure. Drilling then resumed at San Gonzalo to test the southeast extension of the structure; drilling for the year concluded in November with the completion of hole SG-15-24. No holes were drilled at San Gonzalo in 2016.

In 2017 and 2018, eleven holes were drilled at the Guadalupe area totalling 2,020 metres. The Guadalupe area is located on surface at the west end of the San Gonzalo mine.

In 2020, there were no current exploration program and active mining has ceased at the San Gonzalo mine.

### *Reclamation*

The Company has mine closure and reclamation plans for the Avino and San Gonzalo Mines and has estimated the undiscounted value of reclamation at approximately \$1.2 million for the Avino Mine and approximately \$0.1 million for the San Gonzalo Mine as at December 31, 2021.

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

### *Eagle Property – Not Active*

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

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

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

### *Olympic-Kelvin Property – Not Active*

*Ownership.* The Olympic-Kelvin property is wholly-owned by the Company and was acquired in 1987 when it acquired a 100% interest in 20 reverted Crown-granted mineral claims, one located mineral claim and three fractions located in the Lillooet Mining Division of British Columbia. The Company will maintain these claims in good standing and may decide to commence exploration again on the Olympic-Kelvin Property.

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

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

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

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

### ***Minto Property – Not Active***

*Ownership.* The Minto Property is wholly-owned by the Company and was acquired in early 1985 when it acquired its 100% interest in eight Crown granted mineral claims, eight reverted Crown granted mineral claims and one located mineral claim, situated in the Lillooet Mining Division of British Columbia. During the January 31, 2007 year end these mineral claims were converted into one claim encompassing all of the original claims. The Company will maintain these claims in good standing and may decide to commence exploration again on the Minto Property.

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

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

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

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

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

### ***El Laberinto Property – Not Active***

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

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

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

During 1995 Avino mapped the La Silla area and sampled the principal veins.

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

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

In August 2020, the Company optioned "El Laberinto Property" and "Ana Maria Property" to Silver Wolf Exploration Ltd. (formerly, Gray Rock Resources Ltd.). Please see "Option of Ana Maria and El Laberinto Properties" below.

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

**Other Properties (Durango, Mexico) – Not Active**

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

*The Ana Maria property*, located near Gomez Palacio, consists of 9 adjoining concessions and covers approximately 2,545 hectares. Avino assembled the land package in 2001 and 2002. In August 2020, the Company optioned “El Laberinto Property” and “Ana Maria Property” to Silver Wolf Exploration Ltd. (formerly, Gray Rock Resources Ltd.). Please see “Option of Ana Maria and El Laberinto Properties” below.

*The El Hueco property*, located near Silver Standard’s Pitarilla mine close to the town of Santiago Papasquiaro is comprised of 5 adjoining concessions and covers approximately 1,312.42 hectares. Avino assembled the land package between 1999 and 2005.

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

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

Option of Ana Maria and El Laberinto Properties

By an option agreement dated August 12, 2020 (the “Option Agreement”), Avino has optioned to Silver Wolf Exploration Ltd. (“Silver Wolf”; formerly, Gray Rock Resources Ltd.), or its assign, the right to purchase the Ana Maria and El Laberinto Properties, consisting of ten (10) mining concessions comprising a total area of 2,640.7 ha, located in the State of Durango, Mexico. Silver Wolf is a reporting issuer in British Columbia and Alberta, whose common shares are listed for trading on the TSX Venture Exchange (“TSXV”).

Under the terms of the Option Agreement, to exercise the option to purchase the properties, Silver Wolf must:

- (a) Issue to Avino share purchase warrants to purchase up to 300,000 common shares at an exercise price of C\$0.20 per share, exercisable for a period of three (3) years from the date of acceptance of the Option Agreement by the TSXV (the “Approval Date”);
- (b) Issue to Avino C\$50,000 worth of Silver Wolf’s common shares at the volume weighted average price of such shares for the ten (10) trading days immediately following the Approval Date, subject to a minimum of C\$0.20 per share (or a maximum of 250,000 shares);
- (c) Pay C\$50,000 in cash to Avino, or issue to Avino C\$50,000 worth of Silver Wolf’s common shares at the volume weighted average price of such shares for the ten (10) trading days immediately following the Approval Date, subject to a minimum of C\$0.20 per share (or a maximum of 250,000 shares) on or before the first anniversary of the Approval Date;
- (d) Pay C\$100,000 in cash to Avino, or issue to Avino C\$100,000 worth of Silver Wolf’s common shares at the volume weighted average price of such shares for the ten (10) trading days immediately following the Approval Date, subject to a minimum of C\$0.20 per share (or a maximum of 500,000 shares) on or before the second anniversary of the Approval Date;
- (e) Pay C\$200,000 in cash to Avino, or issue to Avino C\$200,000 worth of Silver Wolf’s common shares at the volume weighted average price of such shares for the ten (10) trading days immediately following the Approval Date, subject to a minimum of C\$0.20 per share (or a maximum of 1,000,000 shares) on or before the third anniversary of the Approval Date;
- (f) Pay C\$200,000 in cash to Avino, or issue to Avino C\$200,000 worth of Silver Wolf’s common shares at the volume weighted average price of such shares for the ten (10) trading days immediately following the Approval Date, subject to a minimum of C\$0.20 per share (or a maximum of 1,000,000 shares) on or before the fourth anniversary of the Approval Date; and
- (g) Assume liability for and pay the semi-annual assessment fees to the Mexican government to maintain the properties in good standing during the term of the Option Agreement.

Further, Silver Wolf must incur a total of C\$750,000 in exploration expenditures on the properties, as follows:

- (a) C\$50,000 on or before the first anniversary of the Approval Date;
- (b) A further C\$100,000 on or before the second anniversary of the Approval Date; and
- (c) A further C\$600,000 on or before the fourth anniversary of the Approval Date.

There has been no material exploration work conducted on the Ana Maria or El Laberinto Properties by Avino, and these properties are not material to its current operations in Mexico.

There is one director in common to both Avino and Silver Wolf, namely, David Wolfin, who is also the control person of Silver Wolf. The two companies also share the same Chief Financial Officer and Corporate Secretary. Independent special committees of the boards of directors of each of the parties negotiated and recommended the transaction to their respective board of directors, and Mr. Wolfin abstained from voting thereon.

The Option Agreement was approved by the TSXV on March 11, 2021. On March 26, 2021 the Company was issued 131, 718 shares of Silver Wolf. On October 21, 2021 the Company exercised the share purchase warrants and received 300,000 shares of Silver Wolf.

**Item 4A. Unresolved Staff Comments**

None

**Item 5. Operating and Financial Review and Prospects**

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the information contained in the Company's annual audited consolidated financial statements and the notes thereto for the years ended December 31, 2020, 2019 and 2018 included in this annual report on Form 20-F. Such discussion and analysis is based upon our annual audited consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") for the years ended December 31, 2021, 2020 and 2019.

**A. Operating results**

Information regarding the Company's operating results for the years ended December 30, 2021, and 2020, is incorporated by reference to the Company's Management's Discussion and Analysis incorporated by reference to Exhibits 15.1 and 15.2.

Information regarding the Company's liquidity and capital resources for the years ended December 31, 2021, and 2020, is incorporated by reference to the Company's Management's Discussion and Analysis incorporated by reference to Exhibits 15.1 and 15.2.



**Contractual obligations**

As at December 31, 2021, the Company had the following contractual obligations:

	<i>Payment due by period</i>				
	<i>Total</i>	<i>&lt;1 year</i>	<i>1-3 Years</i>	<i>3-5 Years</i>	<i>More than 5 years</i>
<i>Accounts payable and accrued liabilities</i>	\$ 3,260,000	\$ 3,260,000	\$ -	\$ -	\$ -
<i>Due to related parties</i>	163,000	163,000	-	-	-
<i>Minimum rental and lease payments</i>	889,000	96,000	166,000	165,000	462,000
<i>Deferred income tax liabilities</i>	1,781,000	-	-	-	1,781,000
<i>Finance lease obligations</i>	1,152,000	438,000	575,000	139,000	-
<i>Total</i>	<u>\$ 7,245,000</u>	<u>\$ 3,957,000</u>	<u>\$ 741,000</u>	<u>\$ 304,000</u>	<u>\$ 2,243,000</u>

**C. Research and development, patents and licenses, etc.**

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

**D. Trend information**

As at the time of filing this Annual Report and as otherwise disclosed in this Annual Report, the Company is not aware of any specific trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's net sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition. However, it should be noted that future required capital expenditures at the Avino Mine would likely have positive and negative impact, respectively, on future cash flows after 2021. Many factors that are beyond the control of the Company can affect the Company's operations, including, but not limited to, the price of minerals, the economy on a global scale, land and exploration permitting, and the appeal of investments in mining companies. The appeal of mining companies as investment alternatives could affect the liquidity of the Company and thus future exploration and evaluation, extracting and processing activities, and financial conditions of the Company. Other factors such as retaining qualified mining personnel and contractor availability and costs could also impact the Company's operations.

**E. Critical Accounting Estimates**

Information regarding the Company's critical accounting estimates is incorporated by reference to the Company's Management's Discussion and Analysis incorporated by reference to Exhibits 15.1 and 15.2.

**Item 6. Directors, Senior Management and Employees****A. Directors and senior management**

The following is a list of the Company's directors and senior management as at December 31, 2021. The directors are elected for a term of one year at the annual meeting of shareholders. This year's annual meeting will be held on June 21, 2022.

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<i>Name and Present Position with the Company</i>	<i>Principal Occupation</i>	<i>Director/Officer Since</i>
Gary Robertson Director	Certified Financial Planner; Director and Chairman of Avino Silver & Gold Mines Ltd.	August 2005
David Wolfin Director/President/CEO	Director, President and CEO of Avino Silver & Gold Mines Ltd., and Silver Wolf Exploration Ltd. (formerly, Gray Rock Resources Ltd.)	October 1995
Peter Bojtos Director	Professional Engineer and Director of Avino Silver & Gold Mines Ltd.	June 2018
Jasman Yee Director	Professional Engineer and Metallurgist	January 2011
Ronald Andrews Director	Director of Bonner Mall Partnership. Owner and operator of Andrews Orchards	May 2019
J.C. Rodriguez Chief Operating Officer	Geology Professional	December 2012
Jennifer Trevitt Corporate Secretary	Corporate Secretary of Avino Silver & Gold Mines Ltd., and Silver Wolf Exploration (formerly, Gray Rock Resources Ltd.)	December 2021
Nathan Harte Chief Financial Officer	CPA, Chief Financial Officer of Avino Silver & Gold Mines Ltd., and Silver Wolf Exploration Ltd. (formerly, Gray Rock Resources Ltd.)	November 2018
Peter Latta VP Technical Services	Professional Engineer, Director and President of Silver Wolf Exploration Ltd.	October 2020

**B. Compensation**

During the last completed fiscal year, the Company had four executive officers, namely, David Wolfin, Chief Executive Officer; Nathan Harte, Chief Financial Officer, J.C. Rodriguez, Chief Operating Officer and Peter Latta, VP Technical Services.

**Compensation Discussion and Analysis**

The executive compensation program is comprised of fixed and variable elements of compensation; base salary, discretionary bonus, and equity based incentive awards in the form of stock options and Restricted Share Units (“RSUs”) to its executive officers. The Company recognizes the need to provide a compensation package that will attract and retain qualified and experienced executives, as well as align the compensation level of each executive to that executive’s level of responsibility. The three components of the compensation package are included to enable the Company to meet different objectives.

The objectives of base salary are to recognize market pay and acknowledge the competencies and skills of individuals. The objective of discretionary bonuses (paid in the form of cash payments) is to add a variable component of compensation to recognize corporate and individual performances for executive officers and employees. The objectives of equity based incentive award are to align the interest of executive officers with that of Shareholders by encouraging equity ownership through awards of stock options and RSUs, to motivate executive and other key employees to contribute and increase in corporate performance and shareholder value, and to attract talented individuals and reward achievement of long-term financial and operating performance and focus on key activities and achievements critical to the ongoing success of the Company. Implementation of incentive stock options and RSUs plans and amendments thereto are the responsibility of the Company’s Compensation Committee.

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

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The members of the Compensation Committee are Peter Bojtos (Chair), Ronald Andrews, and Gary Robertson, all of whom are independent.

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

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

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

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

Compensation Element	Description	Compensation Objectives
Annual Base Salary	Salary is market-competitive, fixed level of compensation	Retain qualified leaders, motivate strong business performance.
Incentive Bonuses	Discretionary cash payment	Reward individual performance in achieving corporate goals
Equity Based Incentive Awards	Equity-based incentive awards are made in the form of incentive stock options and Restricted Share Units ("RSU"). The amount of each grant will be dependent on individual and corporate performance.	Reward long-term financial and operating performance and align interests of key employees with those of shareholders

The Company relies on the discretion and judgment of the directors in establishing and amending contracts for all forms of compensation, including stock options and RSUs to be granted to the CEO and the directors, and for reviewing the CEO's recommendations respecting compensation of the other officers of the Company, to ensure such arrangements reflect the responsibilities and risks associated with each position. There is no formal process using objectives, criteria, or analysis, for determining compensation. However, the Compensation Committee considers a number of key factors (including cash cost per ounce of silver equivalent, all-in sustaining cost per ounce of silver equivalent, operating margin and net income, share price relative to a competitive set of silver producers, safety and environmental issues, changes in amounts and categories of reserves and resources, total silver equivalent ounces produced and sold, investor and community relations, exploration results, financings, etc.), and considers these in comparison to other similar silver producers (that have comparable market capitalizations, revenues, and total assets). When determining the compensation of its officers, the Compensation Committee and the Board are guided by the general objectives of the Company's compensation strategy as set out above.

**Summary Compensation Table**

The following table sets forth particulars concerning the compensation paid or accrued for services rendered to the Company in all capacities for the year ended December 31, 2021 of the Company to its executive officers:

Name and principal position	Year	Salary (\$)	Share-based awards (\$) <sup>(1)</sup>	Option-based awards (\$) <sup>(2)</sup>	Non-equity incentive plan compensation (\$) <sup>(3)</sup>	Pension value (\$) <sup>(4)</sup>	All other compensation (\$) <sup>(5)</sup>	Total compensation (\$)
David Wolfin <sup>(6)</sup> (8) President, CEO and Director	2021	239,292	303,721	66,312	NIL	NIL	NIL	609,325
	2020	223,680	361,117	137,090	NIL	NIL	NIL	721,887
	2019	226,108	336,177	NIL	NIL	NIL	NIL	562,285
Nathan Harte CFO <sup>(8)</sup>	2021	121,279	103,187	33,156	NIL	NIL	NIL	257,622
	2020	73,557	68,086	73,338	NIL	NIL	NIL	214,981
	2019	58,865	21,396	19,429	NIL	NIL	NIL	99,690
J.C. Rodriguez COO <sup>(7)</sup>	2021	211,679	174,069	44,208	NIL	NIL	NIL	429,956
	2020	215,022	172,225	91,394	NIL	NIL	NIL	478,641
	2019	202,441	117,866	NIL	NIL	NIL	NIL	320,307
Peter Latta VP-Technical Services	2021	122,826	69,147	22,104	NIL	NIL	NIL	214,077
	2020	111,840	44,724	50,489	NIL	NIL	NIL	207,053

- (1) The “2018 RSU Plan was approved by the shareholders on May 24, 2018, and the maximum number of RSU shares issuable under this Plan shall not, together with all other security-based compensation arrangements of the Corporation exceed 10% of the issued and outstanding Common Shares as at the date of such Grant on a non-diluted basis. As of December 31, 2021, No RSUs were granted under the 2018 RSU Plan to officers, directors, employees and consultants and 1,330,167 were vested and 104,356 were cancelled. The value of the RSUs is based on the closing price of the Common Shares on the vesting date. The RSUs will vest one-third annually over three years, and the amount above reflects the accrual for unvested share-based awards issued in the current and previous years, as at December 31, 2021. The closing market price on August 4, 2021 was C\$1.26 per common share, the closing market price on August 28, 2021 was C\$1.29 per common share, and the closing market price on August 21, 2021 was C\$1.18 per common share.
- (2) The methodology used to calculate the grant-date fair value is based on the Black-Scholes Option Pricing Model. During the year ended December 31, 2021, new option-based awards were granted to officers, directors, employees, and consultants. The fair value was estimated using the following weighted-average assumptions: risk-free interest rate of 0.30%, expected dividend yield of 0%, expected option life of 5 years, and expected share price volatility of 66.09%.
- (3) The Company does not have a non-equity incentive plan.
- (4) The Company does not have any pension plans.
- (5) Discretionary cash payment of incentive bonuses.
- (6) Mr. David Wolfin was appointed CEO on June 24, 2010. Mr. Wolfin’s salary was paid to Intermark Capital Corp., a private BC corporation controlled by Mr. Wolfin.
- (7) Mr. Rodriguez receives his salary in Mexican Pesos (“MXP”). For 2021, Mr. Rodriguez’ salary of MXP 4,624,119, was converted into US dollars by applying an exchange rate of 1MXP = US\$0.0465.
- (8) All compensation to Mr. David Wolfin, Mr. Nathan Harte and Mr. Peter Latta are paid in Canadian dollars and are converted into US dollars by applying an exchange rate of US\$1.00 = C\$1.2537 for 2021, US\$1.00 = C\$1.3412 for 2020, and US\$1.00 = C\$1.3268 for 2019, based on the average exchange rate for the year quoted by the Bank of Canada.
- (9) Mr. Peter Latta was appointed VP- Technical Services in 2020.

• **Annual Base Salary**

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

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

• **Non-Equity Incentive Plan Compensation**

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

• **Equity-Based Incentive Awards**

Equity-based incentive awards are in the form of the grant of incentive stock options and RSUs. The objective of the equity-based incentive award is to reward executive officers, employees, and directors’ individual performance at the discretion of the Board upon the recommendation of the Compensation Committee.

The Company currently maintains a Stock Option and an RSU Plan (the “Plans”), under which stock options have been granted and may be granted to purchase a number equal to up to 10% of the Company’s issued capital from time to time. The RSU Plan (the “2018 RSU Plan”) was approved by the shareholders on May 24, 2018 and the unallocated entitlements were approved by shareholders on May 27, 2021. The maximum number of RSU shares issuable under this Plan shall not, together with all other security-based compensation arrangements of the Corporation exceed 10% of the issued and outstanding Common Shares as at the date of such Grant on a non-diluted basis. As of December 31, 2021, a total of 4,373,500 RSUs were granted under the 2018 RSU Plan to officers, directors, employees and consultants and 1,330,167 were vested and 104,356 were cancelled. The value of the RSUs is based on the closing price of the Common Shares on the vesting date. The RSUs will vest one-third annually over three years, until fully vested from the date of the awards, and provided that these designated persons are continuously employed with or providing services to Avino.

All Plans are administered by the Compensation Committee. The process the Company uses to grant equity based incentive awards is upon the recommendations of the Compensation Committee.

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

• **Outstanding share-based awards and option-based awards**

The following table sets forth the options and RSUs granted to the executive officers to purchase or acquire securities of the Company outstanding at December 31, 2021:

Name	Option-based Awards				Share-based Awards			Market or payout value of vested share-based awards not paid out or distributed (\$)(2) (4)
	Number of securities underlying unexercised options (#)	Option exercise price (C\$)(3)	Option expiration date	Value of unexercised in-the-money options (\$)(1)(4)	Share grant date	Number of shares or units of shares that have not vested (#)(2)	Market or payout value of share-based awards that have not vested (\$)(2)(4)	
David Wolfen, CEO, President and Director	250,000	\$1.98	Sept. 20, 2022	Nil	Aug 21, 2019	220,000	138,630	Nil
	300,000	1.64	Aug 4, 2025	Nil	Aug 4, 2020	200,000	261,626	Nil
Nathan Harte, CFO	25,000	\$1.98	Sept 20, 2022	Nil	Aug 21, 2019	20,000	12,603	Nil
	48,000	\$0.79	Aug 21, 2024	12,252	Aug 4, 2020	100,000	130,813	Nil
	150,000	\$1.64	Aug 4, 2025	Nil				
J.C. Rodriguez COO	125,000	\$1.98	Sept 20, 2022	Nil	Aug 21, 2019	100,000	63,013	Nil
	200,000	\$1.64	Aug 4, 2025	Nil	Aug 4, 2020	133,334	174,418	Nil
Peter Latta VP-Technical Services	100,000	\$1.64	Aug 4, 2025	Nil	Aug 21, 2019	10,000	6,301	Nil
					Aug 4, 2020	68,000	88,953	Nil

(1) In-the-Money Options are the difference between the market value of the underlying securities at December 31, 2021 and the exercise price of the option. The closing Toronto Stock Exchange share price for the Company’s common shares as at December 31, 2021 was C\$1.11 per common share.

(2) Share Based Awards are in the form of RSU Plan. The 2018 RSU Plan (the “2018 RSU Plan”) was approved by the shareholders on May 24, 2018, and the maximum number of RSU shares issuable under this Plan shall not, together with all other security-based compensation arrangements of the Corporation exceed 10% of the issued and outstanding Common Shares as at the date of such Grant on a non-diluted basis. As of December 31, 2021, No RSUs were granted under the 2018 RSU Plan to officers, directors, employees and consultants and 1,330,167 were vested and 104,356 were cancelled. The value of the RSUs is based on the closing price of the Common Shares on the vesting date. The RSUs will vest one-third annually over three years, and the amount above reflects the accrual for unvested share-based awards issued in the current and previous years, as at December 31, 2021. The closing market price on August 4, 2021 was C\$1.26 per common share, the closing market price on August 28, 2021 was C\$1.29 per common share, and the closing market price on August 21, 2021 was C\$1.18 per common share.

(3) The option exercise price is quoted in Canadian dollars as they relate specifically to the Canadian dollar share price as quoted on the Toronto Stock Exchange.

(4) The Awards are calculated in Canadian dollars and are converted into US dollars by applying an exchange rate of US\$1.00 = C\$1.2537, which represents the average exchange rate for the year 2021 quoted by the Bank of Canada.

**Incentive plan awards – value vested or earned during the year**

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

The following table sets forth the value vested or earned during the year of option-based awards, share-based awards and non-equity incentive plan compensation paid to executive officers during the most recently completed financial year ended December 31, 2021:

Name	Option-based awards – Value vested during the year (\$) <sup>(1)(3)</sup>	Share-based awards – Value vested during the year (\$) <sup>(2)(3)</sup>	Non-equity incentive plan compensation – Value earned during the year (\$) <sup>(3)</sup>
David Wolfin President, CEO and Director	11,366	446,478	Nil
Nathan Harte, CFO	5,683	77,822	Nil
J.C. Rodríguez COO	7,578	204,339	Nil
Peter Latta VP-Technical Services	3,789	52,329	Nil

- (1) The aggregate dollar value that would have been realized if the options granted during the year had been exercised on the vesting date.
- (2) The RSU Vesting prices were C\$1.26, C\$1.29, and C\$1.18 which represent the share prices on August 4, 2021, August 28, 2021, and August 21, 2021, the dates on which the RSUs vested.
- (3) The Awards are calculated in Canadian dollars and are converted into US dollars by applying an exchange rate of US\$1.00 = C\$ which represents the average exchange rate for the year 2021 as quoted by the Bank of Canada.

**Pension Plan Benefits**

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

**Use of Financial Instruments**

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

**Termination and Change of Control Benefits**

On January 1, 2016, the Company entered into a consulting agreement with Intermark Capital Corporation, a company owned by David Wolfin, and on March 23, 2016, the Company further amended the consulting agreement which contains certain provisions in connection with termination of employment or change of control. The consulting agreement was renewed for a period of three years on January 1, 2022, with the same terms and conditions.

The Intermark Capital Corporation Agreement can be terminated at any time as follows:

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

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On May 30, 2019, the Company entered into a Change of Control Agreement with Nathan Harte, a named executive officer of the Company. If a Change of Control occurs, and Nathan Harte's employment is terminated by the Company for any reason, except excluding a termination for just cause, within six (6) months of the date of the Change of Control, or Nathan Harte resigns from his employment for Good Reason during such six (6) month period, then Nathan Harte shall be entitled to receive from the Company an amount equal to Nathan Harte's current monthly base salary multiplied by twelve (12) months which Nathan Harte will be paid his salary, accrued bonuses, if any, and vacation earned and other amounts due to him up to the termination date; which amount is to be paid in a lump sum within 10 business days of the Change in Control termination date.

On May 30, 2019, the Company entered into a Change of Control Agreement with Peter Latta, a named executive officer of the Company. If a Change of Control occurs, and Peter Latta's employment is terminated by the Company for any reason, except excluding a termination for just cause, within six (6) months of the date of the Change of Control, or Peter Latta resigns from his employment for Good Reason during such six (6) month period, then Peter Latta shall be entitled to receive from the Company an amount equal to Peter Latta's current monthly base salary multiplied by twelve (12) months which Peter Latta will be paid his salary, accrued bonuses, if any, and vacation earned and other amounts due to him up to the termination date; which amount is to be paid in a lump sum within 10 business days of the Change in Control termination date.

On July 1, 2013, the Company entered into an employment agreement with J.C. Rodríguez, a named executive officer of the Company. The employment agreement was further amended on April 14, 2014 to provide termination as follows:

- (a) by J.C. Rodriguez electing to give the Employer not less than three months prior notice of such termination;
- (b) by the Company electing to give J.C. Rodriguez three months prior notice of such termination along with a termination payment equal to the sum of J.C. Rodriguez's fee earned pursuant to Section TEN during the preceding 12 months prior to the month notice of termination was given plus any unpaid vacation and other amounts due to him up to the termination; and
- (c) by J.C. Rodriguez electing to give the Company notice, in the event that there occurs a Change of Control (as defined below) within six months of the effective date of such Change of Control, and if J.C. Rodriguez so elects to terminate this Agreement, or by the Company upon notice to J.C. Rodriguez within three months prior to or within six months after a Change of Control is announced by the Company, or its parent, then the Company will be entitled to a termination payment equal to three times the sum of J.C. Rodriguez's fee earned pursuant to the employment agreement during the preceding 12 months prior to the month notice of termination was given, plus any accrued vacation and other amounts due to him up to the termination.

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

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

**Director Compensation**

The following table sets forth the value of all compensation paid or accrued to the directors, excluding Mr. Wolfin who is paid as an officer and not as a director, in their capacity as directors for the year ended December 31, 2021:

Name	Fees earned <sup>(5)</sup> (\$)	Share-based awards <sup>(1) (5)</sup> (\$)	Option-based awards <sup>(2)(5)</sup> (\$)	Non-equity incentive plan compensation <sup>(3)</sup> (5) (\$)	Pension value <sup>(4)</sup> (\$)	All other compensation (\$)	Total <sup>(5)</sup> (\$)
Gary Robertson*	58,228	60,801	22,104	Nil	Nil	Nil	141,133
Jasman Yee	35,096	55,130	22,104	Nil	Nil	Nil	112,330
Peter Bojtos*	43,870	53,306	22,104	Nil	Nil	Nil	119,281
Ronald Andrews <sup>(6)</sup>	45,450	52,030	22,104	Nil	Nil	Nil	119,584

\* Independent and Non-Employee Directors

- Share Based Awards are in the form of RSU Plan. The “2018 RSU Plan” the unallocated entitlements under the 2018 RSU Plan were approved by shareholders on May 27, 2021 and the maximum number of RSU shares issuable under this Plan shall not, together with all other security-based compensation arrangements of the Corporation exceed 10% of the issued and outstanding Common Shares as at the date of such Grant on a non-diluted basis. As of December 31, 2021, No RSUs were granted under the 2018 RSU Plan to officers, directors, employees, and consultants, and 1,330,167 were vested and 104,356 were cancelled. The value of the RSUs is based on the closing price of the Common Shares on the vesting date. The RSUs will vest one-third annually over three years, and the amount above reflects the accrual for unvested share-based awards issued in the current and previous years, as at December 31, 2021. The closing market price on August 4, 2021 was C\$1.26 per common share, the closing market price on August 28, 2021 was C\$1.29 per common share, and the closing market price on August 21, 2021 was C\$1.18 per common share.
- The methodology used to calculate the grant-date fair value is based on the Black-Scholes Option Pricing Model. During the year ended December 31, 2021, new option-based awards were granted to officers, directors, employees, and consultants. The fair value was estimated using the following weighted-average assumptions: risk-free interest rate of 0.30%, expected dividend yield of 0%, expected option life of 5 years, and expected share price volatility of 66.09%.
- The Company does not have any non-equity incentive plans.
- The Company does not have any pension plans.
- All director compensation is paid in Canadian dollars and is converted into US dollars by applying an exchange rate of US\$1.00 = C\$1.2537, which represents the average exchange rate for the year 2021 as quoted by the Bank of Canada.
- Mr. Ronald Andrews was appointed on May 30, 2019.

The Board, on recommendation of the Compensation Committee, determines director compensation. The objective in determining such director compensation is to ensure that the Company can attract and retain experienced and qualified individuals to serve as directors. The Company compensates its non-executive directors through the payment of directors’ fees, plus annual retainer for board and committee chair, and per meeting fees, and through the grant of incentive stock options and RSUs. All retainers are paid pro rata on a quarterly basis. The non-executive directors receive the following annual retainers and other fees for their services as directors:

Annual Retainer per Director	\$	23,929*
Annual Retainer for Board Chair	\$	23,929*
Annual Retainer for Audit Committee Chair	\$	6,381*
Annual Retainer for Compensation Committee Chair	\$	3,988*
Annual Retainer for Governance & Nominating Committee Chair	\$	3,988*
Meeting Attendance Fee per Meeting	\$	798*

\*All director compensation is paid in Canadian dollars and is converted into US dollars by applying an exchange rate of US\$1.00 = C\$1.2537, which represents the average exchange rate for the year 2021 as quoted by the Bank of Canada

The Company may grant incentive stock options and RSUs to Directors of the Company from time to time pursuant to the Stock Option and RSU Plans of the Company and in accordance with the policies of the Toronto Stock Exchange (the “TSX”).



**Outstanding share-based awards and option-based awards**

The following table sets forth the options and RSUs granted to the directors to purchase or acquire securities of the Company outstanding at December 31, 2021:

Name <sup>(1)</sup>	Option-based Awards				Share-based Awards			Market or payout value of share-based awards not paid out or distributed <sup>(3)(4)</sup>
	Number of securities underlying unexercised options (#)	Option exercise price (C\$)	Option expiration date	Value of unexercised in-the-money options <sup>(2)(4)</sup> (\$)	Share grant date	Number of shares or units of shares that have not vested <sup>(3)</sup> (#)	Market or payout value of share-based awards that have not vested <sup>(3)(4)</sup> (\$)	
Gary Robertson	150,000	\$1.98	Sept 20, 2022	Nil	Aug 21 2019	45,000	28,356	Nil
	100,000	\$1.64	Aug 4, 2025	Nil	Aug 4, 2020	40,000	52,325	Nil
Jasman Yee	125,000	\$1.98	Sept 20, 2022	Nil	Aug 21, 2019	35,000	22,055	Nil
	100,000	\$1.64	Aug 4, 2025	Nil	Aug 4, 2020	40,000	52,325	Nil
Ronald Andrews <sup>(5)</sup>	100,000	\$1.64	Aug. 4, 2025	Nil	Aug 21, 2019	35,000	22,055	Nil
					Aug 4, 2020	40,000	52,325	Nil
Peter Bojtos	50,000	\$1.30	Aug 28, 2023	Nil	Aug 21, 2019	35,000	22,055	Nil
	100,000	\$1.64	Aug 4, 2025	Nil	Aug 4, 2020	40,000	52,325	Nil

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

(2) In-the-Money Options are the difference between the market value of the underlying securities at December 31, 2021 and the exercise price of the option. The closing Toronto Stock Exchange share price for the Company’s common shares as at December 31, 2021 was C\$1.11 per common share.

(3) Share Based Awards are in the form of RSU Plan. The “2018 RSU Plan” was approved by the shareholders on May 24, 2018 and unallocated entitlements under the plan were approved on May 27, 2021. The maximum number of RSU shares issuable under this Plan shall not, together with all other security-based compensation arrangements of the Corporation exceed 10% of the issued and outstanding Common Shares as at the date of such Grant on a non-diluted basis. As of December 31, 2021, no RSUs were granted under the 2018 RSU Plan to officers, directors, employees, and consultants, and were 1,330,167 vested and 104,356 were cancelled. The value of the RSUs is based on the closing price of the Common Shares on the vesting date. The RSUs will vest one-third annually over three years, and the amount above reflects the accrual for unvested share-based awards issued in the current and previous years, as at December 31, 2021. The closing market price on August 4, 2021 was C\$1.26 per common share, the closing market price on August 28, 2021 was C\$1.29 per common share, and the closing market price on August 21, 2021 was C\$1.18 per common share.

(4) The Awards are calculated in Canadian dollars and are converted into US dollars by applying an exchange rate of US\$1.00 = C\$1.2537 which represents the average exchange rate for the year 2021 as quoted by the Bank of Canada.

(5) Mr. Ronald Andrews was appointed on May 30, 2019.

**Incentive plan awards – value vested or earned during the year**

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

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The following table sets forth the value vested or earned during the year of option-based awards, share-based awards and non-equity incentive plan compensation paid to directors during the year ended December 31, 2021:

Name <sup>(1)</sup>	Option-based awards – Value vested during the year <sup>(2)(4)</sup> (\$)	Share-based awards – Value vested during the year <sup>(3)(4)</sup> (\$)	Non-equity incentive plan compensation – Value earned during the year <sup>(4)</sup> (\$)
Gary Robertson	3,789	88,179	Nil
Jasman Yee	3,789	70,535	Nil
Ronald Andrews <sup>(5)</sup>	3,789	53,043	Nil
Peter Bojtos	3,789	60,246	Nil

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

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

(3) The RSU Vesting prices were C\$1.26 on August 4, 2021, C\$1.29 on August 28, 2021, and C\$1.18 on August 21, 2021 per common share.

(4) The Awards are calculated in Canadian dollars and are converted into US dollars by applying an exchange rate of US\$1.00 = C\$1.2537 which represents the average exchange rate for the year quoted by the Bank of Canada.

(5) Mr. Ronald Andrews was appointed on May 30, 2019.

### **Termination of Employment, Changes in Responsibilities and Employment Contracts**

On January 1, 2016, the Company entered into a consulting agreement with Intermark Capital Corporation, a company wholly-owned by David Wolfin, the named executive officer of the Company. The consulting agreement was further amended on March 23, 2016. On January 1, 2022, the Company renewed the consulting agreement with Intermark Capital Corporation for a period of three years with the same terms and conditions.

On May 30, 2019, the Company entered into a Change of Control Agreement with Nathan Harte, and Peter Latta, both who are named executive officers of the Company.

On July 1, 2013, the Company entered into an employment agreement with J.C. Rodríguez, the named executive officer of the Company. The employment agreement was further amended on April 14, 2014.

Please see “*Termination and Change of Control Benefits*” above for details.

### **C. Board practices**

The Board is currently comprised of five directors. The size and experience of the Board is important for providing the Company with effective governance in the mining industry. The Board’s mandate and responsibilities can be effectively and efficiently administered at its current size. The Board has functioned and is of the view that it can continue to function, independently of management as required. Directors are elected for a term of one year at the annual general meeting. At the Annual General Meeting, held on August 27, 2020, the shareholders elected Messrs. Gary Robertson, David Wolfin, Jasman Yee, Peter Bojtos, and Ronald Andrews as directors of the Company.

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

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

## **Mandate of the Board of Directors, its Committees and Management**

The role of the Board is to oversee the conduct of the Company's business, including the supervision of management, and determining the Company's strategy. Management is responsible for the Company's day to day operations, including proposing its strategic direction and presenting budgets and business plans to the Board for consideration and approval. The strategic plan takes into account, among other things, the opportunities and risks of the Company's business. Management provides the Board with periodic assessments as to those risks and the implementation of the Company's systems to manage those risks. The Board reviews the personnel needs of the Company from time to time, having particular regard to succession issues relating to senior management. Management is responsible for the training and development of personnel. The Board assesses how effectively the Company communicates with shareholders but has not adopted a formal communications policy. Through the Audit Committee, and in conjunction with its auditors, the Board assesses the adequacy of the Company's internal control and management information systems. The Board looks to management to keep it informed of all significant developments relating to or affecting the Company's operations. Major financings, acquisitions, dispositions and investments are subject to board approval. A formal Code of Ethics ("Code") has been adopted and applies to all directors, officers and employees. The Board meets on at least a quarterly basis and following the annual meeting of shareholders. The frequency of the meetings and nature of the meeting agendas are dependent on the nature of the business and affairs which the Company faces from time to time. During the year ended December 31, 2020, the Board met ten times.

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

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

## **Committees**

### ***Audit Committee***

Under Canadian National Instrument 52-110 – Audit Committees ("NI 52-110") a reporting issuer in those jurisdictions which have adopted NI 52-110 and that is not a "venture issuer" is required to provide disclosure with respect to its Audit Committee including the text of the Audit Committee's Charter, composition of the Committee, and the fees paid to the external auditor. Accordingly, the Company provides the following disclosure with respect to its Audit Committee:

### **Audit Committee Charter**

#### **1. Purpose of the Committee**

- 1.1 The purpose of the Audit Committee is to assist the Board of Directors in its oversight of the integrity of the Company's financial statements and other relevant public disclosures, the Company's compliance with legal and regulatory requirements relating to financial reporting, the external auditors' qualifications and independence and the performance of the internal audit function and the external auditors.

#### **2. Members of the Audit Committee**

- 2.1 All Members of the Audit Committee must be "financially literate" as defined under NI 52-110, having sufficient accounting or related financial management expertise to read and understand a set of financial statements, including the related notes, that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.
- 2.2 The Audit Committee shall consist of no less than three Directors.
- 2.3 All Members of the Audit Committee must be "independent" as defined under NI 52-110.

#### **3. Relationship with External Auditors**

- 3.1 The external auditors are the independent representatives of the shareholders, but the external auditors are also accountable to the Board of Directors and the Audit Committee.
- 3.2 The external auditors must be able to complete their audit procedures and reviews with professional independence, free from any undue interference from the management or directors.
- 3.3 The Audit Committee must direct and ensure that the management fully co-operates with the external auditors in the course of carrying out their professional duties.
- 3.4 The Audit Committee will have direct communications access at all times with the external auditors.

#### **4. Non-Audit Services**

- 4.1 The external auditors are prohibited from providing any non-audit services to the Company, without the express written consent of the Audit Committee. In determining whether the external auditors will be granted permission to provide non-audit services to the Company, the Audit Committee must consider that the benefits to the Company from the provision of such services, outweighs the risk of any compromise to or loss of the independence of the external auditors in carrying out their auditing mandate.

- 4.2 Notwithstanding section 4.1, the external auditors are prohibited at all times from carrying out any of the following services, while they are appointed the external auditors of the Company:
- (i) acting as an agent of the Company for the sale of all or substantially all of the undertaking of the Company; and
  - (ii) performing any non-audit consulting work for any director or senior officer of the Company in their personal capacity, but not as a director, officer or insider of any other entity not associated or related to the Company.
- 5. Appointment of Auditors**
- 5.1 The external auditors will be appointed each year by the shareholders of the Company at the annual general meeting of the shareholders.
- 5.2 The Audit Committee will nominate the external auditors for appointment, such nomination to be approved by the Board of Directors.
- 6. Evaluation of Auditors**
- 6.1 The Audit Committee will review the performance of the external auditors on at least an annual basis, and notify the Board of Directors and the external auditors in writing of any concerns in regards to the performance of the external auditors, or the accounting or auditing methods, procedures, standards, or principles applied by the external auditors, or any other accounting or auditing issues which come to the attention of the Audit Committee.
- 7. Remuneration of the Auditors**
- 7.1 The remuneration of the external auditors will be determined by the Board of Directors, upon the annual authorization of the shareholders at each general meeting of the shareholders.
- 7.2 The remuneration of the external auditors will be determined based on the time required to complete auditing procedures as determined by the external auditors in accordance with the Canadian Auditing Standards and the stands of the PCAOB.
- 8. Termination of the Auditors**
- 8.1 The Audit Committee has the power to terminate the services of the external auditors, with or without the approval of the Board of Directors, provided the Committee is acting reasonable and responsible.
- 9. Funding of Auditing and Consulting Services**
- 9.1 Auditing expenses will be funded by the Company. The auditors must not perform any other consulting services for the Company, which could impair or interfere with their role as the independent auditors of the Company.
- 10. Role and Responsibilities of the Internal Auditor**
- 10.1 Due to the Company's size and limited financial resources, the CEO and CFO of the Company shall be responsible for implementing internal controls and performing the role of the internal auditor to ensure that such controls are adequate.
- 11. Oversight of Internal Controls**
- 11.1 The Audit Committee will have the oversight responsibility for ensuring that the internal controls are implemented and monitored, and that such internal controls are effective.
- 12. Continuous Disclosure Requirements**
- 12.1 Due to the Company's size and limited financial resources, the Corporate Secretary of the Company is responsible for ensuring that the Company's continuous reporting requirements are met and in compliance with applicable regulatory requirements.
- 13. Other Auditing Matters**
- 13.1 The Audit Committee may meet with the Auditors independently of the management of the Company at any time, provided the Committee is acting reasonable and responsible.
- 13.2 The Auditors are authorized and directed to respond to all enquiries from the Audit Committee in a thorough and timely fashion, without reporting these enquiries or actions to the Board of Directors or the management of the Company.

**14. Annual Review**

14.1 The Audit Committee Charter will be reviewed annually by the Board of Directors and the Audit Committee to assess the adequacy of this Charter.

**15. Independent Advisers**

15.1 The Audit Committee shall have the power to retain legal, accounting or other advisors to assist the Committee.

**Composition of Audit Committee**

As of March 17, 2022, the following are the members of the Audit Committee:

<b>Name</b>	<b>Independent<sup>(1)</sup></b>	<b>Financially Literate<sup>(2)</sup></b>	<b>Education and Experience</b>
Ronald Andrews	Yes	Yes	Master's degree in political science, and a Bachelor's degree of Science in horticulture, and on the boards of two reporting issuers.
Gary Robertson	Yes	Yes	Certified Financial Planner and director of several reporting issuers
Peter Bojtos	Yes	Yes	Professional Engineer with over 48 years of worldwide experience in the mining industry

(1) *A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company, which could, in the view of the Board of Directors, reasonably interfere with the exercise of a member's independent judgment.*

(2) *An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.*

**Relevant Education and Experience**

The relevant education and/or experience of each member of the Audit Committee is as follows:

Ronald Andrews: Mr. Andrews has a Bachelor of Science degree in horticulture from Washington State University and a Master's degree in Political Science. Mr. Andrews is the owner and operator of Andrews Orchards and sells and distributes agricultural chemicals and fertilizers. Mr. Andrews has acted as director and chairman of the audit committee of several public mining companies

Gary Robertson: Mr. Robertson is a Certified Financial Planner. He has worked in the financial industry for the past twenty years, and has acted as director of several public mining companies. Mr. Robertson has gained considerable financial and business experience through his involvement in various businesses in the mining industries.

Peter Bojtos: Mr. Bojtos is a professional engineer with over 48 years of worldwide experience in the mining industry. He has an extensive background in corporate management as well as in all facets of the industry from exploration through the feasibility study stage to mine construction, operations and decommissioning. Mr. Bojtos graduated from the University of Leicester, England in 1972, following which he worked at open-pit iron-ore and underground base-metal and uranium mines in West Africa, the United States and Canada. Following that, he worked in Toronto for Kerr Addison Mines Ltd., a Noranda Group company, in increasingly senior management and officer positions for 12 years. From 1990 to 1992 he was the President & CEO of RFC Resource Finance Corp. developing a zinc mine in Washington State. From 1992 to 1993 Mr. Bojtos was the President & CEO of Consolidated Nevada Goldfields Corp. which operated precious metal mines in the United States. From 1993 to 1995 he was Chairman & CEO of Greenstone Resources Ltd, constructing and operating several gold mines in Central America. From 2017 to 2019 he was president of Pembridge Resources plc. He has served on over two dozen public company boards from 1996 to present.

#### **Audit Committee Oversight**

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

#### **Reliance on Certain Exemptions**

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of NI 52-110 (De Minimis Non-audit Services), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of National Instrument 52-110.

#### **Pre-Approval Policies and Procedures**

The Audit Committee is authorized by the Board of Directors to review the performance of the Company's external auditors and approve in advance provision of services other than auditing and to consider the independence of the external auditors, including a review of the range of services provided in the context of all consulting services bought by the Company. The Audit Committee is authorized to approve in writing any non-audit services or additional work which the Chairman of the Audit Committee deems is necessary, and the Chairman will notify the other members of the Audit Committee of such non-audit or additional work and the reasons for such non-audit work for the Committee's consideration, and if thought fit, approval in writing.

#### **External Auditor Service Fees**

The fees billed by the Company's external auditors in each of the last two fiscal years for audit and non-audit related services provided to the Company or its subsidiaries (if any) are as follows:

<b>Financial Year Ending</b>	<b>Audit Fees</b>	<b>Audit Related Fees<sup>(2)</sup></b>	<b>Tax Fees<sup>(3) (1)</sup></b>	<b>All other Fees<sup>(4)</sup></b>
December 31, 2021 <sup>1)</sup>	C\$375,000	C\$0	C\$0	C\$68,512
December 31, 2020	C\$253,000	C\$0	C\$0	C\$37,250

(1) Estimated

(2) Travel and expenses

(3) Preparation of corporate tax returns

(4) Procedures and letters related to financings

#### **Compensation Committee**

The Compensation Committee of the Company is responsible for, among other things, evaluating the performance of the Company's executive officers, determining or making recommendations to the Board with respect to the compensation of the Company's executive officers, making recommendations to the Board with respect to director compensation, incentive compensation plans and equity-based plans, making recommendations to the Board with respect to the compensation policy for the employees of the Company or its subsidiaries and ensuring that the Company is in compliance with all legal requirements with respect to compensation disclosure. In performing its duties, the Compensation Committee has the authority to engage such advisors, including executive compensation consultants, as it considers necessary.

The Compensation Committee is currently composed of Peter Bojtos, Gary Robertson, and Ronald Andrews, all of whom are independent directors within the meaning set out in NI 58-101. All three members of the Compensation Committee are experienced participants in the business world who have sat on the board of directors of other companies, charities or business associations, in addition to the Board of the Company.

The Compensation Committee has not engaged the services of independent compensation consultants to assist it in making recommendations to the Board with respect to director and executive officer compensation.

In performing its duties, the Compensation Committee has considered the implications of risks associated with the Company's compensation policies and practices. At its present early stage of development and considering its present compensation policies, the Company currently has no compensation policies or practices that would encourage an executive officer or other individual to take inappropriate or excessive risks.

The charter of the Compensation Committee is available at the Company's website at [www.avino.com](http://www.avino.com).

**Governance and Nominating Committee**

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

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

The Governance and Nominating Committee currently consists of three directors, Jasman Yee, Ronald Andrews, and Peter Bojtos, two of the three directors to be “independent” (Messrs. Bojtos and Andrews).

The charter of the Governance and Nominating Committee is available at the Company’s website at [www.avino.com](http://www.avino.com).

**D. Employees**

As at December 31, 2021, the Company had 18 employees located in Mexico and 12 employees in Canada. Certain of the Company’s senior management as well as administrative and corporate services are located in Canada and are contracted by the Company through their companies or through the Company’s cost sharing agreement for overhead and corporate services with Oniva International Services Corp. However, because these people are hired through companies, they are not technically deemed employees of the Company.

**E. Share ownership**

The following table sets forth the share ownership of the individuals referred to in “Compensation” section above as of March 17, 2022:

<b>Name of Beneficial Owner</b>	<b>Number of Shares</b>	<b>Percent</b>
Ronald Andrews	145,000	*
Gary Robertson	519,216	*
David Wolfin	2,428,178	1.96%
Jasman Yee	386,520	*
Peter Bojtos	113,000	*
J.C. Rodriguez	625,167	*
Nathan Harte	107,675	*
Peter Latta	69,000	*

*\*Less than one percent*

**Outstanding Options**

The following information, as of March 17, 2022 reflects outstanding options held by the individuals referred to in “Compensation” section above/

	<b>No. of Shares</b>	<b>Date of Grant</b>	<b>Exercise Price*</b>	<b>Expiration Date</b>
David Wolfin	250,000	Sept. 20, 2017	\$1.98	Sept. 20, 2022
President, CEO and Director	300,000	Aug 4, 2020	\$1.64	Aug 4, 2025
Nathan Harte	25,000	Sept 20, 2017	\$1.98	Sept. 20, 2022
CFO	48,000	Aug 21, 2019	\$0.79	Aug 21, 2024
	150,000	Aug 4, 2020	\$1.64	Aug 4, 2025
J.C. Rodriguez	125,000	Sept. 20, 2017	\$1.98	Sept. 20, 2022
COO	200,000	Aug 4, 2020	\$1.64	Aug 4, 2025
Peter Latta**				
VP Technical Services	100,000	Aug 4, 2020	\$ 1.64	Aug 4, 2025
Gary Robertson	150,000	Sept. 20, 2017	\$1.98	Sept. 20, 2022
Director	100,000	Aug 4, 2020	\$1.64	Aug 4, 2025
Jasman Yee	125,000	Sept. 20, 2017	\$1.98	Sept. 20, 2022
Director	100,000	Aug 4, 2020	\$1.64	Aug 4, 2025
Ronald Andrews	100,000	Aug 4, 2020	\$ 1.64	Aug 4, 2025
Peter Bojtos	50,000	Aug 28, 2018	\$1.30	Aug 28, 2023
	100,000	Aug 4, 2020	\$1.64	Aug 4, 2025

\*The option exercise price is quoted in Canadian dollars as they relate specifically to the Canadian dollar share price as quoted on the Toronto Stock Exchange.

\*\* Mr. Peter Latta was appointed VP Technical Services on October 20, 2020.

**Item 7. Major Shareholders and Related Party Transactions**

**B. Major shareholders**

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

As of March 24, 2022, to the knowledge of the Company, no person owned more than five (5%) percent of the outstanding shares of each class of the Company’s voting securities.

As of March 24, 2022, there were XXXXX common shares issued and outstanding. Of those common shares issued and outstanding, 49,174,477 common shares were held by 73 registered shareholders whose addresses were in Canada.

**B. Related party transactions**

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

The Company transacts with companies related to Avino’s directors or officers. All amounts payable are non-interest bearing and due on demand. Advances to Oniva International Services Corp. (“Oniva”) of \$Nil (December 31, 2019 - \$Nil) for expenditures to be incurred on behalf of the Company are included in prepaid expenses and other assets on the consolidated statements of financial position as at December 31, 2021. The following table summarizes the amounts due to related parties:

	December 31, 2021	December 31, 2020
Directors’ fees	\$ 56,000	\$ 48,000
Oniva International Services Corp.	107,000	106,000
	<u>\$ 163,000</u>	<u>\$ 154,000</u>



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The Company has a cost sharing agreement to reimburse Oniva for its expenses and to pay Oniva a percentage fee. 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 Wolfen, 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 years ended December 31, are summarized below:

	2021	2020	2019
Salaries and benefits	\$ 766,000	\$ 636,000	\$ 665,000
Office and miscellaneous	403,000	290,000	322,000
Exploration and evaluation assets	-	-	206,000
	<u>\$ 1,169,000</u>	<u>\$ 926,000</u>	<u>\$ 1,193,000</u>

For services provided to the Company as President and Chief Executive Officer, the Company pays Intermark Capital Corporation ("ICC"), a company controlled by David Wolfen, for consulting services. For the years ended December 31, 2021, 2020 and 2019, the Company paid \$239,000, \$224,000, and \$226,000 respectively to ICC.

**C. Interests of experts and counsel**

Not Applicable.

**Item 8. Financial Information**

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

See "Item 18. Financial Statements" for our Annual Audited Consolidated Financial Statements, related notes and other financial information filed with this annual report on Form 20-F.

**Dividend Policy**

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

**B. Significant Changes**

Except as otherwise disclosed in this annual report, there have been no material changes in our financial position, operations or cash flows since December 31, 2021.

**Item 9. The Offer and Listing**

**A. Offer and listing details**

Our common shares are listed on the NYSE American and the TSX under the symbol ASM. No suspensions regarding our common shares have occurred during the past 3 years.

**B. Plan of distribution**

Not Applicable.

**C. Markets**

On January 8, 2018, the Company graduated from the TSX-V to the TSX where our common shares are listed under the symbol "ASM". We are also listed on the Berlin and Frankfurt Stock Exchanges under the symbol "GV6", and on the NYSE American under the symbol "ASM".

**D. Selling shareholders**

Not Applicable.

**E. Dilution**

Not Applicable.

**F. Expenses of the issue**

Not Applicable.

**Item 10. Additional Information**

**A. Share capital**

Not Applicable.

**B. Memorandum and articles of association**

**Common Shares**

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

**Take Over Bid Regulations**

On May 9, 2016, amendments came into effect in Canada under National Instrument 62-104, *Take-Over bids and Issuer Bids* (the “**Instrument**”), which require all non-exempt take-over bids of a Canadian reporting issuer (“**Bids**”) to be subject to the following tender requirements:

**50% Minimum Tender Requirement:** Bids will be subject to a mandatory minimum tender requirement of more than 50% of the outstanding securities of the class of securities that are subject to the Bid, excluding those securities beneficially owned, or over which control or direction is exercised, by the offeror and its joint actors.

**105 Day Minimum Bid Period:** Bids will be required to remain open for a minimum period of 105 days, subject to two exceptions. Firstly, the target issuer’s board of directors may issue a “deposit period news release” for a proposed or Bid, which allows an initial bid period that is shorter than 105 days, but not less than 35 days. In result, if this action is taken by the Board, then any other outstanding or subsequent Bids will also be entitled to the shorter minimum deposit period calculated from the date that the other Bid is made. Secondly, if an issuer issues a news release that it has entered into an “alternate transaction” (i.e., a friendly change of control transaction that is not a Bid, such as a plan of arrangement), then any other outstanding or subsequent Bids will be entitled to a minimum 35 day deposit period calculated from the date that other Bid is made.

**10 Day Extension Requirement:** Following a successful Bid where the minimum tender requirement has been met, as well as the satisfaction or waiver of all other Bid terms and conditions, Bids will be required to be extended for at least an additional 10-day period to permit shareholders who did not tender time to do so on the same terms.

Under the Instrument, an offeror who makes a Bid which is open for 105 days, together with a further 10-day extension, will still be able to avail itself of the compulsory acquisition procedure provisions under applicable Canadian corporate legislation. These provisions permit the offeror to acquire on the same terms as contained in the Bid, the remaining shares held by any minority shareholders who did not tender, within 120 days of the launch of the Bid, if at least 90% of the total shares that were subject to the Bid have been acquired.

## **Powers and Duties of Directors**

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

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

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

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

## **Shareholders**

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

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

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

See also Exhibit 2.(d).

**C. Material contracts**

1. Share Purchase Agreement dated October 27, 2021 entered into among the Company, Coeur Mining, Inc., Coeur La Preciosa Silver Corp., Proyectos Mineros La Preciosa S.A De C.V, Coeur Explorations, Inc. Cervantes, LLC, La Preciosa Silver & Gold Mines Ltd and La Luna Silver & Gold Mines Ltd. to acquire the La Preciosa silver project.
2. Sales Agreement dated January 13, 2021 entered into among the Company and Cantor Fitzgerald & Co., H. C. Wainwright & Co., LLC, Roth Capital Partners, LLC, and A.G.P./Alliance Global Partners, LLC re the ATM Offering of US\$25,000,000 for distribution in the United States only;
3. Option Agreement dated August 12, 2020 entered into between the Company and Silver Wolf Exploration Ltd. regarding the granting of an option to purchase the Ana Maria and El Laberinto properties to Silver Wolf Exploration Ltd. (formerly, Gray Rock Resources Ltd.);
4. Share Purchase Agreement dated November 21, 2019 with Talisker Resources Ltd. and Bralorne Gold Mines Ltd. LLC.

**D. Exchange controls**

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

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

**E. Taxation**

**Canadian Federal Income Tax Consequences**

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

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

Every U.S. Holder is liable to pay a Canadian withholding tax on every dividend that is or is deemed to be paid or credited to the U.S. Holder on the U.S. Holder's common shares. The statutory rate of withholding tax is 25% of the gross amount of the dividend paid. The Treaty reduces the statutory rate with respect to dividends paid to a U.S. Holder for the purposes of the Treaty. Where applicable, the general rate of withholding tax under the Treaty is 15% of the gross amount of the dividend. The Company is required to withhold the applicable tax from the dividend payable to the U.S. Holder, and to remit the tax to the Receiver General of Canada for the account of the U.S. Holder.

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

## United States Federal Income Tax Consequences

The following is a general summary of certain material U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) arising from the ownership and disposition of the common shares. This summary applies only to U.S. Holders who hold common shares as capital assets (generally, property held for investment).

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder as a result of the ownership and disposition of common shares. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder, including specific tax consequences to a U.S. Holder under an applicable tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any particular U.S. Holder. In addition, this summary does not address the U.S. federal alternative minimum, U.S. federal estate and gift, U.S. Medicare contribution, U.S. state and local, or non-U.S. tax consequences of the acquisition, ownership or disposition of common shares. Except as specifically set forth below, this summary does not discuss applicable tax reporting requirements. Each U.S. Holder should consult its own tax advisor regarding all U.S. federal, U.S. state and local and non-U.S. tax consequences of the ownership and disposition of common shares.

No opinion from U.S. legal counsel or ruling from the Internal Revenue Service (the "IRS") has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the ownership or disposition of common shares. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, any position taken in this summary. In addition, because the authorities upon which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.

### Scope of This Disclosure

**Authorities** This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations (whether final, temporary, or proposed), published rulings of the IRS, published administrative positions of the IRS, the Convention Between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the "Canada-U.S. Tax Convention"), and U.S. court decisions that are applicable and, in each case, as in effect and available, as of the date hereof. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive or prospective basis which could affect the U.S. federal income tax considerations described in this summary. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive or prospective basis.

**U.S. Holders.** For purposes of this summary, the term "U.S. Holder" means a beneficial owner of common shares that is for U.S. federal income tax purposes:

- An individual who is a citizen or resident of the U.S.;
- A corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S., any state thereof or the District of Columbia;
- An estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- A trust that (a) is subject to the primary supervision of a court within the U.S. and the control of one or more U.S. persons for all substantial decisions or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

**Non-U.S. Holders.** For purposes of this summary, a "non-U.S. Holder" is a beneficial owner of common shares that is not a partnership (or other "pass-through" entity) for U.S. federal income tax purposes and is not a U.S. Holder. This summary does not address the U.S. federal income tax considerations applicable to non-U.S. Holders arising from the ownership or disposition of common shares.

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Accordingly, a non-U.S. Holder should consult its own tax advisor regarding all U.S. federal, U.S. state and local, and non-U.S. tax consequences (including the potential application of and operation of any income tax treaties) relating to the purchase of the common shares and the ownership or disposition of common shares.

### U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations of ownership or disposition of common shares by U.S. Holders that are subject to special provisions under the Code, including, but not limited to, the following: (a) tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) broker-dealers, dealers, or traders in securities or currencies that elect to apply a “mark-to-market” accounting method; (d) U.S. Holders that have a “functional currency” other than the U.S. dollar; (e) U.S. Holders that own common shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (f) U.S. Holders that acquire common shares in connection with the exercise of employee stock options or otherwise as compensation for services; (g) U.S. Holders that hold common shares other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes); (h) U.S. Holders that own directly, indirectly, or by attribution, 10% or more, by voting power or value, of the outstanding stock of the Company; and (i) U.S. Holders subject to Section 451(b) of the Code. This summary also does not address the U.S. federal income tax considerations applicable to U.S. Holders who are: (a) U.S. expatriates or former long-term residents of the U.S.; (b) persons that have been, are, or will be a resident or deemed to be a resident in Canada for purposes of the Tax Act; (c) persons that use or hold, will use or hold, or that are or will be deemed to use or hold common shares in connection with carrying on a business in Canada; (d) persons whose common shares constitute “taxable Canadian property” under the Tax Act; or (e) persons that have a permanent establishment in Canada for purposes of the Canada-U.S. Tax Convention. U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described immediately above, should consult their own tax advisors regarding all U.S. federal, U.S. state and local, and non-U.S. tax consequences (including the potential application and operation of any income tax treaties) relating to the acquisition, ownership, or disposition of common shares.

If an entity or arrangement that is classified as a partnership (or other “pass-through” entity) for U.S. federal income tax purposes holds common shares, the U.S. federal income tax consequences to such partnership and the partners (or other owners) of such partnership of the ownership, or disposition of the common shares generally will depend on the activities of the partnership and the status of such partners (or other owners). This summary does not address the U.S. federal income tax consequences for any such partner or partnership (or other “pass-through” entity or its owners). Owners of entities and arrangements that are classified as partnerships (or other “pass-through” entities) for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences of the ownership or disposition of common shares.

### Sale or Other Taxable Disposition of Common Shares

Subject to the PFIC rules discussed below, upon the sale or other taxable disposition of common shares, a U.S. Holder generally will recognize a capital gain or loss in an amount equal to the difference between the amount of cash plus the fair market value of any property received and such U.S. Holder’s tax basis in the common shares sold or otherwise disposed of. Such capital gain or loss will generally be a long-term capital gain or loss if, at the time of the sale or other taxable disposition, the U.S. Holder’s holding period for the common shares is more than one year. Preferential tax rates apply to long-term capital gains of non-corporate U.S. Holders. Deductions for capital losses are subject to significant limitations under the Code. A U.S. Holder’s tax basis in common shares generally will be such U.S. Holder’s U.S. dollar cost for such common shares.

### Medicare Tax

Certain U.S. Holders that are individuals, estates or trusts and whose income exceeds certain thresholds generally are subject to a 3.8% tax on all or a portion of their net investment income, which may include their gross dividend income and net gains from the disposition of our ordinary shares.

### PFIC Status of the Company

Because the Company is producing revenue from its mining operations, the Company does not believe that it was classified as a PFIC for its taxable year ended December 31, 2021. However, the Company has not performed an analysis of whether or not it will be deemed a PFIC for its current taxable year. The determination of PFIC status is inherently factual, is subject to a number of uncertainties, and can be determined only annually at the close of the tax year in question. Additionally, the analysis depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. If the Company is or becomes a PFIC, the foregoing description of the U.S. federal income tax consequences to U.S. Holders of the acquisition, ownership and disposition of Common Shares will be different. There can be no assurance that the Company will or will not be determined to be a PFIC for the current tax year or any prior or future tax year, and no opinion of legal counsel or ruling from the IRS concerning the status of the Company as a PFIC has been obtained or will be requested. U.S. Holders should consult their own U.S. tax advisors regarding the PFIC status of the Company. The U.S. federal income tax consequences of owning and disposing of common shares if the Company is or becomes a PFIC are described below under the heading “Tax Consequences if the Company is a PFIC.”

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A non-U.S. corporation is a PFIC for each tax year in which (i) 75% or more of its gross income is passive income (as defined for U.S. federal income tax purposes) (the “income test”) or (ii) 50% or more (by value) of its assets (based on an average of the quarterly values of the assets during such tax year) either produce or are held for the production of passive income (the “asset test”). For purposes of the PFIC provisions, “gross income” generally includes sales revenues less cost of goods sold, plus income from investments and from incidental or other operations or sources, and “passive income” generally includes dividends, interest, certain rents and royalties, certain gains from commodities or securities transactions and the excess of gains over losses from the disposition of certain assets which product passive income. If a non-U.S. corporation owns at least 25% (by value) of the stock of another corporation, the non-U.S. corporation is treated, for purposes of the income test and asset test, as owning its proportionate share of the assets of the other corporation and as receiving directly its proportionate share of the other corporation’s income.

Under certain attribution and indirect ownership rules, if the Company is a PFIC, U.S. Holders will generally be deemed to own their proportionate share of the Company’s direct or indirect equity interest in any company that is also a PFIC (a “Subsidiary PFIC”), and will be subject to U.S. federal income tax on their proportionate share of (a) any “excess distributions,” as described below, on the stock of a Subsidiary PFIC and (b) a disposition or deemed disposition of the stock of a Subsidiary PFIC by the Company or another Subsidiary PFIC, both as if such U.S. Holders directly held the shares of such Subsidiary PFIC. In addition, U.S. Holders may be subject to U.S. federal income tax on any indirect gain realized on the stock of a Subsidiary PFIC on the sale or disposition of common shares. Accordingly, U.S. Holders should be aware that they could be subject to tax even if no distributions are received and no redemptions or other dispositions of the Company’s common shares are made.

### Tax Consequences if the Company is a PFIC

If the Company is a PFIC for any tax year during which a U.S. Holder holds common shares, special rules may increase such U.S. Holder’s U.S. federal income tax liability with respect to the ownership and disposition of such common shares. If the Company is a PFIC for any tax year during which a U.S. Holder owns common shares, the Company will be treated as a PFIC with respect to such U.S. Holder for that tax year and for all subsequent tax years, regardless of whether the Company meets the income test or the asset test for such subsequent tax years, unless the U.S. Holder makes a “deemed sale” election with respect to the common shares. If the election is made, the U.S. Holder will be deemed to sell the common shares it holds at their fair market value on the last day of the last taxable year in which we qualified as a PFIC, and any gain recognized from such deemed sale would be taxed under the PFIC excess distribution regime. After the deemed sale election, the U.S. Holder’s common shares would not be treated as shares of a PFIC unless the Company subsequently becomes a PFIC. U.S. Holders should consult their own U.S. tax advisors regarding the availability and desirability of a deemed sale election.

Under the default PFIC rules:

- Any gain realized on the sale or other disposition (including dispositions and certain other events that would not otherwise be treated as taxable events) of common shares (including an indirect disposition of the stock of any Subsidiary PFIC) and any “excess distribution” (defined as a distribution to the extent it (together with all other distributions received in the relevant tax year) exceeds 125% of the average annual distribution received during the shorter of the preceding three years or the U.S. Holder’s holding period for the common shares) received on common shares or with respect to the stock of a Subsidiary PFIC will be allocated ratably to each day of such U.S. Holder’s holding period for the common shares;
- The amount allocated to the current tax year and any year prior to the first year in which the Company was a PFIC will be taxed as ordinary income in the current year;
- The amount allocated to each of the other tax years (the “Prior PFIC Years”) will be subject to tax at the highest ordinary income tax rate in effect for the applicable class of taxpayer for that year; and
- An interest charge will be imposed with respect to the resulting tax attributable to each Prior PFIC Year.

A U.S. Holder that makes a timely and effective “mark-to-market” election under Section 1296 of the Code (a “Mark-to-Market Election”) or a timely and effective election to treat the Company and each Subsidiary PFIC as a “qualified electing fund” (a “QEF”) under Section 1295 of the Code (a “QEF Election”) may generally mitigate or avoid the default PFIC rules described above with respect to common shares. U.S. Holders should be aware that there can be no assurance that the Company has satisfied or will satisfy the recordkeeping requirements that apply to a QEF or that the Company has supplied or will supply U.S. Holders with information such U.S. Holders require to report under the QEF rules in the event that the Company is a PFIC for any tax year.

A timely and effective QEF Election requires a U.S. Holder to include currently in gross income each year its pro rata share of the Company’s ordinary earnings and net capital gains, regardless of whether such earnings and gains are actually distributed. Thus, a U.S. Holder could have a tax liability with respect to such ordinary earnings or gains without a corresponding receipt of cash from the Company. If the Company is a QEF with respect to a U.S. Holder, the U.S. Holder’s basis in the common shares will be increased to reflect the amount of the taxed but undistributed income. Distributions of income that had previously been taxed will result in a corresponding reduction of basis in the common shares and will not be taxed again as a distribution to a U.S. Holder. Taxable gains on the disposition of common shares by a U.S. Holder that has made a timely and effective QEF Election are generally capital gains. A U.S. Holder must make a QEF Election for the Company and each Subsidiary PFIC if it wishes to have this treatment. To make a QEF Election, a U.S. Holder will need to have an annual information statement from the Company setting forth the ordinary earnings and net capital gains for the year and the Company may not provide this statement, in which case a QEF Election cannot be made. In general, a U.S. Holder must make a QEF Election on or before the due date for filing its income tax return for the first year to which the QEF Election will apply. Under applicable Treasury Regulations, a U.S. Holder will be permitted to make retroactive elections in particular, but limited, circumstances, including if it had a reasonable belief that the Company was not a PFIC and did not file a protective election. If a U.S. Holder owns PFIC stock indirectly through another PFIC, separate QEF Elections must be made for the PFIC in which the U.S. Holder is a direct shareholder and the Subsidiary PFIC for the QEF rules to apply to both PFICs.

Each U.S. Holder should consult its own tax advisor regarding the availability and desirability of, and procedure for, making a timely and effective QEF Election (including a “pedigreed” QEF election where necessary) for the Company and any Subsidiary PFIC.

Alternatively, a Mark-to-Market Election may be made with respect to “marketable stock” in a PFIC if which is stock that is “regularly traded” on a “qualified exchange or other market” (within the meaning of the Code and the applicable U.S. Treasury Regulations). A class of stock that is traded on one or more qualified exchanges or other markets is considered to be “regularly traded” for any calendar year during which such class of stock is traded in other than de minimis quantities on at least 15 days during each calendar quarter. If the common shares are considered to be “regularly traded” within this meaning, then a U.S. Holder generally will be eligible to make a Mark-to-Market Election with respect to its common shares. However, there is no assurance that the common shares will be or remain “regularly traded” for this purpose. A Mark-to-Market Election may not be made with respect to the stock of any Subsidiary PFIC. Hence, a Mark-to-Market Election will not be effective to eliminate the application of the default PFIC rules, described above, with respect to deemed dispositions of Subsidiary PFIC stock, or excess distributions with respect to a Subsidiary PFIC.

A U.S. Holder that makes a timely and effective Mark-to-Market Election with respect to common shares generally will be required to recognize as ordinary income in each tax year in which the Company is a PFIC an amount equal to the excess, if any, of the fair market value of such shares as of the close of such taxable year over the U.S. Holder’s adjusted tax basis in such shares as of the close of such taxable year. A U.S. Holder’s adjusted tax basis in the common shares generally will be increased by the amount of ordinary income recognized with respect to such shares. If the U.S. Holder’s adjusted tax basis in the common shares as of the close of a tax year exceeds the fair market value of such shares as of the close of such taxable year, the U.S. Holder generally will recognize an ordinary loss, but only to the extent of net mark-to-market income recognized with respect to such shares for all prior taxable years. A U.S. Holder’s adjusted tax basis in its common shares generally will be decreased by the amount of ordinary loss recognized with respect to such shares. Any gain recognized upon a disposition of the common shares generally will be treated as ordinary income, and any loss recognized upon a disposition generally will be treated as an ordinary loss to the extent of net mark-to-market income recognized for all prior taxable years. Any loss recognized in excess thereof will be taxed as a capital loss. Capital losses are subject to significant limitations under the Code.



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Each U.S. Holder should consult its own tax advisor regarding the availability and desirability of, and procedure for, making a timely and effective Mark-to-Market Election with respect to the common shares.

### Foreign Tax Credit

A U.S. Holder that pays (whether directly or through withholding) Canadian income tax in connection with the ownership or disposition of common shares may (under certain circumstances) be entitled to receive either a deduction or a credit for such Canadian income tax paid generally at the election of such U.S. Holder. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all creditable foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder's U.S. federal income tax liability that such U.S. Holder's "foreign source" taxable income bears to such U.S. Holder's worldwide taxable income. In applying this limitation, a U.S. Holder's various items of income and deduction must be classified, under complex rules, as either "foreign source" or "U.S. source." Generally, dividends paid by a non-U.S. corporation should be treated as foreign source for this purpose, and gains recognized on the sale of securities of a non-U.S. corporation by a U.S. Holder should be treated as U.S. source for this purpose, except as otherwise provided in an applicable income tax treaty and if an election is properly made under the Code. However, the amount of a distribution with respect to the common shares that is treated as a "dividend" may be lower for U.S. federal income tax purposes than it is for Canadian federal income tax purposes, resulting in a reduced foreign tax credit allowance to a U.S. Holder. In addition, this limitation is calculated separately with respect to specific categories of income. The foreign tax credit rules are complex, and each U.S. Holder should consult its own U.S. tax advisor regarding the foreign tax credit rules.

Special rules apply to the amount of foreign tax credit that a U.S. Holder may claim on a distribution, including a constructive distribution, from a PFIC. Subject to such special rules, non-U.S. taxes paid with respect to any distribution in respect of stock in a PFIC are generally eligible for the foreign tax credit. The rules relating to distributions by a PFIC and their eligibility for the foreign tax credit are complicated, and a U.S. Holder should consult its own tax advisor regarding their application to the U.S. Holder.

### Receipt of Foreign Currency

The amount of any distribution or proceeds paid in Canadian dollars to a U.S. Holder in connection with the ownership of common shares, or on the sale or other taxable disposition of common shares will be included in the gross income of a U.S. Holder as translated into U.S. dollars calculated by reference to the exchange rate prevailing on the date of actual or constructive receipt of the payment, regardless of whether the Canadian dollars are converted into U.S. dollars at that time. If the Canadian dollars received are not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the Canadian dollars equal to their U.S. dollar value on the date of receipt. Any U.S. Holder who receives payment in Canadian dollars and engages in a subsequent conversion or other disposition of the Canadian dollars may have a foreign currency exchange gain or loss that would generally be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method with respect to foreign currency.

Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of Canadian dollars.

### Information Reporting; Backup Withholding

Under U.S. federal income tax law, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a non-U.S. corporation. For example, U.S. return disclosure obligations (and related penalties) are imposed on individuals who are U.S. Holders that hold certain specified foreign financial assets in excess of certain threshold amounts. The definition of "specified foreign financial assets" includes not only financial accounts maintained in non-U.S. financial institutions, but also, if held for investment and not in an account maintained by certain financial institutions, any stock or security issued by a non-U.S. person, any financial instrument or contract that has an issuer or counterparty other than a U.S. person and any interest in a non-U.S. entity. A U.S. Holder may be subject to these reporting requirements unless such U.S. Holder's common shares are held in an account at certain financial institutions. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult with their own tax advisors regarding the requirements of filing information returns on IRS Form 8938, and, if applicable, filing obligations relating to the PFIC rules, including possible reporting on an IRS Form 8621.

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Payments made within the U.S. or by a U.S. payor or U.S. middleman of (a) distributions on the common shares, and (b) proceeds arising from the sale or other taxable disposition of common shares generally will be subject to information reporting. In addition, backup withholding, currently at a rate of 24%, may apply to such payments if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on IRS Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding. Certain exempt persons generally are excluded from these information reporting and backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the U.S. backup withholding rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner. The information reporting and backup withholding rules may apply even if, under the Canada-U.S. Tax Convention, payments are eligible for a reduced withholding rate.

The discussion of reporting requirements set forth above is not intended to constitute an exhaustive description of all reporting requirements that may apply to a U.S. Holder. A failure to satisfy certain reporting requirements may result in an extension of the time period during which the IRS can assess a tax, and, under certain circumstances, such an extension may apply to assessments of amounts unrelated to any unsatisfied reporting requirement. Each U.S. Holder should consult its own tax advisor regarding the information reporting and backup withholding rules.

THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL U.S. TAX CONSIDERATIONS APPLICABLE TO U.S. HOLDERS WITH RESPECT TO THE OWNERSHIP, EXERCISE OR DISPOSITION OF COMMON SHARES. U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSIDERATIONS APPLICABLE TO THEM IN THEIR PARTICULAR CIRCUMSTANCES.

***F. Dividends and paying agents***

Not Applicable.

***G. Statement by experts***

Not Applicable.

***H. Documents on display***

The Company files annual reports and furnishes other information with the SEC via Edgar. You may review any document that we file at the SEC by accessing the Commission's website (<http://www.sec.gov>). The Company also files its annual reports and other information with the Canadian Securities Administrators via SEDAR ([www.sedar.com](http://www.sedar.com)).

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

***I. Subsidiary information***

Discussion regarding our subsidiaries is contained in Item 4.B., Information on the Company; Business Overview.

**Item 11. Quantitative and Qualitative Disclosures about Market Risk**

The Audit Committee of our board of directors regularly reviews foreign exchange and interest rates. Our policy prohibits the use of financial instruments for speculative purposes. See Note 23, Financial Instruments, in our annual audited consolidated Financial Statements contained in this annual report on Form 20-F for quantitative and qualitative disclosure of market risk.

**Item 12. Description of Securities Other than Equity Securities**

None.

## PART II

### Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

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

None

### Item 15. Controls and Procedures

#### Disclosure Controls and Procedures

As required by paragraph (b) of Rules 13a-15 or 15d-15 under the Exchange Act, our principal executive officer and principal financial officer evaluated our Company's disclosure controls and procedures (as defined in rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this annual report on Form 20-F. Based on the evaluation, these officers concluded that as of the end of the period covered by this Annual Report on Form 20-F, our disclosure controls and procedures were effective to ensure that the information required to be disclosed by our Company in reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the rules and forms of the Securities and Exchange Commission. These disclosure controls and procedures include controls and procedures designed to ensure that such information is accumulated and communicated to our Company's management, including our Company's principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

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

#### Management's Report on Internal Controls over Financial Reporting

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

For the purposes of Exchange Act Rules 13a-15(e), 13a-15(f), 15d-15(e), and 15d-15(f), management, including our principal executive officer and principal financial officer, conducted an evaluation of the design and operation of our internal controls over financial reporting as of December 31, 2021, based on the criteria set forth in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, our management concluded our internal controls over financial reporting were effective as at December 31, 2021.

Manning Elliott LLP, the Company's independent registered public accounting firm, who audited and reported on our consolidated financial statements, has issued an attestation report on the effectiveness of our internal control over financial reporting as of December 31, 2021. The attestation report is included within the consolidated financial statements in this Annual Report on Form 20-F.

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

#### Changes in Internal Controls over Financial Reporting

Based on the evaluation as at December 31, 2021, management, including our principal executive officer and principal financial officer, have concluded that there were no material changes in the design of internal controls from the last annual reporting date of December 31, 2020.

**Item 16. (Reserved)**

**Item 16A. Audit Committee Financial Expert**

The Board determined that Mr. Gary Robertson, Mr. Peter Bojtos, and Mr. Ronald Andrews are qualified as Audit Committee Financial Experts. Mr. Robertson, Mr. Bojtos, and Mr. Ronald Andrews are independent as determined by the NYSE American rules.

**Item 16B. Code of Ethics**

The Company has adopted a Code of Ethics that applies to all directors, officers, consultants and employees of the Company.

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

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

A copy of the Code of Ethics and Whistleblower Policy has been filed as an exhibit with the SEC and are available at the Company's website at [www.avino.com](http://www.avino.com). You may obtain a copy of the Code of Ethics and Whistleblower Policy upon request by contacting the Company's Corporate Secretary at 570 Granville Street, Suite 900, Vancouver, British Columbia V6C 3P1, Canada.

**Item 16C. Principal Accountant Fees and Services**

The Company's independent registered public accounting firm for the years ended December 31, 2021 and 2020 were Manning Elliott LLP, Chartered Professional Accountants.

**Audit Fees**

The aggregate fees billed by Manning Elliott LLP for professional services rendered for the audit of the annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements for the Company's years ended December 31, 2021 and 2020, were C\$375,000 and C\$253,000, respectively.

**Audit-Related Fees**

The audit-related fees billed by Manning Elliott LLP for assurance and related services that are reasonably related to the performance of the audit or review for the Company's years ended December 31, 2021 and 2020, were C\$375,000 and C253,000, respectively, and consisted of travel and expenses.

**Tax Fees**

The tax fees billed by Manning Elliott LLP for the Company's years ended December 31, 2021 and 2020, were Nil.

**All Other Fees**

The aggregate fees billed by Manning Elliott LLP for services other than the services reported above for the Company's years ended December 31, 2021 and 2020, were C\$68,512 and C\$37,520 respectively, and consisted of fees related to the Company's securities registration documents.

The Audit Committee approved 100% of the fees paid to the principal accountant for audit-related, tax and other fees in the fiscal years 2021 and 2020. The Audit Committee pre-approves all non-audit services to be performed by the auditor in accordance with the Audit Committee Charter.

There were no hours expended on the principal accountant's engagement to audit the Company's financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees.

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

Not applicable.

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

None.

**Item 16F. Changes in Registrant's Certifying Accountant**

Not applicable.

**Item 16G. Corporate Governance**

We are a foreign private issuer with our common shares listed on the NYSE American. Section 110 of the NYSE American Company Guide permits NYSE American to consider the laws, customs and practices of foreign private issuers like us in relaxing certain NYSE American corporate governance requirements, and to grant exemptions from NYSE American corporate governance requirements on these considerations. A company seeking relief under these provisions is required to provide written certification from independent local counsel that the non-complying practice is not prohibited by home country law. A description of the significant ways in which our governance practices differ from those followed by domestic companies pursuant to NYSE American corporate governance standards is as follows:

Shareholder Approval Requirement: Sections 711-713 of the NYSE American Company Guide require shareholder approval prior to an issuance of securities in connection with: (i) the acquisition of the stock or assets of another company; (ii) equity-based compensation of officers, directors, employees or consultants; (iii) a change of control; and (iv) private placements. Under the laws of the British Columbia, Canada, we are not required to solicit shareholder approval of equity incentive plans, including those in which our officers or directors may participate; stock issuances that will result in a change in control; the issuance of our stock in related party transactions or other transactions in which we may issue 20% or more of our outstanding shares; or, below market issuances of 20% or more of our outstanding shares to any person. In connection with the La Preciosa Transaction, we did not seek shareholder approval for the issuance of common shares and warrants thereunder upon reliance that shareholder approval is not required under British Columbia law.

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In addition, as a foreign private issuer, and our equity securities are accordingly exempt from the proxy rules set forth in Sections 14(a), 14(b), 14(c) and 14(f) of the Exchange Act. We solicit proxies in accordance with our Memorandum and Articles of Association the applicable rules and regulations of British Columbia, Canada and the Toronto Stock Exchange.

The foregoing is consistent with the laws, customs and practices in British Columbia, Canada. In addition, we may from time-to-time seek relief from NYSE American corporate governance requirements on specific transactions under Section 110 of the NYSE American Company Guide by providing written certification from independent local counsel that the non-complying practice is not prohibited by our home country law.

**Item 16H. Mine Safety Disclosure**

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

**Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable

**PART III**

**Item 17. Financial Statements**

Not applicable.

**Item 18. Financial Statements**

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

Management's Responsibility for Financial Reporting

Reports of Independent Registered Public Accounting Firm (Manning Elliott LLP, Vancouver, British Columbia; PCAOB ID #1524)

Consolidated Statements of Financial Position as at December 31, 2021 and December 31, 2020

Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2021, 2020 and 2019

Consolidated Statements of Changes in Equity for the years ended December 31, 2021, 2020 and 2019

Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019

Notes to the Consolidated Financial Statements

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### Item 19. Exhibits

<u>Exhibit Number</u>	<u>Exhibit</u>
<u>1.1</u>	<u>Memorandum of Avino Silver &amp; Gold Mines Ltd.</u>
<u>1.2</u>	<u>Articles of Avino Silver &amp; Gold Mines Ltd.</u>
<u>2.(d)</u>	<u>Description of Securities</u>
<u>4.1</u>	<u>Minales de Avino SA de CV Agreement dated February 18, 2012 (Incorporated by reference to Exhibit 4.3 to Form 20-F for the year ended December 31, 2012 filed with the SEC on May 14, 2013)*</u>
<u>4.2</u>	<u>Stock Option Plan, as amended (Incorporated by reference to Exhibit 4.4 to Form 20-F for the year ended December 31, 2012 filed with the SEC on May 14, 2013)*</u>
<u>4.3</u>	<u>Nathan Harte Change Control Agreement dated May 30, 2019 (Incorporated by reference to Exhibit 4.7 to Form 20-F filed with the SEC on March 25, 2020)*</u>
<u>4.4</u>	<u>J.C. Rodríguez Employment Agreement dated July 1, 2013 and Amendment dated April 14, 2014 (Incorporated by reference to Exhibit 4.14 to Form 20-F filed with the SEC on May 11, 2015)*</u>
<u>4.5</u>	<u>Arrangement Agreement dated July 31, 2014 between Avino Silver &amp; Gold Mines Ltd. and Bralorne Gold Mines Ltd. (Incorporated by reference to Exhibit 99.1 to Form 6-K filed with the SEC on August 6, 2014 and subsequently amended and filed with the SEC on September 2, 2014.)*</u>
<u>4.6</u>	<u>Intermark Capital Corporation Consulting Agreement dated Jan. 1, 2016, amended March 23, 2016 and renewed on January 1, 2019* (Incorporated by reference to Exhibit 4.10 to Form 20-F for the year ended December 31, 2018 filed with the SEC on March 22, 2019)*</u>
<u>4.7</u>	<u>Underwriting Agreement (Incorporated by reference to Exhibit 99.1 to Form 6-K filed with the SEC on November 23, 2016.)*</u>
<u>4.8</u>	<u>Warrant Indenture (Incorporated by reference to Exhibit 99.1 to Form 6-K filed with the SEC on November 30, 2016)*</u>
<u>4.9</u>	<u>2016 Restricted Share Unit Plan (Incorporated by reference to Exhibit 4.13 to Form 20-F for the year ended December 31, 2018 filed with the SEC on March 22, 2019)*</u>
<u>4.10</u>	<u>2018 Restricted Share Unit Plan (Incorporated by reference to Exhibit 4.14 to Form 20-F for the year ended December 31, 2018 filed with the SEC on March 22, 2019)*</u>
<u>4.11</u>	<u>2018 Stock Option Plan (Incorporated by reference to Exhibit 4.15 to Form 20-F for the year ended December 31, 2018 filed with the SEC on March 22, 2019)*</u>
<u>4.12</u>	<u>Underwriting Agreement dated September 21, 2018 with H. C. Wainwright &amp; Co., LLC (Incorporated by reference to Exhibit 4.21 to Form 20-F for the year ended December 31, 2018 filed with the SEC on March 22, 2019)*</u>
<u>4.13</u>	<u>Share Purchase Agreement dated November 21, 2019 with Talisker Resources Ltd. and Bralorne Gold Mines Ltd. LLC (Incorporated by reference to Exhibit 4.21 to Form 20-F for the year ended December 31, 2018 filed with the SEC on March 22, 2019)*</u>
<u>4.14</u>	<u>Peter Latta Change Control Agreement dated May 30, 2019 (Incorporated by reference to Exhibit 4.22 to Form 20-F filed with the SEC on March 18, 2021)*</u>
<u>4.15</u>	<u>Option Agreement dated August 12, 2020 with Silver Wolf Exploration Ltd. (formerly, Gray Rock Resources Ltd.) (Incorporated by reference to Exhibit 99.1 to Form 6-K filed with the SEC on August 13, 2020)*</u>
<u>4.16</u>	<u>Sales Agreement dated January 13, 2021 entered into among the Company and Cantor Fitzgerald &amp; Co., H. C. Wainwright &amp; Co., LLC, Roth Capital Partners, LLC, and A.G.P./Alliance Global Partners, LLC re the ATM Offering of US\$25,000,000 for distribution in the United States only (Incorporated by reference to Exhibit 1.6 to Form F-3 filed with the SEC on January 13, 2021)*</u>
<u>4.17</u>	<u>Form of Purchase Agreement – Coeur Mining, Inc. (Incorporated by reference to Exhibit 4.1 to Form 6-K filed with the SEC on March 25, 2022)*</u>
<u>8.1</u>	<u>List of Subsidiaries</u>
<u>11.1</u>	<u>Code of Ethics and Whistleblower Policy (Incorporated by reference to Exhibit 11.1 to Form 20-F for the year ended December 31, 2017 filed with the SEC on April 3, 2018)*</u>
<u>11.2</u>	<u>Audit Committee Charter (Incorporated by reference to Exhibit 11.2 to Form 20-F for the year ended December 31, 2012 filed with the SEC on May 14, 2013)*</u>
<u>11.3</u>	<u>Governance &amp; Nominating Committee Charter (Incorporated by reference to Exhibit 11.3 to Form 20-F for the year ended December 31, 2012 filed with the SEC on May 14, 2013)*</u>
<u>11.4</u>	<u>Compensation Committee Charter (Incorporated by reference to Exhibit 11.2 to Form 20-F for the year ended December 31, 2012 filed with the SEC on May 14, 2013)*</u>
<u>12.1</u>	<u>Certification of the Principal Executive Officer</u>
<u>12.2</u>	<u>Certification of the Principal Financial Officer</u>
<u>13.1</u>	<u>Certificate under the Sarbanes-Oxley Act of the Principal Executive Officer</u>
<u>13.2</u>	<u>Certificate under the Sarbanes-Oxley Act of the Principal Financial Officer</u>
<u>13.3</u>	<u>Consent of Manning Elliott LLP</u>
<u>13.4</u>	<u>Consent of Tetra Tech Canada Inc.-Hassan Ghaffari</u>
<u>13.5</u>	<u>Consent of Tetra Tech Canada Inc.-Jianhui (John) Huang</u>
<u>13.6</u>	<u>Consent of Red Pennant Communications Corp.</u>
<u>15.1</u>	<u>Management’s Discussion and Analysis for the year ended December 31, 2021</u>
<u>15.2</u>	<u>Management’s Discussion and Analysis for the year ended December 31, 2020 (Incorporated by reference to Exhibit 99.2 to Form 6-K filed with the SEC on March 4, 2021)*</u>
<u>96.1</u>	<u>Amended Resource Estimate Update For the Avino Property, Durango, Mexico” dated October 27, 2021 (incorporated by reference to Exhibit 96.1 to Form 6-K filed on December 22, 2021).*</u>







# **AVINO SILVER & GOLD MINES LTD.**

## **Consolidated Financial Statements**

**For the years ended December 31, 2021, 2020 and 2019**

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Avino Silver & Gold Mines Ltd. (the "Company") are the responsibility of the Company's management. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and reflect management's best estimates and judgments 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 that management fulfills its responsibilities. The Audit Committee reviews the results of the annual audit and reviews the consolidated financial statements prior to their submission to the Board of Directors for approval.

The consolidated financial statements as at December 31, 2021 and 2020, and for the years ended December 31, 2021, 2020 and 2019, have been audited by Manning Elliott LLP, an independent registered public accounting firm, and their report outlines the scope of their examination, and gives their opinion on the consolidated financial statements.

*"David Wolfin"*

David Wolfin  
President & CEO  
March 16, 2022

*"Nathan Harte"*

Nathan Harte, CPA  
Chief Financial Officer  
March 16, 2022

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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To the Shareholders and the Board of Directors of  
Avino Silver & Gold Mines Ltd.

**Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Avino Silver & Gold Mines Ltd. and its subsidiaries (together, the “Company”), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of operations and comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2021, 2020 and 2019, and the related notes, including a summary of significant accounting policies and other explanatory information (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years ended December 31, 2021, 2020 and 2019 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 16, 2022, expressed an unqualified opinion on the Company's internal control over financial reporting.

**Basis for Opinion**

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a reasonable basis for our audit opinion.

**Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Assessment of the Existence of Impairment Indicators for the Avino Mine*

As described in Note 11 to the consolidated financial statements the carrying amount of the plant, equipment and Avino mining properties is \$35,675,000 as at December 31, 2021. Management applies significant judgement to assess plant, equipment and Avino mining properties (collectively the "Avino Mine") for the existence of impairment indicators that could give rise to the requirement to conduct a formal impairment test. Management considers both external and internal sources of information in assessing whether there are any indicators of impairment as disclosed in Note 2 (iv). External sources of information considered by management include changes in the market, economic and legal environments, in which the Company operates, that are not within its control and that affect the recoverable amount of the Avino Mine. Internal sources of information that management considers include the manner in which the Avino Mine is being used, or is expected to be used, and indications of economic performance of the assets.

We have determined that performing procedures relating to the assessment of the existence of impairment indicators for the Avino Mine is a critical audit matter primarily due to the application of judgment by management in assessing specific factors such as (a) significant adverse changes in the economic or legal environment of operations, (b) significant changes with an adverse effect on the use of the asset, (c) current period cash flow or operating losses, combined with a history of losses or a forecast of continuing losses associated with the use of the assets. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures to evaluate audit evidence relating to the judgements made by management in their assessment of indicators of impairment that could give rise to the requirement to conduct a formal impairment test.

Addressing the critical audit matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included amongst others, (a) a review of management's assessment of the existence of impairment indicators of the Avino Mine (b) completion of our own assessment of impairment indicators in accordance with IAS 36 *Impairment of Assets*, (c) a review of matters that impact the Company's ability to continue mining operations, (d) evaluated whether there were adverse economic changes in metal prices by considering external observable market prices, (e) compared the current performance to the Company's historical mining results associated with the assets, (f) compared management's mine plans to data in the Company's resource estimate which was prepared by a specialist.

*/s/ Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, British Columbia, Canada

March 16, 2022

We have served as the Company's auditor since 2007.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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To the Shareholders and the Board of Directors of  
Avino Silver & Gold Mines Ltd.

**Opinion on Internal Control over Financial Reporting**

We have audited the internal control over financial reporting of Avino Silver & Gold Mines Ltd. and subsidiaries (the "Company") as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as at and for the year ended December 31, 2021, of the Company and our report dated March 16, 2022, expressed an unqualified opinion on those financial statements.

**Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

*/s/ Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, British Columbia, Canada

March 16, 2022



AVINO SILVER & GOLD MINES LTD.

Consolidated Financial Statements

For the years ended December 31, 2021, 2020 and 2019

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

	Note	December 31, 2021	December 31, 2020
<b>ASSETS</b>			
Current assets			
Cash		\$ 24,765	\$ 11,713
Amounts receivable		1,208	529
Taxes recoverable	6	3,364	5,044
Prepaid expenses and other assets		962	757
Inventory	7	5,179	1,659
Total current assets		35,478	19,702
Exploration and evaluation assets	9	11,053	10,052
Plant, equipment and mining properties	11	35,675	34,846
Long-term investments	8	3,939	4,176
Other assets		133	4
<b>Total assets</b>		<b>\$ 86,278</b>	<b>\$ 68,780</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities		\$ 3,260	\$ 2,068
Amounts due to related parties	12(b)	163	154
Taxes payable		31	7
Current portion of term facility	13	-	2,513
Current portion of equipment loans		-	72
Current portion of finance lease obligations		389	208
Total current liabilities		3,843	5,022
Finance lease obligations		680	278
Warrant liability	14	741	2,295
Reclamation provision	15	726	808
Deferred income tax liabilities		1,781	1,369
<b>Total liabilities</b>		<b>7,771</b>	<b>9,772</b>
<b>EQUITY</b>			
Share capital	16	129,953	108,303
Equity reserves		9,573	9,951
Treasury shares (14,180 shares, at cost)		(97)	(97)
Accumulated other comprehensive loss		(4,969)	(4,810)
Accumulated deficit		(55,953)	(54,339)
<b>Total equity</b>		<b>78,507</b>	<b>59,008</b>
<b>Total liabilities and equity</b>		<b>\$ 86,278</b>	<b>\$ 68,780</b>

Commitments – Note 19

Approved by the Board of Directors on March 16, 2022:

Gary Robertson Director

David Wolfin Director

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

**AVINO SILVER & GOLD MINES LTD.**

Consolidated Statements of Operations and Comprehensive Income (Loss)

(Expressed in thousands of US dollars)

	Note	2021	2020	2019
<b>Revenue from mining operations</b>	<b>17</b>	\$ 11,228	\$ 16,022	\$ 31,746
<b>Cost of sales</b>	<b>17</b>	7,681	15,832	32,016
<b>Mine operating income (loss)</b>		3,547	190	(270)
<b>Operating expenses</b>				
General and administrative expenses	<b>19</b>	3,566	2,902	3,193
Share-based payments	<b>16</b>	1,469	1,857	937
<b>Loss before other items</b>		(1,488)	(4,569)	(4,400)
<b>Other items</b>				
Interest and other income		178	332	545
Unrealized gain (loss) on long-term investments		(423)	(124)	1,282
Fair value adjustment on warrant liability	<b>14</b>	1,581	(650)	520
Realized loss on warrants exercised		(1,106)	(2,733)	-
Foreign exchange loss		(61)	(811)	(663)
Project evaluation expenses		(176)	-	-
Finance cost		(52)	(211)	(84)
Accretion of reclamation provision	<b>15</b>	(47)	(99)	(104)
Interest expense		(24)	(25)	(64)
<b>Loss from continuing operations before income taxes</b>		(1,618)	(8,890)	(2,968)
<b>Income taxes:</b>				
Current income tax expense		(27)	(161)	(327)
Deferred income tax (expense) recovery		(412)	1,569	960
<b>Income tax (expense) recovery</b>		(439)	1,408	633
<b>Net loss from continuing operations</b>		(2,057)	(7,482)	(2,335)
Loss from discontinued operations and on disposal	<b>5</b>	-	(169)	(29,126)
<b>Net loss</b>		(2,057)	(7,651)	(31,461)
<b>Other comprehensive income (loss)</b>				
Currency translation differences		(159)	(247)	1,603
Reclassification of foreign exchange on translation into net loss on sale of discontinued operations		-	-	(42)
<b>Total comprehensive loss</b>		\$ (2,216)	\$ (7,898)	\$ (29,908)
<b>Loss per share from continuing operations</b>	<b>16(e)</b>			
Basic		\$ (0.02)	\$ (0.09)	\$ (0.03)
Diluted		\$ (0.02)	\$ (0.09)	\$ (0.03)
<b>Loss per share</b>	<b>16(e)</b>			
Basic		\$ (0.02)	\$ (0.09)	\$ (0.45)
Diluted		\$ (0.02)	\$ (0.09)	\$ (0.45)
<b>Weighted average number of common shares outstanding</b>	<b>16(e)</b>			
Basic		100,161,357	83,180,069	69,980,178
Diluted		100,161,357	83,180,069	69,980,178

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



**AVINO SILVER & GOLD MINES LTD.**  
Consolidated Statements of Changes in Equity  
(Expressed in thousands of US dollars)

	Note	Number of Common Shares	Stock Capital Amount	Equity Reserves	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Equity
<b>Balance, January 1, 2019</b>		<b>63,337,769</b>	<b>\$ 88,045</b>	<b>\$ 9,849</b>	<b>\$ (97)</b>	<b>\$ (6,124)</b>	<b>\$ (16,505)</b>	<b>\$ 75,168</b>
Common shares issued for cash:								
Brokered public offerings		7,735,360	4,877	-	-	-	-	4,877
Less: Issuance costs		-	(472)	-	-	-	-	(472)
At the market issuances		4,954,000	2,924	-	-	-	-	2,924
Less: Issuance costs		-	(162)	-	-	-	-	(162)
Options cancelled or expired		-	-	(762)	-	-	762	-
Carrying value of RSUs exercised		565,259	835	(835)	-	-	-	-
Fair value of warrants issued		-	-	116	-	-	-	116
Shares to be issued		-	349	-	-	-	-	349
Share-based payments		-	-	1,023	-	-	-	1,023
Net loss for the year		-	-	-	-	-	(31,461)	(31,461)
Currency translation differences		-	-	-	-	1,561	-	1,561
<b>Balance, January 31, 2019</b>		<b>76,592,388</b>	<b>\$ 96,396</b>	<b>\$ 9,391</b>	<b>\$ (97)</b>	<b>\$ (4,563)</b>	<b>\$ (47,204)</b>	<b>\$ 53,923</b>
Common shares issued for cash:								
At the market issuances		6,730,054	4,940	-	-	-	-	4,940
Exercise of warrants		4,659,194	6,528	(116)	-	-	-	6,412
Exercise of options		48,000	43	(15)	-	-	-	28
Common shares issued for services		675,145	-	-	-	-	-	-
Issuance costs		-	(254)	-	-	-	-	(254)
Options cancelled or expired		-	-	(516)	-	-	516	-
Carrying value of RSUs exercised		863,901	650	(650)	-	-	-	-
Share-based payments		-	-	1,857	-	-	-	1,857
Net loss for the year		-	-	-	-	-	(7,651)	(7,651)
Currency translation differences		-	-	-	-	(247)	-	(247)
<b>Balance, December 31, 2020</b>		<b>89,568,682</b>	<b>\$ 108,303</b>	<b>\$ 9,951</b>	<b>\$ (97)</b>	<b>\$ (4,810)</b>	<b>\$ (54,339)</b>	<b>\$ 59,008</b>
Common shares issued for cash:								
At the market issuances	16	10,050,000	18,497	-	-	-	-	18,497
Exercise of warrants	16	1,030,362	1,911	-	-	-	-	1,911
Exercise of options	16	264,000	364	(126)	-	-	-	238
Issuance costs	16	-	(400)	-	-	-	-	(400)
Options cancelled or expired	16	-	-	(443)	-	-	443	-
Carrying value of RSUs exercised		1,330,167	1,278	(1,278)	-	-	-	-
Share-based payments	16	-	-	1,469	-	-	-	1,469
Net loss for the year	16	-	-	-	-	-	(2,057)	(2,057)
Currency translation differences		-	-	-	-	(159)	-	(159)
<b>Balance, December 31, 2021</b>		<b>102,243,211</b>	<b>\$ 129,953</b>	<b>\$ 9,573</b>	<b>\$ (97)</b>	<b>\$ (4,969)</b>	<b>\$ (55,953)</b>	<b>\$ 78,507</b>

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

**AVINO SILVER & GOLD MINES LTD.**  
Consolidated Statements of Cash Flows  
(Expressed in thousands of US dollars)

	<u>Note</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash generated by (used in):				
<b>Operating Activities</b>				
Net loss		\$ (2,057)	\$ (7,651)	\$ (31,461)
Adjustments for non-cash items:				
Deferred income tax expense (recovery)		412	(1,569)	(960)
Depreciation and depletion		2,116	1,917	3,723
Inventory net realizable value adjustment		-	-	387
Accretion of reclamation provision		47	99	104
Unrealized loss (gain) on investments		423	124	(1,282)
Unrealized foreign exchange loss (gain)		(265)	(588)	1,461
Unwinding of fair value adjustment on term facility		(13)	(51)	(170)
Fair value adjustment on warrant liability		(1,581)	650	(520)
Realized loss on warrants exercised		1,106	2,733	2,708
Loss from discontinued operations and on disposal		-	-	29,126
Share-based payments		1,469	1,857	937
		<u>1,657</u>	<u>(2,479)</u>	<u>1,345</u>
Net change in non-cash working capital items	<b>20</b>	<u>(1,548)</u>	<u>2,551</u>	<u>4,162</u>
		<u>109</u>	<u>72</u>	<u>5,507</u>
<b>Financing Activities</b>				
Shares and units issued for cash, net of issuance costs		18,098	4,685	7,283
Proceeds from option exercise		238	29	-
Proceeds from warrant exercise		805	3,679	-
Term facility payments		(2,500)	(3,333)	(833)
Finance lease payments		(477)	(640)	(956)
Equipment loan payments		(72)	(217)	(524)
		<u>16,092</u>	<u>4,203</u>	<u>4,970</u>
<b>Investing Activities</b>				
Exploration and evaluation expenditures		(1,294)	(231)	(5,273)
Additions to plant, equipment and mining properties		(1,913)	(2,014)	(3,276)
Proceeds from sale of long-term investments		-	78	23
Cash proceeds from sale of discontinued operations		-	-	6,599
Cash disposed of in discontinued operations		-	-	(1,459)
Redemption of reclamation bonds		-	-	102
		<u>(3,207)</u>	<u>(2,167)</u>	<u>(3,734)</u>
<b>Change in cash</b>		<b>12,994</b>	<b>2,108</b>	<b>6,743</b>
<b>Effect of exchange rate changes on cash</b>		<b>58</b>	<b>(20)</b>	<b>(370)</b>
<b>Cash, Beginning</b>		<u>11,713</u>	<u>9,625</u>	<u>3,252</u>
<b>Cash, Ending</b>		<u>\$ 24,765</u>	<u>\$ 11,713</u>	<u>\$ 9,625</u>

Supplementary Cash Flow Information (Note 20)

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

**AVINO SILVER & GOLD MINES LTD.**

Notes to the consolidated financial statements

For the years ended December 31, 2021, 2020 and 2019

(Expressed in thousands of US dollars, except where otherwise noted)

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**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, gold, and copper and the acquisition, exploration, and advancement 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 Toronto Stock Exchange (“TSX”), the NYSE American, and the Frankfurt and Berlin Stock Exchanges.

The Company operates the Avino Mine which produces copper, silver and gold at the historic Avino property in the state of Durango, Mexico. The Company also owns interests in mineral properties located in British Columbia and Yukon, Canada.

**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 the consolidated financial statements, 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.

**AVINO SILVER & GOLD MINES LTD.**

Notes to the consolidated financial statements

For the years ended December 31, 2021, 2020 and 2019

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**2. BASIS OF PRESENTATION**

**Statement of Compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

**Basis of Presentation**

These consolidated financial statements are expressed in US dollars and have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting on a going concern basis. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements as if the policies have always been in effect.

**Foreign Currency Translation**

*Functional & presentation currencies*

The functional currency of the Company is the Canadian dollar. The functional currency of the Company’s Mexican subsidiaries is the US dollar, which is determined to be the currency of the primary economic environment in which the subsidiaries operate.

*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.

*Foreign operations*

Subsidiaries that have functional currencies other than the US dollar translate their statement of operations items at the average rate during the year. Assets and liabilities are translated at exchange rates prevailing at the end of each reporting period. Exchange rate variations resulting from the retranslation at the closing rate of the net investment in these subsidiaries, together with differences between their statement of operations items translated at actual and average rates, are recognized in accumulated other comprehensive income (loss). On disposition or partial disposition of a foreign operation, the cumulative amount of related exchange difference is recognized in the statement of operations.

**Significant Accounting Judgments and Estimates**

The Company’s management makes judgments in its process of applying the Company’s accounting policies to the preparation of its consolidated financial statements. In addition, the preparation of financial data requires that the Company’s management make assumptions and estimates of the impacts on the carrying amounts of the Company’s assets and liabilities at the end of the reporting period from uncertain future events and on the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting impacts on the carrying amounts of the Company’s assets and liabilities are accounted for prospectively.

**AVINO SILVER & GOLD MINES LTD.**

Notes to the consolidated financial statements

For the years ended December 31, 2021, 2020 and 2019

(Expressed in thousands of US dollars, except where otherwise noted)

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- a) Critical judgments exercised by management in applying accounting policies that have the most significant effect on the amounts presented in these consolidated financial statements are as follows:

i. ***Economic recoverability and probability of future economic benefits from exploration and evaluation costs***

Management has determined that mine and camp, exploratory drilling, and other exploration and evaluation-related costs that were capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and metallurgic information, scoping studies, accessible facilities, existing permits, and mine plans.

ii. ***Commencement of production at levels intended by management***

Prior to reaching production levels intended by management, costs incurred are capitalized as part of the costs of related exploration and evaluation assets, and proceeds from concentrate sales are offset against costs capitalized. Depletion of capitalized costs for mining properties and depreciation of plant and equipment begin when operating levels intended by management have been reached. Management considers several factors in determining when a mining property has reached the intended production levels, including production capacity, recoveries, and number of uninterrupted production days.

The basis for achievement of production levels intended by management as indicated by technical feasibility and commercial viability is generally established with proven reserves based on a NI 43-101-compliant technical report or a comparable resource statement and feasibility study, combined with pre-production operating statistics and other factors. In cases where the Company does not have a 43-101-compliant reserve report, on which to base a production decision, the technical feasibility and commercial viability of extracting a mineral resource are considered in light of additional factors including but not limited to:

- Acquisition and installation of all critical capital components to achieve desired mining and processing results has been completed. Capital components have been acquired directly and are also available on an as-needed basis from the underground mining contractor;
- The necessary labour force, including mining contractors, has been secured to mine and process at planned levels of output;
- The mill has consistently processed at levels above design capacity and budgeted production levels with consistent recoveries and grades; and,
- Establishing sales agreements with respect to the sale of concentrates.

When technical feasibility and commercial viability are considered demonstrable according to the above criteria and other factors, the Company performs an impairment assessment and records an impairment loss, if any, before reclassifying exploration and evaluation costs to plant, equipment, and mining properties.

iii. ***Functional currency***

The functional currency for the Company and its subsidiaries is the currency of the primary economic environment, in which the entity operates. The Company has determined the functional currency of the Company to be the Canadian dollar. The Company has determined the functional currency of its Mexican subsidiaries to be the US dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment. The Company reconsiders the functional currency of its entities, if there is a change in events and conditions, which determine the primary economic environment.

**AVINO SILVER & GOLD MINES LTD.**

Notes to the consolidated financial statements

For the years ended December 31, 2021, 2020 and 2019

(Expressed in thousands of US dollars, except where otherwise noted)

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- b) Significant assumptions about the future and other sources of estimation uncertainty that management has made at the consolidated 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:

*i. Stockpile and concentrate inventory valuations*

Concentrate and stockpile mineralized material are valued at the lower of average cost or net realizable value. The assumptions used in the valuation of concentrate and stockpile mineralized material include estimates of copper, silver, and gold contained in the stockpiles and finished goods assumptions for the amount of copper, silver, and gold that is expected to be recovered from the concentrate. If these estimates or assumptions prove to be inaccurate, the Company could be required to write down the recorded value of its concentrate and stockpile mineralized material inventory, which would result in an increase in the Company's expenses and a reduction in its working capital.

*ii. Estimated reclamation provisions*

The Company's provision for reclamation represents management's best estimate of the present value of the future cash outflows required to settle estimated reclamation and closure costs at the Avino and San Gonzalo properties. The provision reflects estimates of future costs, inflation, foreign exchange rates and assumptions of risks associated with the future cash outflows, and the applicable risk-free interest rates for discounting the future cash outflows. Changes in the above factors could result in a change to the provision recognized by the Company.

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

*iii. Valuation of share-based payments and warrants*

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments and warrants. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect fair value estimates and the Company's net income or loss and its equity reserves. Warrant liabilities are accounting for as derivate liabilities (see Note 16).

*iv. Impairment of plant, equipment and 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, equipment, and mining properties, and exploration and evaluation assets are impaired. External sources of information management considers include changes in the market, economic and legal environments, in which the Company operates, that are not within its control and that affect the recoverable amount of its plant, equipment, and mining properties. Internal sources of information that management considers include the manner in which mining properties and plant and equipment are being used, or are expected to be used, and indications of economic performance of the assets.

In determining the recoverable amounts of the Company's plant, equipment and mining properties, management makes estimates of the undiscounted future pre-tax cash flows expected to be derived from the Company's mining properties, and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future non expansionary capital expenditures, reductions in the amount of recoverable resources and exploration potential, and adverse current economic conditions are examples of factors that could result in a write down of the carrying amounts of the Company's plant, equipment and mining properties, and exploration and evaluation assets.

**AVINO SILVER & GOLD MINES LTD.**

Notes to the consolidated financial statements

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**Impairment**

Based on the Company's assessment with respect to possible indicators of impairment of its mineral properties, including the impact of COVID-19 on our operations and the prevailing market metals prices, the Company concluded that as of December 31, 2021, no impairment indicators were identified.

**v. Depreciation rate for plant and equipment and depletion rate for mining properties**

Depreciation and depletion expenses are allocated based on estimates for useful lives of assets. Should the asset life, depletion rates, or depreciation rates differ from the initial estimate, the revised life or rate would be reflected prospectively through income or loss. A change in the mineral resource estimate may impact depletion expense on a prospective basis.

**vi. Recognition and measurement of deferred tax assets and liabilities**

Actual amounts of income tax expense are not final until tax returns are filed and accepted by the relevant authorities. This occurs subsequent to the issuance of the consolidated financial statements and the final determination of actual amounts may not be completed for a number of years. Therefore, tax assets and liabilities and net income in subsequent periods will be affected by the amount that estimates differ from the final tax return. 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 projections internally developed and reviewed by management. Weight is attached to tax planning opportunities that are within the Company's control, and are feasible and implementable without significant obstacles. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that could materially affect the amounts of deferred tax assets and liabilities.

**Basis of Consolidation**

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

Subsidiary	Ownership Interest	Jurisdiction	Nature of Operations
Oniva Silver and Gold Mines S.A. de C.V.	100%	Mexico	Mexican administration
Nueva Vizcaya Mining, S.A. de C.V.	100%	Mexico	Mexican administration
Promotora Avino, S.A. de C.V. ("Promotora")	79.09%	Mexico	Holding company
Compañía Minera Mexicana de Avino, S.A. de C.V. ("Avino Mexico")	98.45% direct 1.22% indirect (Promotora) 99.67% effective	Mexico	Mining and exploration
La Luna Silver & Gold Mines Ltd.	100%	Canada	Holding company
La Preciosa Silver & Gold Mines Ltd.	100%	Canada	Holding company

**AVINO SILVER & GOLD MINES LTD.**

Notes to the consolidated financial statements

For the years ended December 31, 2021, 2020 and 2019

(Expressed in thousands of US dollars, except where otherwise noted)

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

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Exploration and evaluation assets and development costs**

(i) Exploration and evaluation expenditures

The Company capitalizes all costs relating to the acquisition, exploration and evaluation of mineral claims. Expenditures incurred before the Company has obtained the legal rights to explore a specific area are expensed. The Company's capitalized exploration and evaluation costs are classified as intangible assets. Such costs include, but are not limited to, certain camp costs, geophysical studies, exploratory drilling, geological and sampling expenditures, and depreciation of plant and equipment during the exploration stage. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur. Proceeds from the sale of mineral products or farm outs during the exploration and evaluation stage are deducted from the related capitalized costs.

The carrying values of capitalized amounts are reviewed annually, or when indicators of impairment are present. In the case of undeveloped properties, there may be only inferred resources to allow management to form a basis for the impairment review. The review is based on the Company's intentions for the development of such properties. If a mineral property does not prove to be viable, all unrecoverable costs associated with the property are charged to the consolidated statement of comprehensive income (loss) at the time the determination is made.

When the technical feasibility and commercial viability of extracting mineral resources have been demonstrated, exploration and evaluation costs are assessed for impairment, reclassified to mining properties and become subject to depletion. Management considers the technical feasibility and commercial viability of extracting a mineral resource to be demonstrable upon the completion of a positive feasibility study and the establishment of mineral reserves. For certain mineral projects, management may determine the completion of a feasibility study to be cost prohibitive, unnecessary or to present undue risk to the structural integrity of the ore body. Under such circumstances, management considers technical feasibility to be demonstrable when the Company has obtained the necessary environmental and mining permits, land surface and mineral access rights, and the mineral project can be physically constructed and operated in a technically sound manner to produce a saleable mineral product. In assessing whether commercial viability is demonstrable, management considers if its internal economic assessment indicates that the mineral project can be mined to generate a reasonable return on investment for the risk undertaken, and markets or long-term contracts for the product exist.

(ii) Development expenditures

Mine development costs are capitalized until the mineral property is capable of operating in the manner intended by management. The Company evaluates the following factors in determining whether a mining property is capable of operating in the manner intended by management:

- The completion and assessment of a reasonable commissioning period of the mill and mining facilities;
- Consistent operating results are achieved during the test period;
- Existence of clear indicators that operating levels intended by management will be sustainable for the foreseeable future;
- Plant / mill has reached a pre-determined percentage of design capacity;
- Adequate funding is available and can be allocated to the operating activities; and,
- Long term sales arrangements have been secured.

The carrying values of capitalized development costs are reviewed annually, or when indicators are present, for impairment.



**AVINO SILVER & GOLD MINES LTD.**

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**Plant, equipment and mining properties**

Upon demonstrating the technical feasibility and commercial viability of extracting mineral resources, all expenditures incurred to that date for the mine are reclassified to mining properties. Expenditures capitalized to mining properties include all costs related to obtaining or expanding access to resources including extensions of the haulage ramp and installation of underground infrastructure, and the estimated reclamation provision. Expenditures incurred with respect to a mining property are capitalized when it is probable that additional future economic benefits will flow to the Company. Otherwise, such expenditures are classified as a cost of sales.

Plant and equipment are recorded at historical cost less accumulated depreciation and any accumulated impairment losses. Historical costs include expenditures that are directly attributable to bringing the asset to a location and condition necessary to operate in a manner intended by management. Such costs are accumulated as construction in progress until the asset is available for use, at which point the asset is classified as plant, equipment and mining properties and depreciation commences.

After the date that management's intended production levels have been achieved, mining properties are depleted using the straight-line method over the estimated remaining life of the mine. The Company estimates the remaining life of its producing mineral properties on an annual basis using a combination of quantitative and qualitative factors including historical results, mineral resource estimates, and management's intent to operate the property.

The Company does not have sufficient reserve information to form a basis for the application of the units-of-production method for depreciation and depletion.

As at December 31, 2021 and 2020, the Company estimated a remaining mine life for the Avino Mine of 20 and 20.4 years, respectively.

Accumulated mill, machinery, plant facilities, and certain equipment are depreciated using the straight-line method over their estimated useful lives, not to exceed the life of the mine for any assets that are inseparable from the mine. When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (or components) of plant and equipment.

**AVINO SILVER & GOLD MINES LTD.**

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Plant and equipment are depreciated using the following annual rates and methods:

Office equipment, furniture, and fixtures	3 years straight line balance
Computer equipment	5 years straight line balance
Mine machinery and transportation equipment	5 years straight line balance
Mill machinery and processing equipment	5 - 20 years straight line
Buildings	5 - 20 years straight line

**Impairment**

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, provided the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**Leases**

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognized at the lower of the fair value and present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability is recognized as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining liability. Finance charges are recorded as a finance expense within profit and loss, unless they are attributable to qualifying assets, in which case they are capitalized.

Operating lease payments are recognized on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed, in which case that systematic basis is used. Operating lease payments are recorded within profit and loss unless they are attributable to qualifying assets, in which case they are capitalized.

**Inventory**

Material extracted from the Company's mine is classified as either process material or waste. Process material represents mineralized material that, at the time of extraction, the Company expects to process into a saleable form and sell at a profit, while waste is considered uneconomic to process and its extraction cost is included in direct mining costs. Raw materials are comprised of process material stockpiles. Process material is accumulated in stockpiles that are subsequently processed into bulk copper, silver, and gold concentrate in a saleable form. The Company has bulk copper, silver, and gold concentrate inventory in saleable form that has not yet been sold. Mine operating supplies represent commodity consumables and other raw materials used in the production process, as well as spare parts and other maintenance supplies that are not classified as capital items.

**AVINO SILVER & GOLD MINES LTD.**

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

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

**Revenue from Contracts with Customers**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs to sell can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales tax or duty.

***Performance Obligations***

Based on the criteria outlined in IFRS 15, the Company applied significant judgment in determining that the primary performance obligation relating to its sales contracts is the delivery of concentrates. Shipping and insurance services arranged by the Company for concentrate sales that occur after the transfer of control are also considered performance obligations.

***Transfer of Control***

Based on the criteria outlined in IFRS 15, the Company applied significant judgment in determining when the transfer of control occurs. Management based its assessment on a number of indicators of control, which include but are not limited to, whether the Company has the present right of payment and whether the physical possession of the goods, significant risks and rewards, and legal title have been transferred to the customer.

***Provisional Pricing***

Based on the criteria outlined in IFRS 15, the Company applied significant judgment in determining variable consideration. The Company identified two provisional pricing components in concentrate sales, represents variable consideration in the form of a) adjustments between original and final assay results relating to the quantity and quality of concentrate shipments, as well as b) pricing adjustments between provisional and final invoicing based on market prices for base and precious metals.

Based on the Company's historical accuracy in the assay process, as evidenced by the negligible historical adjustments relating to assay differences, the Company concluded the variability in consideration caused by the assaying results is negligible. The Company does not expect a significant amount of reversal related to assaying differences. The Company records revenues based on provisional invoices based on quoted market prices of the London Bullion Market Association and the London Metal Exchange during the quotation period outlined in the concentrate sales agreement. The Company applied judgment to determine the amount of variable consideration to be recognized during the period for which the likelihood of significant reversal is low.

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**Financial Instruments**

Measurement – initial recognition

All financial assets and financial liabilities are initially recorded on the Company's consolidated statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All financial asset and liabilities are initially recorded at fair value, net of attributable transaction costs, except for those classified as fair value through profit or loss ("FVTPL"). Subsequent measurement of financial assets and financial liabilities depends on the classifications of such assets and liabilities.

Classification – financial assets

*Amortized cost:*

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and that the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequent to initial recognition at amortized cost.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method, and is recognized in Interest and other income, on the consolidated statements of operations and comprehensive income (loss)

The Company financial assets at amortized costs include its cash, amounts receivable not related to sales of concentrate, investments (short-term), and reclamation bonds.

*Fair value through other comprehensive income ("FVTOCI")*

Financial assets that are held within a business model whose objective is to hold financial assets in order to both collect contractual cash flows and selling financial assets, and that the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition of equity securities, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate its equity securities that would otherwise be measured at FVTPL to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the instrument; instead, it is transferred to retained earnings.

The Company currently has no financial assets designated as FVTOCI.

*Fair value through profit or loss ("FVTPL")*

By default, all other financial assets are measured subsequently at FVTPL, which includes amounts receivable from concentrate sales.

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Classification – financial liabilities

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method.

Financial liabilities at amortized cost include accounts payable, amounts due to related parties, term facility, equipment loans, and finance lease obligations.

Financial liabilities classified FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in the consolidated statements of operations. The Company has classified share purchase warrants with an exercise price in US dollars (see Note 16) as financial liabilities at FVTPL. As these warrants are exercised, the fair value of the recorded warrant liability on date of exercise is included in share capital along with the proceeds from the exercise. If these warrants expire, the related decrease in warrant liability is recognized in the consolidated statements of operations and comprehensive income (loss).

The Company has no hedging arrangements and does not apply hedge accounting.

Impairment

The Company recognizes a loss allowance for expected credit losses on its financial assets when necessary. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments.

**Share capital**

**a) Common shares**

Common shares are classified as equity. Transaction costs directly attributable to the issuance of common shares and equity warrants are recognized as a deduction from equity, net of any tax effects. Transaction costs directly attributable to derivative warrants are charged to operations as a finance cost.

**b) Repurchase of share capital (treasury shares)**

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

**Share-based payment transactions**

The Company's share option plan and restricted share unit ("RSU") plan allows directors, officers, employees, and consultants to acquire common shares of the Company.

The fair value of options granted is measured at fair value at the grant date based on the market value of the Company's common shares on that date.

The fair value of equity-settled RSUs is measured at the grant date based on the market value of the Company's common shares on that date, and each tranche is recognized using the graded vesting method over the period during which the RSUs vest. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of RSUs that are expected to vest.

All options and RSUs are recognized in the consolidated statements of operations and comprehensive income (loss) as an expense or in the consolidated statements of financial position as exploration and evaluation assets over the vesting period with a corresponding increase in equity reserves in the consolidated statements of financial position.

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**Reclamation and other provisions**

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to the passage of time is recognized as accretion expense.

The Company records the present value of estimated costs of legal and constructive obligations required to restore properties in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and restoration, reclamation, and re-vegetation of affected areas.

The fair value of the liability for a rehabilitation provision is recorded when it is incurred. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining property or exploration and evaluation asset. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability, which is accreted over time through periodic charges to income or loss. A revision in estimates or new disturbance will result in an adjustment to the provision with an offsetting adjustment to the mineral property or the exploration and evaluation asset. Additional disturbances, changes in costs, or changes in assumptions are recognized as adjustments to the corresponding assets and reclamation liabilities when they occur.

**Earnings per share**

The Company presents basic and diluted earnings per share data for its common shares, calculated by dividing the earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares.

**Income taxes**

Income taxes in the years presented are comprised of current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized as equity.

Deferred tax is recognized using the statement of financial position asset and liability method, which provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax recognized is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction other than a business combination that affects neither accounting profit nor taxable profit.

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**4. RECENT ACCOUNTING PRONOUNCEMENTS**

**Application of new and revised accounting standards:**

***Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)***

The amendments in Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments were applied effective January 1, 2021, and did not have a material impact on the Company's financial statements.

**Future Changes in Accounting Policies Not Yet Effective as at December 31, 2021:**

***Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)***

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are applied on or after the first annual reporting period beginning on or after January 1, 2022, with early application permitted. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the Company first applies the amendments. The Company will recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings at the beginning of that earliest period presented. This amendment will impact the Company's future accounting for proceeds from mineral sales prior to reaching commercial production at levels intended by management, however there is no impact upon adoption on January 1, 2022.

***Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)***

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments are applied on or after the first annual reporting period beginning on or after January 1, 2023, with early adoption permitted. This amendment is not expected to have a material impact on the Company's financial statements.

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**5. DISPOSITION OF DISCONTINUED OPERATIONS – BRALORNE GOLD MINES LTD.**

On December 13, 2019, the Company completed the sale of its 100% wholly-owned subsidiary Bralorne Gold Mines Ltd. (“Bralorne”) to Talisker Resources Ltd. (“Talisker”). The sale was recorded in the fourth quarter of fiscal 2019 and includes the Bralorne Gold Mine and is part of the Company’s plan to focus on its core mining operations in Mexico.

The consideration included:

- C\$8.7 million (translated to \$6,599) in cash
- The issuance of 12,580,000 common shares of Talisker, representing 9.9% on a pro-forma basis following the close of the transaction and subsequent financing by Talisker;
- The issuance of 6,290,000 share purchase warrants exercisable at C\$0.25 per share for a period of three years after the closing, subject to acceleration in the event the closing price of Talisker’s common shares is great than C\$0.35 per share for 20 or more consecutive trading days at any time following April 14, 2020;

The sale includes the Bralorne claims, as well as nine mineral claims covering approximately 2,114 hectares in the Lillooet Mining Division of British Columbia, known as the BRX Property.

The Company also received future consideration of a \$2.5 million cash payment, contingent upon the commencement of commercial production at the Bralorne Mine, for which a fair value has been determined to be Nil at this time.

The Company recognized a loss on disposition, net of tax, calculated as follows:

Cash proceeds	\$	6,599
Talisker shares		2,243
Talisker warrants		716
Total proceeds	\$	<u>9,558</u>
Net assets sold and derecognized:		
Cash		1,495
Other current assets		242
Exploration and evaluation assets		45,613
Plant and equipment		1,745
Other long-term assets		19
Current portion of finance lease obligations and equipment loans		(175)
Non-current portion of finance lease obligations and equipment loans		(111)
Site restoration obligation		(10,828)
Foreign currency translation adjustments		(42)
		<u>37,958</u>
Loss on disposition before selling costs		(28,400)
Selling costs		(490)
Loss on disposition, net		<u>(28,890)</u>



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As a result of the sale, the comparative net income (loss) for the current period, as well as previous two years, have been reclassified from continuing operations to discontinued operations:

	2021	2020	2019
Revenue from mining operations	\$ -	\$ -	\$ -
Cost of sales	-	-	-
Mine operating income (loss)	-	-	-
Operating expenses (income)	-	-	16
Accretion of reclamation provision	-	-	217
Gain on sale of assets	-	-	2
Other items	-	-	1
Loss on disposition	-	169	28,890
Net loss before income taxes	-	(169)	(29,126)
Income taxes	-	-	-
Net loss from discontinued operations and on disposal	<u>\$ -</u>	<u>\$ (169)</u>	<u>\$ (29,126)</u>

The results of discontinued operations included in the consolidated statements of cash flows for the years ended December 31, 2020, 2019 and 2018, are as follows:

	2021	2020	2019
Cash generated by (used in):			
Cash flow used in operating activities	\$ -	\$ -	\$ (19)
Cash flow used in financing activities	-	-	(258)
Cash flow used in investing activities	-	-	(5,583)
Net cash decrease from discontinued operations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,860)</u>

**6. TAXES RECOVERABLE**

The Company's taxes recoverable consist of the Mexican I.V.A. ("VAT") and income taxes recoverable and Canadian sales taxes ("GST/HST") recoverable.

	December 31, 2021	December 31, 2020
VAT recoverable	\$ 790	\$ 2,328
GST recoverable	26	16
Income taxes recoverable	2,548	2,700
	<u>\$ 3,364</u>	<u>\$ 5,044</u>

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**7. INVENTORY**

	December 31, 2021	December 31, 2020
Process material stockpiles	\$ 1,083	\$ 373
Concentrate inventory	2,467	64
Materials and supplies	1,629	1,222
	<u>\$ 5,179</u>	<u>\$ 1,659</u>

The amount of inventory recognized as an expense for the year ended December 31, 2021 totalled \$7,282 (2020 – \$15,832, 2019 – \$32,016). See Note 17 for further details.

**8. LONG-TERM INVESTMENTS**

The Company classifies its long-term investments as designated at fair value through profit and loss under IFRS 9. Long-term investments are summarized as follows:

	Fair Value December 31, 2020	Net Additions	Movements in foreign Exchange	Fair value adjustments for the period	Fair Value December 31, 2021
Talisker Resources Common Shares	\$ 4,176	\$ -	\$ 21	\$ (317)	\$ 3,880
Silver Wolf Exploration Ltd. Common Shares	-	109	2	(52)	59
	<u>\$ 4,176</u>	<u>\$ 109</u>	<u>\$ 23</u>	<u>\$ (369)</u>	<u>\$ 3,939</u>

On March 26, 2021, the Company received 131,718 common shares as part of the terms in the Option Agreement with Silver Wolf Exploration Ltd., as well as 300,000 share purchase warrants at an exercise price of C\$0.20. On October 21, 2021 the company exercised the 300,000 share purchase warrants. Upon acquisition, the fair value of these common shares and share purchase warrants were recorded as “Option Income” as a credit to exploration and evaluation assets (see Note 9). Any subsequent revaluation under IFRS 9 at fair value through profit and loss will be recorded as a gain or loss on long-term investments.

See Note 9 for full details of the Option Agreement, and Note 21(d) for valuation methodology for the share purchase warrants.

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**9. 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 & Yukon, Canada	Total
Balance, January 1, 2020	\$ 9,826	\$ 1	\$ 9,827
Costs incurred during 2020:			
Drilling and exploration	146	-	146
Assessments and taxes	83	-	83
Effect of movements in exchange rates	(4)	-	(4)
Balance, December 31, 2020	\$ 10,051	\$ 1	\$ 10,052
Costs incurred during 2021:			
Drilling and exploration	1,047	-	1,047
Assessments and taxes	68	-	698
Effect of movements in exchange rates	3	-	3
Option income	(117)	-	(117)
Balance, December 31, 2021	<u>\$ 11,052</u>	<u>\$ 1</u>	<u>\$ 11,053</u>

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 four mineral claims in the state of Durango, Mexico. The Company's mineral claims in Mexico are divided into the following four groups:

*(i) Avino Mine area property*

The Avino Mine area property is situated around the towns of Panuco de Coronado and San Jose de Avino and surrounding the historic Avino mine site. There are four exploration concessions covering 154.4 hectares, 24 exploitation concessions covering 1,284.7 hectares, and one leased exploitation concession covering 98.83 hectares. Within the Avino Mine site area is the Company's San Gonzalo Mine, which achieved production at levels intended by management as of October 1, 2012, and on this date accumulated exploration and evaluation costs were transferred to mining properties.

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(ii) Gomez Palacio/Ana Maria property

The Ana Maria property is located near the town of Gomez Palacio, and consists of nine exploration concessions covering 2,549 hectares, and is also known as the Ana Maria property.

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

On March 11, 2021, the Company was informed that Silver Wolf received TSX Venture Exchange approval on the previously-announced entrance into an option agreement to grant Silver Wolf the exclusive right to acquire a 100% interest in the Ana Maria and El Laberinto properties in Mexico (the “Option Agreement”). In exchange, Avino received Silver Wolf share purchase warrants to acquire 300,000 common shares of Silver Wolf at an exercise price of C\$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 C\$600 in cash or common shares of Silver Wolf as follows:
  - a. C\$50 in common shares of Silver Wolf within 30 days of the Approval Date (received on March 26, 2021 – see Note 6 for details);
  - b. A further C\$50 in cash or shares of Silver Wolf at Avino’s discretion on or before the first anniversary of the Approval Date;
  - c. A further C\$100 in cash or shares of Silver Wolf at Avino’s discretion on or before the second anniversary of the Approval Date;
  - d. A further C\$200 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 C\$200 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 C\$750 in exploration expenditures on the properties, as follows:
  - a. C\$50 on or before the first anniversary of the Approval Date;
  - b. A further C\$100 on or before the second anniversary of the Approval Date; and
  - c. A further C\$600 on or before the fourth anniversary of the Approval Date.

Under the Option Agreement, the parties intend that the first two year’s payments (C\$200 in cash or shares), and first C\$150 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 between the Company and Silver Wolf is considered a related party transaction as the two companies have directors in common.

(iii) Santiago Papasquiari property

The Santiago Papasquiari property is located near the village of Santiago Papasquiari, and consists of four exploration concessions covering 2,552.6 hectares and one exploitation concession covering 602.9 hectares.

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**(iv) Unification La Platosa properties**

The Unification La Platosa properties, consisting of three leased concessions in addition to the leased concession described in note (i) above, are situated within the Avino Mine area property near the towns of Panuco de Coronado and San Jose de Avino and surrounding the 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". The ET zone includes the Avino Mine, where production at levels intended by management was achieved on July 1, 2015.

Under the agreement, the Company has obtained the exclusive right to explore and mine the property for an initial period of 15 years, with the option to extend the agreement for another 5 years. In consideration of the granting of these rights, the Company issued 135,189 common shares with a fair value of C\$250 during the year ended December 31, 2012.

The Company has agreed to pay to Minerales a royalty equal to 3.5% of net smelter returns ("NSR"). In addition, after the start of production, if the minimum monthly processing rate of the mine facilities is less than 15,000 tonnes, then the Company must pay to Minerales a minimum royalty equal to the applicable NSR royalty based on the processing at a 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 \$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****(i) Minto and Olympic-Kelvin properties**

The Company's mineral claims in British Columbia encompass two additional properties, Minto and Olympic-Kelvin, each of which consists of 100% owned Crown-granted mineral claims located in the Lillooet Mining Division.

**(c) Yukon, Canada**

The Company has a 100% interest in 14 quartz leases located in the Mayo Mining Division of Yukon, Canada, which collectively comprise the Eagle property.

**10. NON-CONTROLLING INTEREST**

At December 31, 2021, the Company had an effective 99.67% (December 31, 2020 - 99.67%) interest in its subsidiary Avino Mexico and the remaining 0.33% (December 31, 2020 - 0.33%) interest represents a non-controlling interest. The accumulated deficit and current period income attributable to the non-controlling interest are insignificant and accordingly have not been recognized in the consolidated financial statements.

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**11. PLANT, EQUIPMENT AND MINING PROPERTIES**

	<b>Mining properties</b>	<b>Office equipment, furniture, and fixtures</b>	<b>Computer equipment</b>	<b>Mine machinery and transportation equipment</b>	<b>Mill machinery and processing equipment</b>	<b>Buildings and construction in process</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
<b>COST</b>							
Balance at January 1, 2020	13,637	524	341	12,919	17,554	9,287	54,262
Additions / Transfers	(493)	34	6	36	(71)	1,976	1,488
Effect of movements in exchange rates	5	5	-	-	-	-	10
Balance at December 31, 2020	13,149	563	347	12,955	17,483	11,263	55,760
Additions / Transfers	(113)	31	(12)	1,285	1,130	508	2,829
Effect of movements in exchange rates	2	1	-	-	-	7	10
<b>Balance at December 31, 2021</b>	<b>13,038</b>	<b>595</b>	<b>335</b>	<b>14,240</b>	<b>18,613</b>	<b>11,778</b>	<b>58,599</b>
<b>ACCUMULATED DEPLETION AND DEPRECIATION</b>							
Balance at January 1, 2020	8,066	84	213	4,854	4,013	1,374	18,604
Additions / Transfers	577	103	43	53	1,284	250	2,310
Effect of movements in exchange rates	-	-	-	-	-	-	-
Balance at December 31, 2020	8,643	187	256	4,907	5,297	1,624	20,914
Additions / Transfers	213	107	11	37	1,370	272	2,010
Effect of movements in exchange rates	-	-	-	-	-	-	-
<b>Balance at December 31, 2021</b>	<b>8,856</b>	<b>294</b>	<b>267</b>	<b>4,944</b>	<b>6,667</b>	<b>1,896</b>	<b>22,924</b>
<b>NET BOOK VALUE</b>							
<b>At December 31, 2021</b>	<b>4,182</b>	<b>301</b>	<b>68</b>	<b>9,296</b>	<b>11,946</b>	<b>9,882</b>	<b>35,675</b>
At December 31, 2020	4,506	376	91	8,048	12,186	9,639	34,846
At January 1, 2020	5,571	440	128	8,065	13,541	7,913	35,658

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Included in Buildings above are assets under construction of \$6,348 as at December 31, 2021 (2020 - \$5,327) on which no depreciation was charged in the periods then ended. Once the assets are put into service, they will be transferred to the appropriate class of plant, equipment and mining properties.

As at December 31, 2021, plant, equipment and mining properties included a net carrying amount of \$Nil (2020 - \$442) for mining equipment under equipment loan, and \$1,306 (2020 - \$1,087) for mining equipment and right of use assets under finance lease.

**12. 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) 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 years ended December 31, 2021, 2020 and 2019 is as follows:

	2021	2020	2019
Salaries, benefits, and consulting fees	\$ 1,021	\$ 757	\$ 723
Share-based payments	1,188	1,468	659
	<u>\$ 2,209</u>	<u>\$ 2,225</u>	<u>\$ 1,382</u>

*(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 due to / (from) related parties:

	December 31, 2021	December 31, 2020
Oniva International Services Corp.	\$ 107	\$ 106
Directors	56	48
	<u>\$ 163</u>	<u>\$ 154</u>

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 year ended December 31, 2021, 2020 and 2019, the Company paid \$239, \$224 and \$226, respectively, to ICC.

*(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.

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The transactions with Oniva during the year ended December 31, 2021, 2020 and 2019 are summarized below:

	2021	2020	2019
Salaries and benefits	\$ 766	\$ 636	\$ 665
Office and miscellaneous	403	290	322
Exploration and evaluation assets	-	-	206
	<u>\$ 1,169</u>	<u>\$ 926</u>	<u>\$ 1,193</u>

**13. TERM FACILITY**

In July 2015, the Company entered into a ten million dollar term facility with Samsung C&T U.K. Limited ("Samsung"). Interest is charged on the facility at a rate of US dollar LIBOR (3 month) plus 4.75%. The agreement was later amended in 2018 to extend the repayment period and modify the monthly payments. Other material terms of the facility remained unchanged. The Company paid the remaining balance in monthly instalments of \$278 ending September 2021. The Company is committed to selling Avino Mine concentrate on an exclusive basis to Samsung until December 31, 2024.

The facility is secured by the concentrates produced under the agreement and by 33% of the common shares of the Company's wholly-owned subsidiary Compañía Minera Mexicana de Avino, S.A. de C.V.. The facility with Samsung relates to the sale of concentrates produced from the Avino Mine only.

The continuity of the term facility with Samsung for the year ended December 31, 2021, and the year ended December 31, 2020, is as follows:

	December 31, 2021	December 31, 2020
Balance at beginning of the period	\$ 2,513	\$ 5,897
Repayments	(2,500)	(3,333)
Unwinding of fair value adjustment	(13)	(51)
Balance at end of the period	-	2,513
Less: Current portion	-	(2,513)
Non-current portion	<u>\$ -</u>	<u>\$ -</u>



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**14. WARRANT LIABILITY**

The Company's warrant liability arises as a result of the issuance of warrants exercisable in US dollars. As the denomination is different from the Canadian dollar functional currency of the entity issuing the underlying shares, the Company recognizes a derivative liability for these warrants and re-measures the liability at the end of each reporting period using the Black-Scholes model. Changes in respect of the Company's warrant liability are as follows:

	December 31, 2021	December 31, 2020
Balance at beginning of the period	\$ 2,295	\$ 1,579
Fair value adjustment	(1,581)	650
Effect of movement in exchange rates	27	66
Balance at end of the period	<u>\$ 741</u>	<u>\$ 2,295</u>

Continuity of warrants during the periods is as follows:

	Underlying Shares	Weighted Average Exercise Price
Warrants outstanding and exercisable, January 1, 2020	7,639,968	\$ 0.79
Exercised	(4,195,072)	\$ 0.80
Exercised	(464,122)	C\$0.85
Warrants outstanding and exercisable, December 31, 2020	2,980,774	\$ 0.80
Exercised	(1,030,362)	\$ 0.80
Warrants outstanding and exercisable, December 31, 2021	<u>1,950,412</u>	<u>\$ 0.80</u>

	All Warrants Outstanding and Exercisable		
	Exercise Price per Share	December 31, 2021	December 31, 2020
Expiry Date			
September 25, 2023	\$ 0.80	1,950,412	2,980,774
		<u>1,950,412</u>	<u>2,980,774</u>

As at December 31, 2021, the weighted average remaining contractual life of warrants outstanding was 1.73 years (December 31, 2020 – 2.73 years).

Valuation of the warrant liability requires the use of highly subjective estimates and assumptions including the expected stock price volatility. The expected volatility used in valuing warrants 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 warrant liability was calculated using the Black-Scholes model with the following weighted average assumptions and resulting fair values:

	December 31, 2021	December 31, 2020
Weighted average assumptions:		
Risk-free interest rate	0.91%	0.20%
Expected dividend yield	0%	0%
Expected warrant life (years)	1.73	2.73
Expected stock price volatility	83.13%	73.93%
Weighted average fair value	<u>\$ 0.38</u>	<u>\$ 0.77</u>

During the year ended December 31, 2021, the Company recorded a realized loss on the exercise of warrants of \$1,106 as result of the exercise of 1,030,362 warrants for the issuance of 1,030,362 common shares.

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**15. RECLAMATION PROVISION**

Management's estimate of the reclamation provision at December 31, 2021, is \$726 (December 31, 2020 – \$808), and the undiscounted value of the obligation is \$1,252 (December 31, 2020 – \$1,275).

The present value of the obligation was calculated using a risk-free interest rate of 7.78% (December 31, 2020 – 5.96%) and an inflation rate of 7.36% (December 31, 2020 – 3.15%). Reclamation activities are estimated to begin in 2023 for the San Gonzalo Mine and in 2041 for the Avino Mine.

A reconciliation of the changes in the Company's reclamation provision for the year ended December 31, 2021, and the year ended December 31, 2020, is as follows:

	December 31, 2021	December 31, 2020
Balance at beginning of the period	\$ 808	\$ 1,524
Changes in estimates	(105)	(737)
Unwinding of discount related to continuing operations	47	99
Effect of movements in exchange rates	(24)	(78)
Balance at end of the period	<u>\$ 726</u>	<u>\$ 808</u>

**16. SHARE CAPITAL AND SHARE-BASED PAYMENTS**

(a) *Authorized: Unlimited common shares without par value.*

(b) *Issued:*

- (i) During the year ended December 31, 2021, the Company issued 10,050,000 common shares in an at-the-market offering under prospectus supplement for gross proceeds of \$19,020. The Company paid a 2.75% cash commission of \$523 on gross proceeds, for net proceeds of \$18,497, and incurred additional \$400 in issuance costs during the period.

During the year ended December 31, 2021, the Company issued 1,030,362 common shares following the exercise of 1,030,362 warrants. As a result, \$1,911 was recorded to share capital, representing cash proceeds of \$824, fair value of the warrants on the date of exercise (see Note 14 for valuation methodology of \$US denominated warrants) of \$1,106, and movements in foreign exchange of \$(19).

During the year ended December 31, 2021, the Company issued 264,000 common shares following the exercise of 264,000 options. As a result, \$364 was recorded to share capital, representing cash proceeds of \$237 and the fair value upon issuance of \$127.

During the year ended December 31, 2021, the Company issued 1,330,167 common shares upon exercise of RSUs. As a result, \$1,278 was recorded to share capital.

- (ii) During the year ended December 31, 2020, the Company issued 6,730,054 common shares in an at-the-market offering under prospectus supplement for gross proceeds of \$4,940. The Company paid a 3% cash commission of \$148 on gross proceeds, for net proceeds of \$4,792, and incurred an additional \$106 in issuance costs during the period.

During the year ended December 31, 2020, the Company issued 4,195,072 common shares following the exercise of 4,195,072 warrants. As a result, \$6,112 was recorded to share capital, representing cash proceeds of \$3,356, fair value of the warrants on the date of exercise (see Note 14 for valuation methodology for \$US denominated warrants) of \$2,733, and movements in foreign exchange of \$69.

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During the year ended December 31, 2020, the Company also issued 464,122 common shares following the exercise of 464,122 broker warrants. As a result, \$416 was recorded to share capital, representing cash proceeds of \$300 and the amount attributed to the warrants upon issuance in 2019, representing \$116.

During the year ended December 31, 2020, the Company issued 675,145 common shares as settlement of accrued advisory services provided by Cantor Fitzgerald Canada Corporate (“Cantor”) for the completion of the sale of Bralorne. The value of these shares was accrued at December 31, 2019; however, the shares were not issued until January 2020.

During the year ended December 31, 2020, the Company issued 48,000 common shares following the exercise of 48,000 options. As a result, \$43 was recorded to share capital, representing cash proceeds of \$28 and the fair value upon issuance of \$15.

During the year ended December 31, 2020, the Company issued 863,901 common shares upon exercise of RSUs. As a result, \$650 was recorded to share capital.

*(c) Stock options:*

The Company has a stock option plan to purchase the Company’s common shares, under which it may grant stock options of up to 10% of the Company’s total number of shares issued and outstanding on a non-diluted basis. The stock option plan provides for the granting of stock options to directors, officers, and employees, and to persons providing investor relations or consulting services, the limits being based on the Company’s total number of issued and outstanding shares per year. The stock options vest on the date of grant, except for those issued to persons providing investor relations services, which vest over a period of one year. The option price must be greater than or equal to the discounted market price on the grant date, and the option term cannot exceed ten years from the grant date.

Continuity of stock options is as follows:

	Underlying Shares	Weighted Average Exercise Price (C\$)
Stock options outstanding, January 1, 2020	2,638,500	\$ 1.82
Granted	1,700,000	\$ 1.64
Exercised	(48,000)	\$ 0.79
Cancelled / Forfeited	(807,500)	\$ 1.70
Stock options outstanding, December 31, 2020	3,483,000	\$ 1.77
Exercised	(264,000)	\$ 1.16
Expired	(360,000)	\$ 2.95
Cancelled / Forfeited	(20,000)	\$ 1.64
Stock options outstanding, December 31, 2021	2,839,000	\$ 1.68
Stock options exercisable, December 31, 2021	2,839,000	\$ 1.68

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The following table summarizes information about the stock options outstanding and exercisable at December 31, 2021:

Expiry Date	Price (C\$)	Outstanding		Exercisable	
		Number of Options	Weighted Average Remaining Contractual Life (Years)	Number of Options	Weighted Average Remaining Contractual Life (Years)
September 20, 2022	\$ 1.98	880,000	0.72	880,000	0.72
August 28, 2023	\$ 1.30	105,000	1.66	105,000	1.66
August 21, 2024	\$ 0.79	174,000	2.64	174,000	2.64
August 4, 2025	\$ 1.64	1,680,000	3.59	1,680,000	3.59
		<u>2,839,000</u>	<u>2.57</u>	<u>2,839,000</u>	<u>2.57</u>

During the year ended December 31, 2021, the Company charged \$362 (year ended December 31, 2020 - \$777) to operations as share-based payments for the fair value of stock options granted.

*(d) Restricted Share Units:*

On April 19, 2018, the Company's Restricted Share Unit ("RSU") Plan was approved by its shareholders. The RSU Plan is administered by the Compensation Committee under the supervision of the Board of Directors as compensation to officers, directors, consultants, and employees. The Compensation Committee determines the terms and conditions upon which a grant is made, including any performance criteria or vesting period.

Upon vesting, each RSU entitles the participant to receive one common share, provided that the participant is continuously employed with or providing services to the Company. RSUs track the value of the underlying common shares, but do not entitle the recipient to the underlying common shares until such RSUs vest, nor do they entitle a holder to exercise voting rights or any other rights attached to ownership or control of the common shares, until the RSU vests and the RSU participant receives common shares.

Continuity of RSUs is as follows:

	Underlying Shares	Weighted Average Price (C\$)
RSUs outstanding, January 1, 2020	2,372,875	\$ 0.94
Granted	1,481,000	\$ 1.64
Exercised	(863,901)	\$ 0.99
Cancelled / Forfeited	(115,974)	\$ 1.00
RSUs outstanding, December 31, 2020	2,874,000	\$ 1.28
Exercised	(1,330,167)	\$ 1.22
Cancelled / Forfeited	(104,356)	\$ 1.54
RSUs outstanding, December 31, 2021	<u>1,439,477</u>	<u>\$ 1.32</u>

The following table summarizes information about the RSUs outstanding at December 31, 2021:

Issuance Date	Price (C\$)	Number of RSUs Outstanding
August 21, 2019	\$ 0.79	539,733
August 4, 2020	\$ 1.64	899,744
		<u>1,439,477</u>

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During the year ended December 31, 2021, no RSUs (year ended December 31, 2020 – 1,481,000) were granted. For the RSUs issued in the year ended December 31, 2020, the weighted average fair value at the measurement date was C\$1.64, based on the TSX market price of the Company's shares on the date the RSUs were granted.

During the year ended December 31, 2021, the Company charged \$1,107 (December 31, 2020 - \$1,080) to operations as share-based payments for the fair value of the RSUs vested. The fair value of the RSUs is recognized over the vesting period with reference to vesting conditions and the estimated RSUs expected to vest.

*(e) Earnings (loss) per share:*

The calculations for basic earnings (loss) per share and diluted earnings (loss) per share are as follows:

	2021	2020	2019
Net loss from continuing operations for the period	\$ (2,057)	\$ (7,482)	\$ (2,335)
Net loss for the period	\$ (2,057)	\$ (7,651)	\$ (31,461)
Basic weighted average number of shares outstanding	100,161,357	83,180,069	69,980,178
Effect of dilutive share options, warrants, and RSUs ('000)	-	-	-
Diluted weighted average number of shares outstanding	100,161,357	83,180,069	69,980,178
Basic loss from continuing operations per share	\$ (0.02)	\$ (0.09)	\$ (0.03)
Diluted loss from continuing operations per share	\$ (0.02)	\$ (0.09)	\$ (0.03)
Basic loss per share	\$ (0.02)	\$ (0.09)	\$ (0.45)
Diluted loss per share	\$ (0.02)	\$ (0.09)	\$ (0.45)

**17. REVENUE AND COST OF SALES**

The Company's revenues for the year ended December 31, 2021, 2020 and 2019 are all attributable to Mexico, from shipments of concentrate from the Avino Mine, and processing of Historical Above Ground Stockpiles.

	2021	2020	2019
Concentrate sales	\$ 11,208	\$ 15,304	\$ 31,417
Provisional pricing adjustments	20	718	329
	\$ 11,228	\$ 16,022	\$ 31,746

Cost of sales consists of changes in inventories, direct costs including personnel costs, mine site costs, energy costs (principally diesel fuel and electricity), maintenance and repair costs, operating supplies, external services, third party transport fees, depreciation and depletion, and other expenses for the periods. Direct costs include the costs of extracting co-products. Stand-by costs consist of care and maintenance costs incurred during the work stoppages at the Avino Mine during the year ended December 31, 2021 and 2020.

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Cost of sales is based on the weighted average cost of inventory sold for the periods and consists of the following:

	2021	2020	2019
Production costs	\$ 4,905	\$ 11,443	\$ 27,949
Stand-by costs	800	2,394	-
Inventory net realizable adjustment	-	-	387
Depreciation and depletion	1,976	1,995	3,680
	<u>\$ 7,681</u>	<u>\$ 15,832</u>	<u>\$ 32,016</u>

**18. GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses on the consolidated statements of operations consist of the following:

	2021	2020	2019
Salaries and benefits	\$ 1,277	\$ 1,361	\$ 1,347
Office and miscellaneous	647	117	286
Management and consulting fees	451	406	461
Professional fees	402	380	470
Investor relations	227	166	171
Directors fees	182	171	162
Regulatory and compliance fees	170	139	143
Depreciation	140	116	43
Travel and promotion	70	46	110
	<u>\$ 3,566</u>	<u>\$ 2,902</u>	<u>\$ 3,193</u>

**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 Oniva's total overhead and corporate expenses. The agreement may be terminated with one-month notice by either party. Transactions and balances with Oniva are disclosed in Note 12.

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:

	December 31, 2021	December 31, 2020
Not later than one year	\$ 96	\$ 20
Later than one year and not later than five years	330	14
Later than five years	462	3
	<u>\$ 888</u>	<u>\$ 37</u>

Office lease payments recognized as an expense during the year ended December 31, 2021, totalled \$16 (December 31, 2020 - \$40).

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**20. SUPPLEMENTARY CASH FLOW INFORMATION**

	2021	2020	2019
Net change in non-cash working capital items:			
Deferred revenues	\$ -	\$ -	\$ (573)
Accounts payable and accrued liabilities	1,240	(2,877)	(941)
Prepaid expenses and other assets	(203)	(157)	287
Amounts receivable	(680)	1,211	2,615
Taxes payable	25	(39)	(121)
Amounts due to related parties	8	1	6
Taxes recoverable	1,727	440	(193)
Other liabilities	-	(178)	(100)
Inventory	(3,664)	4,150	3,182
	<u>\$ (1,547)</u>	<u>\$ 2,551</u>	<u>\$ 4,162</u>
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Interest paid	\$ 92	\$ 264	\$ 618
Taxes paid	\$ 589	\$ 279	\$ 2,373
Equipment acquired under finance leases and equipment loans	<u>\$ 1,058</u>	<u>\$ -</u>	<u>\$ 122</u>

**21. FINANCIAL INSTRUMENTS**

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 two (December 31, 2020 – three) counterparty (see Note 23). 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 highly-rated 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 audited consolidated statement of financial position. At December 31, 2021, no amounts were held as collateral.

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*(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 December 31, 2021, in the amount of \$24,765 and working capital of \$31,635 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 consolidated 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 December 31, 2021, 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	\$ 3,260	\$ 3,260	\$ -	\$ -
Amounts due to related parties	163	163	-	-
Minimum rental and lease payments	889	96	331	462
Finance lease obligations	1,152	438	714	-
<b>Total</b>	<b>\$ 5,464</b>	<b>\$ 3,957</b>	<b>\$ 1,045</b>	<b>\$ 462</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.



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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:

	December 31, 2021		December 31, 2020	
	MXN	CDN	MXN	CDN
Cash	\$ 3,576	\$ 1,450	\$ 36,896	\$ 2,831
Long-term investments	-	4,976	-	5,317
Reclamation bonds	-	6	-	6
Amounts receivable	-	33	-	20
Accounts payable and accrued liabilities	(57,604)	(211)	(22,972)	(157)
Due to related parties	-	(206)	-	(196)
Finance lease obligations	(1)	(394)	(1,543)	(448)
Net exposure	(54,029)	5,654	12,381	7,373
US dollar equivalent	\$ (2,363)	\$ (4,054)	\$ 620	\$ 5,791

Based on the net US dollar denominated asset and liability exposures as at December 31, 2021, a 10% fluctuation in the US/Mexican and Canadian/US exchange rates would impact the Company's earnings for the year ended December 31, 2021, by approximately \$143 (year ended December 31, 2020 - \$589). The Company has not entered into any foreign currency contracts to mitigate this risk.

**Price Risk**

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

The Company is exposed to price risk with respect to its amounts receivable, as certain trade accounts receivable are recorded based on provisional terms that are subsequently adjusted according to quoted metal prices at the date of final settlement. Quoted metal prices are affected by numerous factors beyond the Company's control and are subject to volatility, and the Company does not employ hedging strategies to limit its exposure to price risk. At December 31, 2021, 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 \$26 (December 31, 2020 - \$2).

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 December 31, 2021, a 10% change in market prices would have an impact on net earnings (loss) of approximately \$330 (December 31, 2020 - \$418).

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.

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*(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 December 31, 2021:

	Level 1	Level 2	Level 3
<b>Financial assets</b>			
Cash	\$ 24,765	\$ -	\$ -
Amounts receivable	-	1,208	-
Long-term investments	3,939	-	-
<b>Total financial assets</b>	<u>\$ 28,704</u>	<u>\$ 1,208</u>	<u>\$ -</u>
<b>Financial liabilities</b>			
Warrant liability	-	-	(741)
<b>Total financial liabilities</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (741)</u>

The Company uses Black-Scholes model to measure its Level 3 financial instruments. As at December 31, 2021, the Company's Level 3 financial instruments consisted of the warrant liability.

For the Company's warrant liability valuation and fair value adjustments during the years ended December 31, 2021 and 2020, see Note 14 of the consolidated financial statements.

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Notes to the consolidated financial statements

For the years ended December 31, 2021, 2020 and 2019

(Expressed in thousands of US dollars, except where otherwise noted)

**22. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and expansion of its properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. In the management of capital, the Company includes equity (comprising of all issued share capital, equity reserves, retained earnings or accumulated deficit, and other comprehensive income (loss)), the term facility, equipment loan obligations, and finance lease, are listed as follows:

	December 31, 2021	December 31, 2020
Equity	\$ 78,507	\$ 59,008
Term Facility	-	2,513
Finance Lease Obligations	1,069	486
Equipment Loans	-	72
	<u>\$ 79,576</u>	<u>\$ 62,079</u>

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to incur new debt or issue new shares. Management reviews the Company's capital structure on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. At December 31, 2021, the Company expects its capital resources and projected future cash flows from operations to support its normal operating requirements on an ongoing basis, and planned development and exploration of its mineral properties and other expansionary plans. At December 31, 2021, there was no externally imposed capital requirement to which the Company was subject and with which the Company did not comply.

**23. SEGMENTED INFORMATION**

The Company's revenues for the year ended December 31, 2021, of \$11,228 (2020 - \$16,022, 2019 - \$3,746) are all attributable to Mexico, from shipments of concentrate produced by the Avino Mine and processed material from the Avino Historic Above Ground stockpiles.

On the consolidated statements of operations, the Company had revenue from the following product mixes:

	2021	2020	2019
Silver	\$ 3,421	\$ 6,318	\$ 14,030
Copper	5,566	4,662	13,953
Gold	4,344	8,517	10,326
Penalties, treatment costs and refining charges	(2,103)	(3,475)	(6,563)
Total revenue from mining operations	<u>\$ 11,228</u>	<u>\$ 16,022</u>	<u>\$ 31,746</u>

**AVINO SILVER & GOLD MINES LTD.**

Notes to the consolidated financial statements

For the years ended December 31, 2021, 2020 and 2019

(Expressed in thousands of US dollars, except where otherwise noted)

For the year ended December 31, 2021, the Company had three customers (2020 – three customers, 2019 – six customers) that accounted for total revenues as follows:

	2021	2020	2019
Customer #1	\$ 5,521	\$ -	\$ -
Customer #2	3,045	12,573	21,810
Customer #3	2,662	3,206	4,861
Customer #4	-	(19)	3,350
Customer #5	-	262	1,246
Customer #6	-	-	469
Customer #7	-	-	10
Customer #8	-	-	-
<b>Total revenue from mining operations</b>	<b>\$ 11,228</b>	<b>\$ 16,022</b>	<b>\$ 31,746</b>

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

	December 31, 2021	December 31, 2020
Exploration and evaluation assets - Mexico	\$ 11,052	\$ 10,051
Exploration and evaluation assets - Canada	1	1
<b>Total exploration and evaluation assets</b>	<b>\$ 11,053</b>	<b>\$ 10,052</b>

	December 31, 2021	December 31, 2020
Plant, equipment, and mining properties - Mexico	\$ 35,390	\$ 34,475
Plant, equipment, and mining properties - Canada	285	371
<b>Total plant, equipment, and mining properties</b>	<b>\$ 35,675</b>	<b>\$ 34,846</b>

**AVINO SILVER & GOLD MINES LTD.**

Notes to the consolidated financial statements

For the years ended December 31, 2021, 2020 and 2019

(Expressed in thousands of US dollars, except where otherwise noted)

**24. INCOME TAXES***(a) Income tax expense*

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

	2021	2020	2019
Current income tax expense	\$ 27	\$ 161	\$ 327
Deferred income tax expense (recovery)	412	(1,569)	(960)
Total income tax expense (recovery)	<u>\$ 439</u>	<u>\$ (1,408)</u>	<u>\$ (633)</u>

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

	2021	2020	2019
Net income (loss) before income taxes	\$ (1,618)	\$ (8,890)	\$ (2,968)
Net loss from discontinued operations before income taxes	-	(169)	(29,126)
Net income (loss) before income taxes	<u>\$ (1,618)</u>	<u>\$ (9,059)</u>	<u>\$ (32,094)</u>
Combined statutory tax rate	27.00%	27.00%	27.00%
Income tax expense (recovery) at the Canadian statutory rate	(437)	(2,446)	(8,665)
Reconciling items:			
Effect of difference in foreign tax rates	11	(86)	(120)
Non-deductible/non-taxable items	675	1,467	6,449
Change in unrecognized deductible temporary differences	122	332	1,263
Impact of foreign exchange	75	(112)	222
Special mining duties	17	(185)	231
Revisions to estimates	313	(297)	58
Share issue costs	(249)	(73)	(174)
Other items	(88)	(8)	103
Income tax expense (recovery) recognized in the year	<u>\$ 439</u>	<u>\$ (1,408)</u>	<u>\$ (633)</u>

The Company recognized a non-cash recovery of \$Nil for the year ended December 31, 2021 (2020 – expense of \$164; 2019 – expense of \$235) related to the deferred tax impact of the special mining duty. The Canadian income tax rate increased from 26% to 27% effective January 1, 2018, with a statutory impact prior to year-end. The impact of this change has been reflected in the consolidated financial statements.

	December 31, 2021	December 31, 2020
Deferred income tax assets	\$ 4,341	\$ 4,249
Deferred income tax liabilities	(6,122)	(5,618)
	<u>\$ (1,781)</u>	<u>\$ (1,369)</u>

**AVINO SILVER & GOLD MINES LTD.**

Notes to the consolidated financial statements

For the years ended December 31, 2021, 2020 and 2019

(Expressed in thousands of US dollars, except where otherwise noted)

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

	December 31, 2021	December 31, 2020
Reclamation provision	\$ 272	\$ 304
Non-capital losses	3,525	3,383
Other deductible temporary differences	543	562
Inventory	-	(2)
Exploration and evaluation assets	(3,326)	(3,349)
Plant, equipment and mining properties	(2,795)	(2,267)
Net deferred income tax liabilities	<u>\$ (1,781)</u>	<u>\$ (1,369)</u>

The net deferred tax liability presented in these consolidated financial statements is due to the difference in the carrying amounts and tax bases of the Mexican plant, equipment and mining properties which were acquired in the purchase of Avino Mexico. The carrying values of the Mexican plant, equipment and mining properties includes an estimated fair value adjustment recorded upon the July 17, 2006, acquisition of control of Avino Mexico that was based on a share exchange, while the tax bases of these assets are historical undeducted tax amounts that were nil on acquisition. The deferred tax liability is attributable to assets in the tax jurisdiction of Mexico.

*(b) Unrecognized deductible temporary differences:*

Temporary differences and tax losses arising in Canada have not been recognized as deferred income tax assets due to the fact that management has determined it is not probable that sufficient future taxable profits will be earned in Canada to recover such assets. Unrecognized deductible temporary differences are summarized as follows:

	December 31, 2021	December 31, 2020
Tax losses carried forward	\$ 17,968	\$ 18,974
Share issue costs	1,478	1,144
Plant, equipment and mining properties	341	263
Exploration and evaluation assets	1,244	1,248
Investments	(15)	(400)
Reclamation provision and other	-	-
Unrecognized deductible temporary differences	<u>\$ 21,016</u>	<u>\$ 21,229</u>

The Company has capital losses of \$10,361 carried forward and \$7,607 in non-capital tax losses carried forward available to reduce future Canadian taxable income. The capital losses can be carried forward indefinitely until used. The non-capital losses have an expiry date range of 2027 to 2041.

**AVINO SILVER & GOLD MINES LTD.**

Notes to the consolidated financial statements

For the years ended December 31, 2021, 2020 and 2019

(Expressed in thousands of US dollars, except where otherwise noted)

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**25. PENDING TRANSACTION**

Pending acquisition of La Preciosa – On October 27, 2021, the Company announced it has entered into a share purchase agreement (the “Transaction”) to indirectly acquire through the purchase of the shares of certain holding companies, the La Preciosa Property (“La Preciosa”) from Coeur Mining, Inc. (“Coeur”).

Consideration of \$20 million, of which \$15 million is payable at the closing of the Transaction from Avino’s cash on hand and the remaining \$ 5 million is payable before the first anniversary of the closing date.

Additionally, Avino will issue 14.0 million units (the “Units”), each comprising one common share and one-half of a common share purchase warrant (each full warrant, a “Warrant”).

Contingent cash consideration of US\$8.75 million will be payable by Avino to Coeur within 12 months of initial production at La Preciosa. Avino may elect to pay up to half of the contingent cash consideration in Avino shares. Coeur will retain ownership of a 1.25% net smelter return royalty on the Gloria and Abundancia areas of La Preciosa, and a 2.00% gross value royalty on all areas of La Preciosa other than the Gloria and Abundancia areas.

So long as Coeur holds 10% or more of the outstanding shares of Avino, Coeur has the option to nominate one director for election to the Avino board or designate a board observer. At closing, Coeur has also been granted pre-emptive rights to maintain its equity ownership position in Avino and has entered into a voting agreement with Avino.

The completion of the proposed Transaction is subject to a number of customary conditions precedent, as well as, the authorization of the Mexican Federal Economic Competition Commission, approval of the issuance of the Unit consideration and contingent payment amount by the NYSE American, the Toronto Stock Exchange, and any other necessary third party approvals. The Closing of the Transaction is expected to occur during Q1 2022.

**SIGNATURE**

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

**AVINO SILVER & GOLD MINES LTD.**

Date: March 30, 2022

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





Mailing Address:  
PO Box 9431 Stn Prov Govt  
Victoria BC V8W 9V3  
www.corporateonline.gov.bc.ca

Location:  
2nd Floor - 940 Blanshard Street  
Victoria BC  
1 877 526-1526

**CERTIFIED COPY**  
Of a Document filed with the Province of  
British Columbia Registrar of Companies

## Notice of Articles

*BUSINESS CORPORATIONS ACT*

  
CAROL PREST

This Notice of Articles was issued by the Registrar on: March 5, 2021 02:53 PM Pacific Time

Incorporation Number: **BC0088814**

Recognition Date: August 22, 1969 as a result of an Amalgamation

### NOTICE OF ARTICLES

**Name of Company:**

AVINO SILVER & GOLD MINES LTD.

**REGISTERED OFFICE INFORMATION**

**Mailing Address:**

3200 - 650 WEST GEORGIA STREET  
VANCOUVER BC V6B 4P7  
CANADA

**Delivery Address:**

3200 - 650 WEST GEORGIA STREET  
VANCOUVER BC V6B 4P7  
CANADA

**RECORDS OFFICE INFORMATION**

**Mailing Address:**

3200 - 650 WEST GEORGIA STREET  
VANCOUVER BC V6B 4P7  
CANADA

**Delivery Address:**

3200 - 650 WEST GEORGIA STREET  
VANCOUVER BC V6B 4P7  
CANADA

**DIRECTOR INFORMATION**

**Last Name, First Name, Middle Name:**  
Robertson, Gary

**Last Name, First Name, Middle Name:**  
WOLFIN, DAVID

**Last Name, First Name, Middle Name:**  
Yee, Jasman

**Last Name, First Name, Middle Name:**  
Bojtos, Peter

**Last Name, First Name, Middle Name:**  
Andrews, Ronald

**AUTHORIZED SHARE STRUCTURE**

1. No Maximum	Common Shares	Without Par Value
		Without Special Rights or Restrictions attached

**Avino Silver & Gold Mines Ltd.**  
(the "Company")

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## 1. INTERPRETATION

### 1.1 Definitions

In these Articles, unless the context otherwise requires:

- (1) “board of directors”, “directors” and “board” mean the directors or sole director of the Company for the time being;
- (2) “*Business Corporations Act*” means the *Business Corporations Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;
- (3) “legal personal representative” means the personal or other legal representative of the shareholder;
- (4) “registered address” of a shareholder means the shareholder’s address as recorded in the central securities register;
- (5) “seal” means the seal of the Company, if any.

### 1.2 *Business Corporations Act* and *Interpretation Act* Definitions Applicable

The definitions in the *Business Corporations Act* and the definitions and rules of construction in the *Interpretation Act*, with the necessary changes, so far as applicable, and unless the context requires otherwise, apply to these Articles as if they were an enactment. If there is a conflict between a definition in the *Business Corporations Act* and a definition or rule in the *Interpretation Act* relating to a term used in these Articles, the definition in the *Business Corporations Act* will prevail in relation to the use of the term in these Articles. If there is a conflict between these Articles and the *Business Corporations Act*, the *Business Corporations Act* will prevail.

## 2. SHARES AND SHARE CERTIFICATES

### 2.1 Authorized Share Structure

The authorized share structure of the Company consists of shares of the class or classes and series, if any, described in the Notice of Articles of the Company.

### 2.2 Form of Share Certificate

Each share certificate issued by the Company must comply with, and be signed as required by, the *Business Corporations Act*.

### 2.3 Shareholder Entitled to Certificate or Acknowledgment

Each shareholder is entitled, without charge, to (a) one share certificate representing the shares of each class or series of shares registered in the shareholder’s name or (b) a non-transferable written acknowledgment of the shareholder’s right to obtain such a share certificate, provided that in respect of a share held jointly by several persons, the Company is not bound to issue more than one share certificate and delivery of a share certificate for a share to one of several joint shareholders or to one of the shareholders’ duly authorized agents will be sufficient delivery to all.

### 2.4 Delivery by Mail

Any share certificate or non-transferable written acknowledgment of a shareholder’s right to obtain a share certificate may be sent to the shareholder by mail at the shareholder’s registered address and neither the Company nor any director, officer or agent of the Company is liable for any loss to the shareholder because the share certificate or acknowledgement is lost in the mail or stolen.

---



### **2.5 Replacement of Worn Out or Defaced Certificate or Acknowledgement**

If the directors are satisfied that a share certificate or a non-transferable written acknowledgment of the shareholder's right to obtain a share certificate is worn out or defaced, they must, on production to them of the share certificate or acknowledgment, as the case may be, and on such other terms, if any, as they think fit:

- (1) order the share certificate or acknowledgment, as the case may be, to be cancelled; and
- (2) issue a replacement share certificate or acknowledgment, as the case may be.

### **2.6 Replacement of Lost, Stolen or Destroyed Certificate or Acknowledgment**

If a share certificate or a non-transferable written acknowledgment of a shareholder's right to obtain a share certificate is lost, stolen or destroyed, a replacement share certificate or acknowledgment, as the case may be, must be issued to the person entitled to that share certificate or acknowledgment, as the case may be, if the directors receive:

- (1) proof satisfactory to them that the share certificate or acknowledgment is lost, stolen or destroyed; and
- (2) any indemnity the directors consider adequate.

### **2.7 Splitting Share Certificates**

If a shareholder surrenders a share certificate to the Company with a written request that the Company issue in the shareholder's name two or more share certificates, each representing a specified number of shares and in the aggregate representing the same number of shares as the share certificate so surrendered, the Company must cancel the surrendered share certificate and issue replacement share certificates in accordance with that request.

### **2.8 Certificate Fee**

There must be paid to the Company, in relation to the issue of any share certificate under Articles 2.5, 2.6 or 2.7, the amount, if any and which must not exceed the amount prescribed under the *Business Corporations Act*, determined by the directors.

### **2.9 Recognition of Trusts**

Except as required by law or statute or these Articles, no person will be recognized by the Company as holding any share upon any trust, and the Company is not bound by or compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or fraction of a share or (except as by law or statute or these Articles provided or as ordered by a court of competent jurisdiction) any other rights in respect of any share except an absolute right to the entirety thereof in the shareholder.

## **3. ISSUE OF SHARES**

### **3.1 Directors Authorized**

Subject to the *Business Corporations Act* and the rights of the holders of issued shares of the Company, the Company may issue, allot, sell or otherwise dispose of the unissued shares, and issued shares held by the Company, at the times, to the persons, including directors, in the manner, on the terms and conditions and for the issue prices (including any premium at which shares with par value may be issued) that the directors may determine. The issue price for a share with par value must be equal to or greater than the par value of the share.

### **3.2 Commissions and Discounts**

The Company may at any time pay a reasonable commission or allow a reasonable discount to any person in consideration of that person purchasing or agreeing to purchase shares of the Company from the Company or any other person or procuring or agreeing to procure purchasers for shares of the Company.

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### 3.3 Brokerage

The Company may pay such brokerage fee or other consideration as may be lawful for or in connection with the sale or placement of its securities.

### 3.4 Conditions of Issue

Except as provided for by the *Business Corporations Act*, no share may be issued until it is fully paid. A share is fully paid when:

- (1) consideration is provided to the Company for the issue of the share by one or more of the following:
  - (a) past services performed for the Company;
  - (b) property;
  - (c) money; and
- (2) the value of the consideration received by the Company equals or exceeds the issue price set for the share under Article 3.1.

### 3.5 Share Purchase Warrants and Rights

Subject to the *Business Corporations Act*, the Company may issue share purchase warrants, options and rights upon such terms and conditions as the directors determine, which share purchase warrants, options and rights may be issued alone or in conjunction with debentures, debenture stock, bonds, shares or any other securities issued or created by the Company from time to time.

## 4. SHARE REGISTERS

### 4.1 Central Securities Register

As required by and subject to the *Business Corporations Act*, the Company must maintain in British Columbia a central securities register. The directors may, subject to the *Business Corporations Act*, appoint an agent to maintain the central securities register. The directors may also appoint one or more agents, including the agent which keeps the central securities register, as transfer agent for its shares or any class or series of its shares, as the case may be, and the same or another agent as registrar for its shares or such class or series of its shares, as the case may be. The directors may terminate such appointment of any agent at any time and may appoint another agent in its place.

### 4.2 Closing Register

The Company must not at any time close its central securities register.

## 5. SHARE TRANSFERS

### 5.1 Registering Transfers

A transfer of a share of the Company must not be registered unless:

- (1) a duly signed instrument of transfer in respect of the share has been received by the Company;
  - (2) if a share certificate has been issued by the Company in respect of the share to be transferred, that share certificate has been surrendered to the Company; and
  - (3) if a non-transferable written acknowledgment of the shareholder's right to obtain a share certificate has been issued by the Company in respect of the share to be transferred, that acknowledgment has been surrendered to the Company.
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## **5.2 Form of Instrument of Transfer**

The instrument of transfer in respect of any share of the Company must be either in the form, if any, on the back of the Company's share certificates or in any other form that may be approved by the directors from time to time.

## **5.3 Transferor Remains Shareholder**

Except to the extent that the *Business Corporations Act* otherwise provides, the transferor of shares is deemed to remain the holder of the shares until the name of the transferee is entered in a securities register of the Company in respect of the transfer.

## **5.4 Signing of Instrument of Transfer**

If a shareholder, or his or her duly authorized attorney, signs an instrument of transfer in respect of shares registered in the name of the shareholder, the signed instrument of transfer constitutes a complete and sufficient authority to the Company and its directors, officers and agents to register the number of shares specified in the instrument of transfer or specified in any other manner, or, if no number is specified, all the shares represented by the share certificates or set out in the written acknowledgments deposited with the instrument of transfer:

- (1) in the name of the person named as transferee in that instrument of transfer; or
- (2) if no person is named as transferee in that instrument of transfer, in the name of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered.

## **5.5 Enquiry as to Title Not Required**

Neither the Company nor any director, officer or agent of the Company is bound to inquire into the title of the person named in the instrument of transfer as transferee or, if no person is named as transferee in the instrument of transfer, of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered or is liable for any claim related to registering the transfer by the shareholder or by any intermediate owner or holder of the shares, of any interest in the shares, of any share certificate representing such shares or of any written acknowledgment of a right to obtain a share certificate for such shares.

## **5.6 Transfer Fee**

There must be paid to the Company, in relation to the registration of any transfer, the amount, if any, determined by the directors.

## **6. TRANSMISSION OF SHARES**

### **6.1 Legal Personal Representative Recognized on Death**

In case of the death of a shareholder, the legal personal representative, or if the shareholder was a joint holder, the surviving joint holder, will be the only person recognized by the Company as having any title to the shareholder's interest in the shares. Before recognizing a person as a legal personal representative, the directors may require proof of appointment by a court of competent jurisdiction, a grant of letters probate, letters of administration or such other evidence or documents as the directors consider appropriate.

### **6.2 Rights of Legal Personal Representative**

The legal personal representative has the same rights, privileges and obligations that attach to the shares held by the shareholder, including the right to transfer the shares in accordance with these Articles, provided the documents required by the *Business Corporations Act* and the directors have been deposited with the Company.

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## **7. PURCHASE OF SHARES**

### **7.1 Company Authorized to Purchase Shares**

Subject to Article 7.2, the special rights and restrictions attached to the shares of any class or series and the *Business Corporations Act*, the Company may, if authorized by the directors, purchase or otherwise acquire any of its shares at the price and upon the terms specified in such resolution.

### **7.2 Purchase When Insolvent**

The Company must not make a payment or provide any other consideration to purchase or otherwise acquire any of its shares if there are reasonable grounds for believing that:

- (1) the Company is insolvent; or
- (2) making the payment or providing the consideration would render the Company insolvent.

### **7.3 Sale and Voting of Purchased Shares**

If the Company retains a share redeemed, purchased or otherwise acquired by it, the Company may sell, gift or otherwise dispose of the share, but, while such share is held by the Company, it:

- (1) is not entitled to vote the share at a meeting of its shareholders;
- (2) must not pay a dividend in respect of the share; and
- (3) must not make any other distribution in respect of the share.

## **8. BORROWING POWERS**

The Company, if authorized by the directors, may:

- (1) borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that they consider appropriate;
- (2) issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as they consider appropriate;
- (3) guarantee the repayment of money by any other person or the performance of any obligation of any other person; and
- (4) mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

## **9. ALTERATIONS**

### **9.1 Alteration of Authorized Share Structure**

Subject to Article 9.3 and the *Business Corporations Act*, the Company may by resolution of the directors:

- (1) create one or more classes or series of shares or, if none of the shares of a class or series of shares are allotted or issued, eliminate that class or series of shares;
  - (2) increase, reduce or eliminate the maximum number of shares that the Company is authorized to issue out of any class or series of shares or establish a maximum number of shares that the Company is authorized to issue out of any class or series of shares for which no maximum is established;
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- (3) if the Company is authorized to issue shares of a class of shares with par value:
  - (a) decrease the par value of those shares; or
  - (b) if none of the shares of that class of shares are allotted or issued, increase the par value of those shares;
- (4) subdivide all or any of its unissued or fully paid issued shares by way of a stock dividend;
- (5) change all or any of its unissued, or fully paid issued, shares with par value into shares without par value or any of its unissued shares without par value into shares with par value;
- (6) alter the identifying name of any of its shares; or
- (7) otherwise alter its shares or authorized share structure when required or permitted to do so by the *Business Corporations Act*.

#### **9.2 Consolidations and “Call-in” Subdivisions**

Subject to Article 9.3 and the *Business Corporations Act*, the Company may by ordinary resolution:

- (1) consolidate all or any of its unissued, or fully paid issued, shares.
- (2) subdivide all or any of its unissued or fully paid issued shares, other than by way of a stock dividend.

#### **9.3 Special Rights and Restrictions**

Subject to the *Business Corporations Act*, the Company may by special resolution:

- (1) create special rights or restrictions for, and attach those special rights or restrictions to, the shares of any class or series of shares, whether or not any or all of those shares have been issued; or
- (2) vary or delete any special rights or restrictions attached to the shares of any class or series of shares, whether or not any or all of those shares have been issued.

#### **9.4 Change of Name**

The Company may by resolution of the directors authorize an alteration of its Notice of Articles in order to change its name or adopt or change any translation of that name.

#### **9.5 Other Alterations**

If the *Business Corporations Act* does not specify the type of resolution and these Articles do not specify another type of resolution, the Company may by ordinary resolution alter these Articles.

### **10. MEETINGS OF SHAREHOLDERS**

#### **10.1 Annual General Meetings**

Unless an annual general meeting is deferred or waived in accordance with the *Business Corporations Act*, the Company must hold its first annual general meeting within 18 months after the date on which it was incorporated or otherwise recognized, and after that must hold an annual general meeting at least once in each calendar year and not more than 15 months after the last annual reference date at such time and place as may be determined by the directors.

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### **10.2 Resolution Instead of Annual General Meeting**

If all the shareholders who are entitled to vote at an annual general meeting consent by a unanimous resolution under the *Business Corporations Act* to all of the business that is required to be transacted at that annual general meeting, the annual general meeting is deemed to have been held on the date of the unanimous resolution. The shareholders must, in any unanimous resolution passed under this Article 10.2, select as the Company's annual reference date a date that would be appropriate for the holding of the applicable annual general meeting.

### **10.3 Calling of Meetings of Shareholders**

The directors may, whenever they think fit, call a meeting of shareholders.

### **10.4 Notice for Meetings of Shareholders**

The Company must send notice of the date, time and location of any meeting of shareholders, in the manner provided in these Articles, or in such other manner, if any, as may be prescribed by ordinary resolution (whether previous notice of the resolution has been given or not), to each shareholder entitled to attend the meeting, to each director and to the auditor of the Company, unless these Articles otherwise provide, at least the following number of days before the meeting:

- (1) if and for so long as the Company is a public company, 21 days;
- (2) otherwise, 10 days.

### **10.5 Record Date for Notice**

The directors may set a date as the record date for the purpose of determining shareholders entitled to notice of any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the *Business Corporations Act*, by more than four months. The record date must not precede the date on which the meeting is held by fewer than:

- (1) if and for so long as the Company is a public company, 21 days;
- (2) otherwise, 10 days.

If no record date is set, the record date is 5 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

### **10.6 Record Date for Voting**

The directors may set a date as the record date for the purpose of determining shareholders entitled to vote at any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the *Business Corporations Act*, by more than four months. If no record date is set, the record date is 5 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

### **10.7 Failure to Give Notice and Waiver of Notice**

The accidental omission to send notice of any meeting to, or the non-receipt of any notice by, any of the persons entitled to notice does not invalidate any proceedings at that meeting. Any person entitled to notice of a meeting of shareholders may, in writing or otherwise, waive or reduce the period of notice of such meeting.

### **10.8 Notice of Special Business at Meetings of Shareholders**

If a meeting of shareholders is to consider special business within the meaning of Article 11.1, the notice of meeting must:

- (1) state the general nature of the special business; and
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- (2) if the special business includes considering, approving, ratifying, adopting or authorizing any document or the signing of or giving of effect to any document, have attached to it a copy of the document or state that a copy of the document will be available for inspection by shareholders:
  - (a) at the Company's records office, or at such other reasonably accessible location in British Columbia as is specified in the notice; and
  - (b) during statutory business hours on any one or more specified days before the day set for the holding of the meeting.

## **11. PROCEEDINGS AT MEETINGS OF SHAREHOLDERS**

### **11.1 Special Business**

At a meeting of shareholders, the following business is special business:

- (1) at a meeting of shareholders that is not an annual general meeting, all business is special business except business relating to the conduct of or voting at the meeting;
- (2) at an annual general meeting, all business is special business except for the following:
  - (a) business relating to the conduct of or voting at the meeting;
  - (b) consideration of any financial statements of the Company presented to the meeting;
  - (c) consideration of any reports of the directors or auditor;
  - (d) the setting or changing of the number of directors;
  - (e) the election or appointment of directors;
  - (f) the appointment of an auditor;
  - (g) the setting of the remuneration of an auditor;
  - (h) business arising out of a report of the directors not requiring the passing of a special resolution or an exceptional resolution;
  - (i) any other business which, under these Articles or the Business Corporations Act, may be transacted at a meeting of shareholders without prior notice of the business being given to the shareholders.

### **11.2 Special Majority**

The majority of votes required for the Company to pass a special resolution at a meeting of shareholders is two-thirds of the votes cast on the resolution.

### **11.3 Quorum**

Subject to the special rights and restrictions attached to the shares of any class or series of shares and save as herein otherwise provided, the quorum for the transaction of business at a meeting of shareholders is two shareholders, or one or more proxyholder representing two members, or one member and a proxyholder representing another member.

### **11.4 One Shareholder May Constitute Quorum**

If there is only one shareholder entitled to vote at a meeting of shareholders:

- (1) the quorum is one person who is, or who represents by proxy, that shareholder, and
  - (2) that shareholder, present in person or by proxy, may constitute the meeting.
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#### **11.5 Other Persons May Attend**

The directors, the president (if any), the secretary (if any), the assistant secretary (if any), any lawyer for the Company, the auditor of the Company and any other persons invited by the directors are entitled to attend any meeting of shareholders, but if any of those persons does attend a meeting of shareholders, that person is not to be counted in the quorum and is not entitled to vote at the meeting unless that person is a shareholder or proxy holder entitled to vote at the meeting.

#### **11.6 Requirement of Quorum**

No business, other than the election of a chair of the meeting and the adjournment of the meeting, may be transacted at any meeting of shareholders unless a quorum of shareholders entitled to vote is present at the commencement of the meeting, but such quorum need not be present throughout the meeting.

#### **11.7 Lack of Quorum**

If, within one-half hour from the time set for the holding of a meeting of shareholders, a quorum is not present:

- (1) in the case of a general meeting requisitioned by shareholders, the meeting is dissolved, and
- (2) in the case of any other meeting of shareholders, the meeting stands adjourned to the same day in the next week at the same time and place.

#### **11.8 Lack of Quorum at Succeeding Meeting**

If, at the meeting to which the meeting referred to in Article 11.7(2) was adjourned, a quorum is not present within one-half hour from the time set for the holding of the meeting, the person or persons present and being, or representing by proxy, one or more shareholders entitled to attend and vote at the meeting constitute a quorum.

#### **11.9 Chair**

The following individual is entitled to preside as chair at a meeting of shareholders:

- (1) the chair of the board, if any; or
- (2) if the chair of the board is absent or unwilling to act as chair of the meeting, the president, if any.

#### **11.10 Selection of Alternate Chair**

If, at any meeting of shareholders, there is no chair of the board or president present within 15 minutes after the time set for holding the meeting, or if the chair of the board and the president are unwilling to act as chair of the meeting, or if the chair of the board and the president have advised the secretary, if any, or any director present at the meeting, that they will not be present at the meeting, the directors present must choose one of their number to be chair of the meeting or if all of the directors present decline to take the chair or fail to so choose or if no director is present, the shareholders entitled to vote at the meeting who are present in person or by proxy may choose any person present at the meeting to chair the meeting.

#### **11.11 Adjournments**

The chair of a meeting of shareholders may, and if so directed by the meeting must, adjourn the meeting from time to time and from place to place, but no business may be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

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#### **11.12 Notice of Adjourned Meeting**

It is not necessary to give any notice of an adjourned meeting or of the business to be transacted at an adjourned meeting of shareholders except that, when a meeting is adjourned for 30 days or more, notice of the adjourned meeting must be given as in the case of the original meeting.

#### **11.13 Decisions by Show of Hands or Poll**

Subject to the *Business Corporations Act*, every motion put to a vote at a meeting of shareholders will be decided on a show of hands unless a poll, before or on the declaration of the result of the vote by show of hands, is directed by the chair or demanded by at least one shareholder entitled to vote who is present in person or by proxy.

#### **11.14 Declaration of Result**

The chair of a meeting of shareholders must declare to the meeting the decision on every question in accordance with the result of the show of hands or the poll, as the case may be, and that decision must be entered in the minutes of the meeting. A declaration of the chair that a resolution is carried by the necessary majority or is defeated is, unless a poll is directed by the chair or demanded under Article 11.13, conclusive evidence without proof of the number or proportion of the votes recorded in favour of or against the resolution.

#### **11.15 Motion Need Not be Seconded**

No motion proposed at a meeting of shareholders need be seconded unless the chair of the meeting rules otherwise, and the chair of any meeting of shareholders is entitled to propose or second a motion.

#### **11.16 Casting Vote**

In case of an equality of votes, the chair of a meeting of shareholders does not, either on a show of hands or on a poll, have a second or casting vote in addition to the vote or votes to which the chair may be entitled as a shareholder.

#### **11.17 Manner of Taking Poll**

Subject to Article 11.18, if a poll is duly demanded at a meeting of shareholders:

- (1) the poll must be taken:
  - (a) at the meeting, or within seven days after the date of the meeting, as the chair of the meeting directs; and
  - (b) in the manner, at the time and at the place that the chair of the meeting directs;
- (2) the result of the poll is deemed to be the decision of the meeting at which the poll is demanded; and
- (3) the demand for the poll may be withdrawn by the person who demanded it.

#### **11.18 Demand for Poll on Adjournment**

A poll demanded at a meeting of shareholders on a question of adjournment must be taken immediately at the meeting.

#### **11.19 Chair Must Resolve Dispute**

In the case of any dispute as to the admission or rejection of a vote given on a poll, the chair of the meeting must determine the dispute, and his or her determination made in good faith is final and conclusive.

#### **11.20 Casting of Votes**

On a poll, a shareholder entitled to more than one vote need not cast all the votes in the same way.

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#### **11.21 Demand for Poll**

No poll may be demanded in respect of the vote by which a chair of a meeting of shareholders is elected.

#### **11.22 Demand for Poll Not to Prevent Continuance of Meeting**

The demand for a poll at a meeting of shareholders does not, unless the chair of the meeting so rules, prevent the continuation of a meeting for the transaction of any business other than the question on which a poll has been demanded.

#### **11.23 Retention of Ballots and Proxies**

The Company must, for at least three months after a meeting of shareholders, keep each ballot cast on a poll and each proxy voted at the meeting, and, during that period, make them available for inspection during normal business hours by any shareholder or proxyholder entitled to vote at the meeting. At the end of such three month period, the Company may destroy such ballots and proxies.

### **12. VOTES OF SHAREHOLDERS**

#### **12.1 Number of Votes by Shareholder or by Shares**

Subject to any special rights or restrictions attached to any shares and to the restrictions imposed on joint shareholders under Article 12.3:

- (1) on a vote by show of hands, every person present who is a shareholder or proxy holder and entitled to vote on the matter has one vote; and
- (2) on a poll, every shareholder entitled to vote on the matter has one vote in respect of each share entitled to be voted on the matter and held by that shareholder and may exercise that vote either in person or by proxy.

#### **12.2 Votes of Persons in Representative Capacity**

A person who is not a shareholder may vote at a meeting of shareholders, whether on a show of hands or on a poll, and may appoint a proxy holder to act at the meeting, if, before doing so, the person satisfies the chair of the meeting, or the directors, that the person is a legal personal representative or a trustee in bankruptcy for a shareholder who is entitled to vote at the meeting.

#### **12.3 Votes by Joint Holders**

If there are joint shareholders registered in respect of any share:

- (1) any one of the joint shareholders may vote at any meeting, either personally or by proxy, in respect of the share as if that joint shareholder were solely entitled to it; or
- (2) if more than one of the joint shareholders is present at any meeting, personally or by proxy, and more than one of them votes in respect of that share, then only the vote of the joint shareholder present whose name stands first on the central securities register in respect of the share will be counted.

#### **12.4 Legal Personal Representatives as Joint Shareholders**

Two or more legal personal representatives of a shareholder in whose sole name any share is registered are, for the purposes of Article 12.3, deemed to be joint shareholders.

#### **12.5 Representative of a Corporate Shareholder**

If a corporation, that is not a subsidiary of the Company, is a shareholder, that corporation may appoint a person to act as its representative at any meeting of shareholders of the Company, and:

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- (1) for that purpose, the instrument appointing a representative must:
  - (a) be received at the registered office of the Company or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice for the receipt of proxies, or if no number of days is specified, two business days before the day set for the holding of the meeting; or
  - (b) be provided, at the meeting, to the chair of the meeting or to a person designated by the chair of the meeting;
- (2) if a representative is appointed under this Article 12.5:
  - (a) the representative is entitled to exercise in respect of and at that meeting the same rights on behalf of the corporation that the representative represents as that corporation could exercise if it were a shareholder who is an individual, including, without limitation, the right to appoint a proxy holder; and
  - (b) the representative, if present at the meeting, is to be counted for the purpose of forming a quorum and is deemed to be a shareholder present in person at the meeting.

Evidence of the appointment of any such representative may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages.

#### **12.6 Proxy Provisions Do Not Apply to All Companies**

If and for so long as the Company is a public company or a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of its Articles or to which the Statutory Reporting Company Provisions apply, Articles 12.7 to 12.15 apply only insofar as they are not inconsistent with any securities legislation in any province or territory of Canada or in the federal jurisdiction of the United States or in any states of the United States that is applicable to the Company and insofar as they are not inconsistent with the regulations and rules made and promulgated under that legislation and all administrative policy statements, blanket orders and rulings, notices and other administrative directions issued by securities commissions or similar authorities appointed under that legislation.

#### **12.7 Appointment of Proxy Holders**

Every shareholder of the Company, including a corporation that is a shareholder but not a subsidiary of the Company, entitled to vote at a meeting of shareholders of the Company may, by proxy, appoint one or more (but not more than five) proxy holders to attend and act at the meeting in the manner, to the extent and with the powers conferred by the proxy.

#### **12.8 Alternate Proxy Holders**

A shareholder may appoint one or more alternate proxy holders to act in the place of an absent proxy holder.

#### **12.9 When Proxy Holder Need Not Be Shareholder**

A person must not be appointed as a proxy holder unless the person is a shareholder, although a person who is not a shareholder may be appointed as a proxy holder if:

- (1) the person appointing the proxy holder is a corporation or a representative of a corporation appointed under Article 12.5;
  - (2) the Company has at the time of the meeting for which the proxy holder is to be appointed only one shareholder entitled to vote at the meeting; or
  - (3) the shareholders present in person or by proxy at and entitled to vote at the meeting for which the proxy holder is to be appointed, by a resolution on which the proxy holder is not entitled to vote but in respect of which the proxy holder is to be counted in the quorum, permit the proxy holder to attend and vote at the meeting.
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**12.10 Deposit of Proxy**

A proxy for a meeting of shareholders must:

- (1) be received at the registered office of the Company or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice, or if no number of days is specified, two business days before the day set for the holding of the meeting; or
- (2) unless the notice provides otherwise, be provided, at the meeting, to the chair of the meeting or to a person designated by the chair of the meeting.

A proxy may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages.

**12.11 Validity of Proxy Vote**

A vote given in accordance with the terms of a proxy is valid notwithstanding the death or incapacity of the shareholder giving the proxy and despite the revocation of the proxy or the revocation of the authority under which the proxy is given, unless notice in writing of that death, incapacity or revocation is received:

- (1) at the registered office of the Company, at any time up to and including the last business day before the day set for the holding of the meeting at which the proxy is to be used; or
- (2) by the chair of the meeting, before the vote is taken.

**12.12 Form of Proxy**

A proxy, whether for a specified meeting or otherwise, must be either in the following form or in any other form approved by the directors or the chair of the meeting:

**Avino Silver & Gold Mines Ltd.**  
(the "Company")

The undersigned, being a shareholder of the Company, hereby appoints [name] or, failing that person, [name], as proxy holder for the undersigned to attend, act and vote for and on behalf of the undersigned at the meeting of shareholders of the Company to be held on [month, day, year] and at any adjournment of that meeting.

Number of shares in respect of which this proxy is given (if no number is specified, then this proxy is given in respect of all shares registered in the name of the shareholder):

\_\_\_\_\_  
Signed [month, day, year]

\_\_\_\_\_  
*[Signature of shareholder]*

\_\_\_\_\_  
*[Name of shareholder printed]*

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### 12.13 Revocation of Proxy

Subject to Article 12.14, every proxy may be revoked by an instrument in writing that is:

- (1) received at the registered office of the Company at any time up to and including the last business day before the day set for the holding of the meeting at which the proxy is to be used; or
- (2) provided, at the meeting, to the chair of the meeting.

### 12.14 Revocation of Proxy Must Be Signed

An instrument referred to in Article 12.13 must be signed as follows:

- (1) if the shareholder for whom the proxy holder is appointed is an individual, the instrument must be signed by the shareholder or his or her legal personal representative or trustee in bankruptcy;
- (2) if the shareholder for whom the proxy holder is appointed is a corporation, the instrument must be signed by the corporation or by a representative appointed for the corporation under Article 12.5.

### 12.15 Production of Evidence of Authority to Vote

The chair of any meeting of shareholders may, but need not, inquire into the authority of any person to vote at the meeting and may, but need not, demand from that person production of evidence as to the existence of the authority to vote.

## 13. DIRECTORS

### 13.1 First Directors; Number of Directors

The first directors are the persons designated as directors of the Company in the Notice of Articles that applies to the Company when it is recognized under the *Business Corporations Act*. The number of directors, excluding additional directors appointed under Article 14.8, is set at:

- (1) subject to paragraphs (2) and (3), the number of directors that is equal to the number of the Company's first directors;
- (2) if the Company is a public company, the greater of three and the most recently set of:
  - (a) the number of directors set by ordinary resolution (whether or not previous notice of the resolution was given); and
  - (b) the number of directors set under Article 14.4;
- (3) if the Company is not a public company, the most recently set of:
  - (a) the number of directors set by ordinary resolution (whether or not previous notice of the resolution was given); and
  - (b) the number of directors set under Article 14.4.

### 13.2 Change in Number of Directors

If the number of directors is set under Articles 13.1(2)(a) or 13.1(3)(a):

- (1) the shareholders may elect or appoint the directors needed to fill any vacancies in the board of directors up to that number;
  - (2) if the shareholders do not elect or appoint the directors needed to fill any vacancies in the board of directors up to that number contemporaneously with the setting of that number, then the directors may appoint, or the shareholders may elect or appoint, directors to fill those vacancies.
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### **13.3 Directors' Acts Valid Despite Vacancy**

An act or proceeding of the directors is not invalid merely because fewer than the number of directors set or otherwise required under these Articles is in office.

### **13.4 Qualifications of Directors**

A director is not required to hold a share in the capital of the Company as qualification for his or her office but must be qualified as required by the *Business Corporations Act* to become, act or continue to act as a director.

### **13.5 Remuneration of Directors**

The directors are entitled to the remuneration for acting as directors, if any, as the directors may from time to time determine. If the directors so decide, the remuneration of the directors, if any, will be determined by the shareholders. That remuneration may be in addition to any salary or other remuneration paid to any officer or employee of the Company as such, who is also a director.

### **13.6 Reimbursement of Expenses of Directors**

The Company must reimburse each director for the reasonable expenses that he or she may incur in and about the business of the Company.

### **13.7 Special Remuneration for Directors**

If any director performs any professional or other services for the Company that in the opinion of the directors are outside the ordinary duties of a director, or if any director is otherwise specially occupied in or about the Company's business, he or she may be paid remuneration fixed by the directors, or, at the option of that director, fixed by ordinary resolution, and such remuneration may be either in addition to, or in substitution for, any other remuneration that he or she may be entitled to receive.

### **13.8 Gratuity, Pension or Allowance on Retirement of Director**

Unless otherwise determined by ordinary resolution, the directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any director who has held any salaried office or place of profit with the Company or to his or her spouse or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

## **14. ELECTION AND REMOVAL OF DIRECTORS**

### **14.1 Election at Annual General Meeting**

At every annual general meeting and in every unanimous resolution contemplated by Article 10.2:

- (1) the shareholders entitled to vote at the annual general meeting for the election of directors must elect, or in the unanimous resolution appoint, a board of directors consisting of the number of directors for the time being set under these Articles; and
- (2) unless otherwise determined by resolution of the board of directors, all the directors cease to hold office immediately before the election or appointment of directors under paragraph (1), but are eligible for re-election or re-appointment.

### **14.2 Consent to be a Director**

No election, appointment or designation of an individual as a director is valid unless:

- (1) that individual consents to be a director in the manner provided for in the *Business Corporations Act*;
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- (2) that individual is elected or appointed at a meeting at which the individual is present and the individual does not refuse, at the meeting, to be a director; or
- (3) with respect to first directors, the designation is otherwise valid under the *Business Corporations Act*.

#### **14.3 Failure to Elect or Appoint Directors**

If:

- (1) the Company fails to hold an annual general meeting, and all the shareholders who are entitled to vote at an annual general meeting fail to pass the unanimous resolution contemplated by Article 10.2, on or before the date by which the annual general meeting is required to be held under the *Business Corporations Act*; or
- (2) the shareholders fail, at the annual general meeting or in the unanimous resolution contemplated by Article 10.2, to elect or appoint any directors;

then each director then in office continues to hold office until the earlier of:

- (3) the date on which his or her successor is elected or appointed; and
- (4) the date on which he or she otherwise ceases to hold office under the *Business Corporations Act* or these Articles.

#### **14.4 Places of Retiring Directors Not Filled**

If, at any meeting of shareholders at which there should be an election of directors, the places of any of the retiring directors are not filled by that election, those retiring directors who are not re-elected and who are asked by the newly elected directors to continue in office will, if willing to do so, continue in office to complete the number of directors for the time being set pursuant to these Articles until further new directors are elected at a meeting of shareholders convened for that purpose. If any such election or continuance of directors does not result in the election or continuance of the number of directors for the time being set pursuant to these Articles, the number of directors of the Company is deemed to be set at the number of directors actually elected or continued in office.

#### **14.5 Directors May Fill Casual Vacancies**

Any casual vacancy occurring in the board of directors may be filled by the directors.

#### **14.6 Remaining Directors Power to Act**

The directors may act notwithstanding any vacancy in the board of directors, but if the Company has fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the directors may only act for the purpose of appointing directors up to that number or of summoning a meeting of shareholders for the purpose of filling any vacancies on the board of directors or, subject to the *Business Corporations Act*, for any other purpose.

#### **14.7 Shareholders May Fill Vacancies**

If the Company has no directors or fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the shareholders may elect or appoint directors to fill any vacancies on the board of directors.

#### **14.8 Additional Directors**

Notwithstanding Articles 13.1 and 13.2, between annual general meetings or unanimous resolutions contemplated by Article 10.2, the directors may appoint one or more additional directors, but the number of additional directors appointed under this Article 14.8 must not at any time exceed:

- (1) one-third of the number of first directors, if, at the time of the appointments, one or more of the first directors have not yet completed their first term of office; or
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- (2) in any other case, one-third of the number of the current directors who were elected or appointed as directors other than under this Article 14.8.

Any director so appointed ceases to hold office immediately before the next election or appointment of directors under Article 14.1(1), but is eligible for re-election or re-appointment.

#### **14.9 Ceasing to be a Director**

A director ceases to be a director when:

- (1) the term of office of the director expires;
- (2) the director dies;
- (3) the director resigns as a director by notice in writing provided to the Company or a lawyer for the Company; or
- (4) the director is removed from office pursuant to Articles 14.10 or 14.11.

#### **14.10 Removal of Director by Shareholders**

The Company may remove any director before the expiration of his or her term of office by special resolution. In that event, the shareholders may elect, or appoint by ordinary resolution, a director to fill the resulting vacancy. If the shareholders do not elect or appoint a director to fill the resulting vacancy contemporaneously with the removal, then the directors may appoint or the shareholders may elect, or appoint by ordinary resolution, a director to fill that vacancy.

#### **14.11 Removal of Director by Directors**

The directors may remove any director before the expiration of his or her term of office if the director is convicted of an indictable offence, or if the director ceases to be qualified to act as a director of a company and does not promptly resign, and the directors may appoint a director to fill the resulting vacancy.

#### **14.12 Nominations of Directors**

- (1) Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Company. Nominations of persons for election to the board may be made at any annual meeting of shareholders or at any special meeting of shareholders if one of the purposes for which the special meeting was called was the election of directors:
    - (a) by or at the direction of the board, including pursuant to a notice of meeting;
    - (b) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the *Business Corporations Act*, or a requisition of the shareholders made in accordance with the provisions of the *Business Corporations Act*; or
    - (c) by any person (a "Nominating Shareholder"): (A) who, at the close of business on the date of the giving of the notice provided for below in this Article 14.12 and on the record date for notice of such meeting, is entered in the securities register as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting; and (B) who complies with the notice procedures set forth below in this Article 14.12.
  - (2) In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof in proper written form to the Secretary of the Company at the principal executive offices of the Company.
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- (3) To be timely, a Nominating Shareholder's notice to the Secretary of the Company must be made:
- (a) in the case of an annual meeting of shareholders, not less than 30 nor more than 65 days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders is to be held on a date that is less than 50 days after the date (the "Notice Date") on which the first public announcement (as defined below) of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10th) day after the Notice Date in respect of such meeting; and
  - (b) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the day on which the first public announcement (as defined below) of the date of the special meeting of shareholders was made. In no event shall any adjournment or postponement of a meeting of shareholders or the announcement thereof commence a new time period for the giving of a Nominating Shareholder's notice as described above.
- (4) To be in proper written form, a Nominating Shareholder's notice to the Secretary of the Company must set forth:
- (a) as to each person whom the Nominating Shareholder proposes to nominate for election as a director: (A) the name, age, business address and residential address of the person; (B) the principal occupation or employment of the person; (C) the class or series and number of shares in the capital of the Company which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and (D) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the *Business Corporations Act* and Applicable Securities Laws (as defined below); and
  - (b) as to the Nominating Shareholder giving the notice, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Shareholder has a right to vote any shares of the Company and any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the *Business Corporations Act* and Applicable Securities Laws (as defined below).
- (5) The Company may require any proposed nominee to furnish such other information as may reasonably be required by the Company to determine the eligibility of such proposed nominee to serve as an independent director of the Company or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such proposed nominee.
- (6) No person shall be eligible for election as a director of the Company unless nominated in accordance with the provisions of this Article 14.12; provided, however, that nothing in this Article 14.12 shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a meeting of shareholders of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the *Business Corporations Act*. The Chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.
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- (7) For purposes of this Article 14.12:
- (a) “public announcement” shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Company under its profile on the System for Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com); and
  - (b) “Applicable Securities Laws” means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada.
- (8) Notwithstanding any other provision of this Article 14.12, notice given to the Secretary of the Company pursuant to this Article 14.12 may only be given by personal delivery, facsimile transmission or by email (at such email address as stipulated from time to time by the Secretary of the Company for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the Secretary at the address of the principal executive offices of the Company; provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Vancouver time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the subsequent day that is a business day.
- (9) Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement in this Article 14.12.

## **15. ALTERNATE DIRECTORS**

### **15.1 Appointment of Alternate Director**

Any director (an “appointor”) may by notice in writing received by the Company appoint any person (an “appointee”) who is qualified to act as a director to be his or her alternate to act in his or her place at meetings of the directors or committees of the directors at which the appointor is not present unless (in the case of an appointee who is not a director) the directors have reasonably disapproved the appointment of such person as an alternate director and have given notice to that effect to his or her appointor within a reasonable time after the notice of appointment is received by the Company.

### **15.2 Notice of Meetings**

Every alternate director so appointed is entitled to notice of meetings of the directors and of committees of the directors of which his or her appointor is a member and to attend and vote as a director at any such meetings at which his or her appointor is not present.

### **15.3 Alternate for More Than One Director Attending Meetings**

A person may be appointed as an alternate director by more than one director, and an alternate director:

- (1) will be counted in determining the quorum for a meeting of directors once for each of his or her appointors and, in the case of an appointee who is also a director, once more in that capacity;
  - (2) has a separate vote at a meeting of directors for each of his or her appointors and, in the case of an appointee who is also a director, an additional vote in that capacity;
  - (3) will be counted in determining the quorum for a meeting of a committee of directors once for each of his or her appointors who is a member of that committee and, in the case of an appointee who is also a member of that committee as a director, once more in that capacity;
  - (4) has a separate vote at a meeting of a committee of directors for each of his or her appointors who is a member of that committee and, in the case of an appointee who is also a member of that committee as a director, an additional vote in that capacity.
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#### **15.4 Consent Resolutions**

Every alternate director, if authorized by the notice appointing him or her, may sign in place of his or her appointor any resolutions to be consented to in writing.

#### **15.5 Alternate Director Not an Agent**

Every alternate director is deemed not to be the agent of is or her appointor.

#### **15.6 Revocation of Appointment of Alternate Director**

An appointor may at any time, by notice in writing received by the Company, revoke the appointment of an alternate director appointed by him or her.

#### **15.7 Ceasing to be an Alternate Director**

The appointment of an alternate director ceases when:

- (1) his or her appointor ceases to be a director and is not promptly re-elected or re-appointed;
- (2) the alternate director dies;
- (3) the alternate director resigns as an alternate director by notice in writing provided to the Company or a lawyer for the Company;
- (4) the alternate director ceases to be qualified to act as a director; or
- (5) his or her appointor revokes the appointment of the alternate director.

#### **15.8 Remuneration and Expenses of Alternate Director**

The Company may reimburse an alternate director for the reasonable expenses that would be properly reimbursed if he or she were a director, and the alternate director is entitled to receive from the Company such proportion, if any, of the remuneration otherwise payable to the appointor as the appointor may from time to time direct.

### **16. POWERS AND DUTIES OF DIRECTORS**

#### **16.1 Powers of Management**

The directors must, subject to the *Business Corporations Act* and these Articles, manage or supervise the management of the business and affairs of the Company and have the authority to exercise all such powers of the Company as are not, by the *Business Corporations Act* or by these Articles, required to be exercised by the shareholders of the Company.

#### **16.2 Appointment of Attorney of Company**

The directors may from time to time, by power of attorney or other instrument, under seal if so required by law, appoint any person to be the attorney of the Company for such purposes, and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the directors under these Articles and excepting the power to fill vacancies in the board of directors, to remove a director, to change the membership of, or fill vacancies in, any committee of the directors, to appoint or remove officers appointed by the directors and to declare dividends) and for such period, and with such remuneration and subject to such conditions as the directors may think fit. Any such power of attorney may contain such provisions for the protection or convenience of persons dealing with such attorney as the directors think fit. Any such attorney may be authorized by the directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in him or her.

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## **17. DISCLOSURE OF INTEREST OF DIRECTORS**

### **17.1 Obligation to Account for Profits**

A director or senior officer who holds a disclosable interest (as that term is used in the *Business Corporations Act*) in a contract or transaction into which the Company has entered or proposes to enter is liable to account to the Company for any profit that accrues to the director or senior officer under or as a result of the contract or transaction only if and to the extent provided in the *Business Corporations Act*.

### **17.2 Restrictions on Voting by Reason of Interest**

A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter is not entitled to vote on any directors resolution to approve that contract or transaction, unless all the directors have a disclosable interest in that contract or transaction, in which case any or all of those directors may vote on such resolution.

### **17.3 Interested Director Counted in Quorum**

A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter and who is present at the meeting of directors at which the contract or transaction is considered for approval may be counted in the quorum at the meeting whether or not the director votes on any or all of the resolutions considered at the meeting.

### **17.4 Disclosure of Conflict of Interest or Property**

A director or senior officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that individual's duty or interest as a director or senior officer, must disclose the nature and extent of the conflict as required by the *Business Corporations Act*.

### **17.5 Director Holding Other Office in the Company**

A director may hold any office or place of profit with the Company, other than the office of auditor of the Company, in addition to his or her office of director for the period and on the terms (as to remuneration or otherwise) that the directors may determine.

### **17.6 No Disqualification**

No director or intended director is disqualified by his or her office from contracting with the Company either with regard to the holding of any office or place of profit the director holds with the Company or as vendor, purchaser or otherwise, and no contract or transaction entered into by or on behalf of the Company in which a director is in any way interested is liable to be voided for that reason.

### **17.7 Professional Services by Director or Officer**

Subject to the *Business Corporations Act*, a director or officer, or any person in which a director or officer has an interest, may act in a professional capacity for the Company, except as auditor of the Company, and the director or officer or such person is entitled to remuneration for professional services as if that director or officer were not a director or officer.

### **17.8 Director or Officer in Other Corporations**

A director or officer may be or become a director, officer or employee of, or otherwise interested in, any person in which the Company may be interested as a shareholder or otherwise, and, subject to the *Business Corporations Act*, the director or officer is not accountable to the Company for any remuneration or other benefits received by him or her as director, officer or employee of, or from his or her interest in, such other person.

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## **18. PROCEEDINGS OF DIRECTORS**

### **18.1 Meetings of Directors**

The directors may meet together for the conduct of business, adjourn and otherwise regulate their meetings as they think fit, and meetings of the directors held at regular intervals may be held at the place, at the time and on the notice, if any, as the directors may from time to time determine.

### **18.2 Voting at Meetings**

Questions arising at any meeting of directors are to be decided by a majority of votes and, in the case of an equality of votes, the chair of the meeting does not have a second or casting vote.

### **18.3 Chair of Meetings**

The following individual is entitled to preside as chair at a meeting of directors:

- (1) the chair of the board, if any;
- (2) in the absence of the chair of the board, the president, if any, if the president is a director; or
- (3) any other director chosen by the directors if:
  - (a) neither the chair of the board nor the president, if a director, is present at the meeting within 15 minutes after the time set for holding the meeting;
  - (b) neither the chair of the board nor the president, if a director, is willing to chair the meeting; or
  - (c) the chair of the board and the president, if a director, have advised the secretary, if any, or any other director, that they will not be present at the meeting.

### **18.4 Meetings by Telephone or Other Communications Medium**

A director may participate in a meeting of the directors or of any committee of the directors in person or by telephone if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other. A director may participate in a meeting of the directors or of any committee of the directors by a communications medium other than telephone if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other and if all directors who wish to participate in the meeting agree to such participation. A director who participates in a meeting in a manner contemplated by this Article 18.4 is deemed for all purposes of the *Business Corporations Act* and these Articles to be present at the meeting and to have agreed to participate in that manner.

### **18.5 Calling of Meetings**

A director may, and the secretary or an assistant secretary of the Company, if any, on the request of a director must, call a meeting of the directors at any time.

### **18.6 Notice of Meetings**

Other than for meetings held at regular intervals as determined by the directors pursuant to Article 18.1, reasonable notice of each meeting of the directors, specifying the place, day and time of that meeting must be given to each of the directors and the alternate directors by any method set out in Article 24.1 or orally or by telephone.

### **18.7 When Notice Not Required**

It is not necessary to give notice of a meeting of the directors to a director or an alternate director if:

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- (1) the meeting is to be held immediately following a meeting of shareholders at which that director was elected or appointed, or is the meeting of the directors at which that director is appointed; or
- (2) the director or alternate director, as the case may be, has waived notice of the meeting.

#### **18.8 Meeting Valid Despite Failure to Give Notice**

The accidental omission to give notice of any meeting of directors to, or the non-receipt of any notice by, any director or alternate director, does not invalidate any proceedings at that meeting.

#### **18.9 Waiver of Notice of Meetings**

Any director or alternate director may send to the Company a document signed by him or her waiving notice of any past, present or future meeting or meetings of the directors and may at any time withdraw that waiver with respect to meetings held after that withdrawal. After sending a waiver with respect to all future meetings and until that waiver is withdrawn, no notice of any meeting of the directors need be given to that director and, unless the director otherwise requires by notice in writing to the Company, to his or her alternate director, and all meetings of the directors so held are deemed not to be improperly called or constituted by reason of notice not having been given to such director or alternate director.

#### **18.10 Quorum**

The quorum necessary for the transaction of the business of the directors may be set by the directors and, if not so set, is deemed to be set at two directors or, if the number of directors is set at one, is deemed to be set at one director, and that director may constitute a meeting.

#### **18.11 Validity of Acts Where Appointment Defective**

Subject to the *Business Corporations Act*, an act of a director or officer is not invalid merely because of an irregularity in the election or appointment or a defect in the qualification of that director or officer.

#### **18.12 Consent Resolutions in Writing**

A resolution of the directors or of any committee of the directors may be passed without a meeting:

- (1) in all cases, if each of the directors entitled to vote on the resolution consents to it in writing; or
- (2) in the case of a resolution to approve a contract or transaction in respect of which a director has disclosed that he or she has or may have a disclosable interest, if each of the other directors who are entitled to vote on the resolution consents to it in writing.

A consent in writing under this Article may be by signed document, fax, email or any other method of transmitting legibly recorded messages. A consent in writing may be in two or more counterparts which together are deemed to constitute one consent in writing. A resolution of the directors or of any committee of the directors passed in accordance with this Article 18.12 is effective on the date stated in the consent in writing or on the latest date stated on any counterpart and is deemed to be a proceeding at a meeting of directors or of the committee of the directors and to be as valid and effective as if it had been passed at a meeting of the directors or of the committee of the directors that satisfies all the requirements of the *Business Corporations Act* and all the requirements of these Articles relating to meetings of the directors or of a committee of the directors.

### **19. EXECUTIVE AND OTHER COMMITTEES**

#### **19.1 Appointment and Powers of Executive Committee**

The directors may, by resolution, appoint an executive committee consisting of the director or directors that they consider appropriate, and this committee has, during the intervals between meetings of the board of directors, all of the directors' powers, except:

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- (1) the power to fill vacancies in the board of directors;
- (2) the power to remove a director;
- (3) the power to change the membership of, or fill vacancies in, any committee of the directors; and
- (4) such other powers, if any, as may be set out in the resolution or any subsequent directors' resolution.

#### **19.2 Appointment and Powers of Other Committees**

The directors may, by resolution:

- (1) appoint one or more committees (other than the executive committee) consisting of the director or directors that they consider appropriate;
- (2) delegate to a committee appointed under paragraph (1) any of the directors' powers, except:
  - (a) the power to fill vacancies in the board of directors;
  - (b) the power to remove a director;
  - (c) the power to change the membership of, or fill vacancies in, any committee of the directors; and
  - (d) the power to appoint or remove officers appointed by the directors; and
- (3) make any delegation referred to in paragraph (2) subject to the conditions set out in the resolution or any subsequent directors' resolution.

#### **19.3 Obligations of Committees**

Any committee appointed under Articles 19.1 or 19.2, in the exercise of the powers delegated to it, must:

- (1) conform to any rules that may from time to time be imposed on it by the directors; and
- (2) report every act or thing done in exercise of those powers at such times as the directors may require.

#### **19.4 Powers of Board**

The directors may, at any time, with respect to a committee appointed under Articles 19.1 or 19.2:

- (1) revoke or alter the authority given to the committee, or override a decision made by the committee, except as to acts done before such revocation, alteration or overriding;
- (2) terminate the appointment of, or change the membership of, the committee; and
- (3) fill vacancies in the committee.

#### **19.5 Committee Meetings**

Subject to Article 19.3(1) and unless the directors otherwise provide in the resolution appointing the committee or in any subsequent resolution, with respect to a committee appointed under Articles 19.1 or 19.2:

- (1) the committee may meet and adjourn as it thinks proper;
  - (2) the committee may elect a chair of its meetings but, if no chair of a meeting is elected, or if at a meeting the chair of the meeting is not present within 15 minutes after the time set for holding the meeting, the directors present who are members of the committee may choose one of their number to chair the meeting;
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- (3) a majority of the members of the committee constitutes a quorum of the committee; and
- (4) questions arising at any meeting of the committee are determined by a majority of votes of the members present, and in case of an equality of votes, the chair of the meeting does not have a second or casting vote.

## **20. OFFICERS**

### **20.1 Directors May Appoint Officers**

The directors may, from time to time, appoint such officers, if any, as the directors determine and the directors may, at any time, terminate any such appointment.

### **20.2 Functions, Duties and Powers of Officers**

The directors may, for each officer:

- (1) determine the functions and duties of the officer;
- (2) entrust to and confer on the officer any of the powers exercisable by the directors on such terms and conditions and with such restrictions as the directors think fit; and
- (3) revoke, withdraw, alter or vary all or any of the functions, duties and powers of the officer.

### **20.3 Qualifications**

No officer may be appointed unless that officer is qualified in accordance with the *Business Corporations Act*. One person may hold more than one position as an officer of the Company. Any person appointed as the chair of the board or as a managing director must be a director. Any other officer need not be a director.

### **20.4 Remuneration and Terms of Appointment**

All appointments of officers are to be made on the terms and conditions and at the remuneration (whether by way of salary, fee, commission, participation in profits or otherwise) that the directors thinks fit and are subject to termination at the pleasure of the directors, and an officer may in addition to such remuneration be entitled to receive, after he or she ceases to hold such office or leaves the employment of the Company, a pension or gratuity.

## **21. INDEMNIFICATION**

### **21.1 Definitions**

In this Article 21:

- (1) “eligible penalty” means a judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of, an eligible proceeding;
  - (2) “eligible proceeding” means a legal proceeding or investigative action, whether current, threatened, pending or completed, in which a director, former director or alternate director of the Company (an “eligible party”) or any of the heirs and legal personal representatives of the eligible party, by reason of the eligible party being or having been a director or alternate director of the Company:
    - (a) is or may be joined as a party; or
    - (b) is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to, the proceeding;
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- (3) “expenses” has the meaning set out in the *Business Corporations Act*.

#### **21.2 Mandatory Indemnification of Directors and Former Directors**

Subject to the *Business Corporations Act*, the Company must indemnify a director, former director or alternate director of the Company and his or her heirs and legal personal representatives against all eligible penalties to which such person is or may be liable, and the Company must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by such person in respect of that proceeding. Each director and alternate director is deemed to have contracted with the Company on the terms of the indemnity contained in this Article 21.2.

#### **21.3 Indemnification of Other Persons**

Subject to any restrictions in the *Business Corporations Act*, the Company may indemnify any person.

#### **21.4 Non-Compliance with *Business Corporations Act***

The failure of a director, alternate director or officer of the Company to comply with the *Business Corporations Act* or these Articles does not invalidate any indemnity to which he or she is entitled under this Part.

#### **21.5 Company May Purchase Insurance**

The Company may purchase and maintain insurance for the benefit of any person (or his or her heirs or legal personal representatives) who:

- (1) is or was a director, alternate director, officer, employee or agent of the Company;
- (2) is or was a director, alternate director, officer, employee or agent of a corporation at a time when the corporation is or was an affiliate of the Company;
- (3) at the request of the Company, is or was a director, alternate director, officer, employee or agent of a corporation or of a partnership, trust, joint venture or other unincorporated entity;
- (4) at the request of the Company, holds or held a position equivalent to that of a director, alternate director or officer of a partnership, trust, joint venture or other unincorporated entity;

against any liability incurred by him or her as such director, alternate director, officer, employee or agent or person who holds or held such equivalent position.

### **22. DIVIDENDS**

#### **22.1 Payment of Dividends Subject to Special Rights**

The provisions of this Article 22 are subject to the rights, if any, of shareholders holding shares with special rights as to dividends.

#### **22.2 Declaration of Dividends**

Subject to the *Business Corporations Act*, the directors may from time to time declare and authorize payment of such dividends as they may deem advisable. The Board of Directors shall have the right and authority to declare dividends on any class of shares, to the exclusion of and without declaring dividends on any other class of shares, in their sole discretion as they see fit.

#### **22.3 No Notice Required**

The directors need not give notice to any shareholder of any declaration under Article 22.2.

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#### **22.4 Record Date**

The directors may set a date as the record date for the purpose of determining shareholders entitled to receive payment of a dividend. The record date must not precede the date on which the dividend is to be paid by more than two months. If no record date is set, the record date is 5 p.m. on the date on which the directors pass the resolution declaring the dividend.

#### **22.5 Manner of Paying Dividend**

A resolution declaring a dividend may direct payment of the dividend wholly or partly by the distribution of specific assets or of fully paid shares or of bonds, debentures or other securities of the Company, or in any one or more of those ways.

#### **22.6 Settlement of Difficulties**

If any difficulty arises in regard to a distribution under Article 22.5, the directors may settle the difficulty as they deem advisable, and, in particular, may:

- (1) set the value for distribution of specific assets;
- (2) determine that cash payments in substitution for all or any part of the specific assets to which any shareholders are entitled may be made to any shareholders on the basis of the value so fixed in order to adjust the rights of all parties; and
- (3) vest any such specific assets in trustees for the persons entitled to the dividend.

#### **22.7 When Dividend Payable**

Any dividend may be made payable on such date as is fixed by the directors.

#### **22.8 Dividends to be Paid in Accordance with Number of Shares**

All dividends on shares of any class or series of shares must be declared and paid according to the number of such shares held.

#### **22.9 Receipt by Joint Shareholders**

If several persons are joint shareholders of any share, any one of them may give an effective receipt for any dividend, bonus or other money payable in respect of the share.

#### **22.10 Dividend Bears No Interest**

No dividend bears interest against the Company.

#### **22.11 Fractional Dividends**

If a dividend to which a shareholder is entitled includes a fraction of the smallest monetary unit of the currency of the dividend, that fraction may be disregarded in making payment of the dividend and that payment represents full payment of the dividend.

#### **22.12 Payment of Dividends**

Any dividend or other distribution payable in cash in respect of shares may be paid by cheque, made payable to the order of the person to whom it is sent, and mailed to the address of the shareholder, or in the case of joint shareholders, to the address of the joint shareholder who is first named on the central securities register, or to the person and to the address the shareholder or joint shareholders may direct in writing. The mailing of such cheque will, to the extent of the sum represented by the cheque (plus the amount of the tax required by law to be deducted), discharge all liability for the dividend unless such cheque is not paid on presentation or the amount of tax so deducted is not paid to the appropriate taxing authority.

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### **22.13 Capitalization of Surplus**

Notwithstanding anything contained in these Articles, the directors may from time to time capitalize any surplus of the Company and may from time to time issue, as fully paid, shares or any bonds, debentures or other securities of the Company as a dividend representing the surplus or any part of the surplus.

### **23. ACCOUNTING RECORDS**

#### **23.1 Recording of Financial Affairs**

The directors must cause adequate accounting records to be kept to record properly the financial affairs and condition of the Company and to comply with the *Business Corporations Act*.

#### **23.2 Inspection of Accounting Records**

Unless the directors determine otherwise, or unless otherwise determined by ordinary resolution, no shareholder of the Company is entitled to inspect or obtain a copy of any accounting records of the Company.

### **24. NOTICES**

#### **24.1 Method of Giving Notice**

Unless the *Business Corporations Act* or these Articles provides otherwise, a notice, statement, report or other record required or permitted by the *Business Corporations Act* or these Articles to be sent by or to a person may be sent by any one of the following methods:

- (1) mail addressed to the person at the applicable address for that person as follows:
    - (a) for a record mailed to a shareholder, the shareholder's registered address;
    - (b) for a record mailed to a director or officer, the prescribed address for mailing shown for the director or officer in the records kept by the Company or the mailing address provided by the recipient for the sending of that record or records of that class;
    - (c) in any other case, the mailing address of the intended recipient;
  - (2) delivery at the applicable address for that person as follows, addressed to the person:
    - (a) for a record delivered to a shareholder, the shareholder's registered address;
    - (b) for a record delivered to a director or officer, the prescribed address for delivery shown for the director or officer in the records kept by the Company or the delivery address provided by the recipient for the sending of that record or records of that class;
    - (c) in any other case, the delivery address of the intended recipient;
  - (3) sending the record by fax to the fax number provided by the intended recipient for the sending of that record or records of that class;
  - (4) sending the record by email to the email address provided by the intended recipient for the sending of that record or records of that class;
  - (5) physical delivery to the intended recipient.
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#### **24.2 Deemed Receipt of Mailing**

A record that is mailed to a person by ordinary mail to the applicable address for that person referred to in Article 24.1 is deemed to be received by the person to whom it was mailed on the day, Saturdays, Sundays and holidays excepted, following the date of mailing.

#### **24.3 Certificate of Sending**

A certificate signed by the secretary, if any, or other officer of the Company or of any other corporation acting in that behalf for the Company stating that a notice, statement, report or other record was addressed as required by Article 24.1, prepaid and mailed or otherwise sent as permitted by Article 24.1 is conclusive evidence of that fact.

#### **24.4 Notice to Joint Shareholders**

A notice, statement, report or other record may be provided by the Company to the joint shareholders of a share by providing the notice to the joint shareholder first named in the central securities register in respect of the share.

#### **24.5 Notice to Trustees**

A notice, statement, report or other record may be provided by the Company to the persons entitled to a share in consequence of the death, bankruptcy or incapacity of a shareholder by:

- (1) mailing the record, addressed to them:
  - (a) by name, by the title of the legal personal representative of the deceased or incapacitated shareholder, by the title of trustee of the bankrupt shareholder or by any similar description; and
  - (b) at the address, if any, supplied to the Company for that purpose by the persons claiming to be so entitled; or
- (2) if an address referred to in paragraph (1)(b) has not been supplied to the Company, by giving the notice in a manner in which it might have been given if the death, bankruptcy or incapacity had not occurred.

### **25. SEAL**

#### **25.1 Who May Attest Seal**

Except as provided in Articles 25.2 and 25.3, the Company's seal, if any, must not be impressed on any record except when that impression is attested by the signatures of:

- (1) any two directors;
- (2) any officer, together with any director;
- (3) if the Company only has one director, that director; or
- (4) any one or more directors or officers or persons as may be determined by the directors.

#### **25.2 Sealing Copies**

For the purpose of certifying under seal a certificate of incumbency of the directors or officers of the Company or a true copy of any resolution or other document, despite Article 25.1, the impression of the seal may be attested by the signature of any director or officer.

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### 25.3 Mechanical Reproduction of Seal

The directors may authorize the seal to be impressed by third parties on share certificates or bonds, debentures or other securities of the Company as they may determine appropriate from time to time. To enable the seal to be impressed on any share certificates or bonds, debentures or other securities of the Company, whether in definitive or interim form, on which facsimiles of any of the signatures of the directors or officers of the Company are, in accordance with the *Business Corporations Act* or these Articles, printed or otherwise mechanically reproduced, there may be delivered to the person employed to engrave, lithograph or print such definitive or interim share certificates or bonds, debentures or other securities one or more unmounted dies reproducing the seal and the chair of the board or any senior officer together with the secretary, treasurer, secretary-treasurer, an assistant secretary, an assistant treasurer or an assistant secretary-treasurer may in writing authorize such person to cause the seal to be impressed on such definitive or interim share certificates or bonds, debentures or other securities by the use of such dies. Share certificates or bonds, debentures or other securities to which the seal has been so impressed are for all purposes deemed to be under and to bear the seal impressed on them.

## 26. PROHIBITIONS

### 26.1 Definitions

In this Article 26:

- (1) “designated security” means:
  - (a) a voting security of the Company;
  - (b) a security of the Company that is not a debt security and that carries a residual right to participate in the earnings of the Company or, on the liquidation or winding up of the Company, in its assets; or
  - (c) a security of the Company convertible, directly or indirectly, into a security described in paragraph (a) or (b);
- (2) “security” has the meaning assigned in the *Securities Act* (British Columbia);
- (3) “voting security” means a security of the Company that:
  - (a) is not a debt security, and
  - (b) carries a voting right either under all circumstances or under some circumstances that have occurred and are continuing.

### 26.2 Application

Article 26.3 does not apply to the Company if and for so long as it is a public company or a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of its Articles or to which the Statutory Reporting Company Provisions apply.

### 26.3 Consent Required for Transfer of Shares or Designated Securities

No share or designated security may be sold, transferred or otherwise disposed of without the consent of the directors and the directors are not required to give any reason for refusing to consent to any such sale, transfer or other disposition.

## 27. CHANGE OF REGISTERED AND RECORDS OFFICES

The Company may appoint or change its registered and records offices, or either of them, and the agent responsible therefor, at any time by resolution of the directors. After the appointment of the first registered or records office agent, such agent may terminate its appointment by written notice to any director or officer of the Company sent to the last known address of such director or officer. The Company will then designate a new registered or records office or offices within ten (10) days of receipt or deemed receipt of such notice, failing which the agent shall be entitled on behalf of the Company (but not obliged) to execute and file a Notice to Change Offices with the Registrar of Companies, changing the registered and records office or offices to the last known address of the President of the Company.

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**Description of Securities**

Our Articles authorize the issuance of an unlimited number of common shares, without par value.

**Common Shares**

Each holder of common shares is entitled to one vote for each share on all matters submitted to a vote of the shareholders, and each holder does not have cumulative voting rights. Accordingly, the holders of a majority of the common shares entitled to vote in any election of directors can elect all of the directors standing for election, if they so choose.

Holders of common shares are entitled to receive ratably those dividends, if any, as may be declared from time to time by the board of directors out of legally available funds. In the event of our liquidation, dissolution or winding up, holders of common shares will be entitled to share ratably in the net assets legally available for distribution to shareholders after the payment of all of our debts and other liabilities.

Holders of common shares have no preemptive or conversion rights or other subscription rights, and there are no redemption or sinking fund provisions applicable to the common share. All outstanding common shares are, and when issued and paid for, will be fully paid and nonassessable.

**Amendment of Rights**

Except as described immediately below, the Company may, by Special Resolution (which means a resolution passed by two-thirds (2/3) of the votes cast on the resolution by the Company's shareholders who, being entitled to do so, vote in person or by proxy at the Company's general meeting, or a resolution consented to in writing by every shareholder who would have been entitled to vote in person or by proxy at a general meeting), alter its notice of articles or articles to create or vary the special rights or restrictions attached to any shares, but no right or special right attached to any issued shares may be prejudiced or interfered with unless all shareholders holding shares of each class or series whose right or special right is prejudiced or interfered with consent thereto in writing, or unless a resolution consenting is passed at a separate class meeting of the holders of the shares of each class by a majority of two-thirds of the issued shares of the class.

**Limitations on Right to own Securities**

The Company's articles do not provide for any limitations on the rights to own securities.

**Change of Control**

The Company's articles do not contain any change in control limitations with respect to a merger, acquisition or corporate restructuring involving the Company.

**Shareholder Ownership Disclosure**

The Company's articles do not contain any provision governing the ownership threshold above which shareholder ownership must be disclosed.

**Changes in the Capital**

The Company may, by resolution of the directors, amend its notice of articles to:

- (a) create one or more classes or series of shares or, if none of the shares of a class or series of shares are allotted or issued, eliminate that class or series of shares;

(b) increase, reduce or eliminate the maximum number of shares that the Company is authorized to issue out of any class or series of shares or establish a maximum number of shares that the Company is authorized to issue out of any class or series of shares for which no maximum is established; or

(c) if the Company is authorized to issue shares of a class of shares with par value:

(1) decrease the par value of those shares; or

(2) if none of the shares of that class of shares are allotted or issued, increase the par value of those shares;

(d) subdivide all or any of its unissued or fully paid issued shares by way of a stock dividend;

(e) change all or any of its unissued, or fully paid issued, shares with par value into shares without par value or any of its unissued shares without par value into shares with par value;

(f) alter the identifying name of any of its shares; or

(g) otherwise alter its shares or authorized share structure when required or permitted to do so by the *Business Corporations Act* (British Columbia) (the "BCBCA").

The Company may by ordinary resolution:

(a) consolidate all or any of its unissued, or fully paid issued, shares;

(b) subdivide all of any of its unissued or fully paid issued shares, other than by way of a stock dividend.

In addition, the Company may by Special Resolution:

(a) create special rights or restrictions for, and attach those special rights or restrictions to, the shares of any class or series of shares, whether or not any or all of those shares have been issued, or

(b) vary or delete any special rights or restrictions attached to the shares of any class or series of shares, whether or not those shares have been issued.

An ordinary resolution means a resolution passed at a general meeting by a simple majority of the votes cast by shareholders voting shares that carry the right to vote at general meetings, or a resolution passed, after being submitted to all of the shareholders holding shares that carry the right to vote at general meetings, by being consented to in writing by shareholders holding shares that carry the right to vote at general meetings who, in the aggregate, hold shares carrying at least a special majority of the votes entitled to be cast on the resolution. A special majority means three-fourths of the votes cast on the resolution.

#### **Comparison of British Columbia and Delaware Corporate Law**

##### Comparison of Shareholder Rights

The Company is a corporation governed by the BCBCA (as defined above). The BCBCA differs in some material respects from the laws generally applicable to Delaware corporations under the Delaware General Corporation Law (the "DGCL"). Below is a summary of certain of those material differences, and is provided for illustrations purposes only. This summary is qualified in its entirety by reference to the DGCL, the BCBCA, and the Company's Articles.

<p><b>Stockholder/Shareholder Approval of Business Combinations; Fundamental Changes</b></p>	<p><b>Delaware</b></p> <p>Under the DGCL, certain fundamental changes, such as amendments to the certificate of incorporation, a merger, consolidation, sale, lease, exchange or other disposition of all or substantially all of the property of a corporation not in the usual and regular course of the corporation's business, or a dissolution of the corporation, are generally required to be approved by the affirmative vote of the holders of a majority of the outstanding stock present in person or represented by proxy and entitled to vote on the matter, unless a corporation's certificate of incorporation or the bylaws require a higher percentage.</p> <p>However, generally under the DGCL, stockholder approval is not required if the number of shares of common stock, including securities convertible into common stock, of a corporation issued in a merger does not exceed 20% of its stock outstanding immediately prior to the effective date of the merger. In certain situations, the approval of a business combination may require approval by a certain number of the holders of a class or series of shares. In addition, Section 251(h) of the DGCL provides that stockholders of a constituent corporation need not vote to approve a merger if: (i) the merger agreement permits or requires the merger to be effected under Section 251(h) and provides that the merger shall be effected as soon as practicable following the tender offer or exchange offer, (ii) a corporation consummates a tender or exchange offer for any and all of the outstanding stock of such constituent corporation that would otherwise be entitled to vote to approve the merger, (iii) immediately following the consummation of the offer, the stock accepted for purchase or exchanges plus the stock owned by the consummating corporation equals at least the percentage of stock that would be required to adopt the agreement of merger under the DGCL, (iv) the corporation consummating the offer merges with or into such constituent corporation and (v) each outstanding share of each class or series of stock of the constituent corporation that was the subject of and not irrevocably accepted for purchase or exchange in the offer is to be converted in the merger into, or the right to receive, the same consideration to be paid for the shares of such class or series of stock of the constituent corporation irrevocably purchased or exchanged in such offer.</p> <p>The DGCL does not contain a procedure comparable to a plan of arrangement under BCBCA.</p>	<p><b>British Columbia</b></p> <p>Under the BCBCA and the Company's articles, certain company alterations, such as changes to authorized share structure, continuances, into or out of province, certain amalgamations, sales, leases or other dispositions of all or substantially all of the undertaking of a company (other than in the ordinary course of business) liquidations, dissolutions, and certain arrangements are required to be approved by ordinary or special resolution as applicable.</p> <p>An ordinary resolution is a resolution (i) passed at a shareholders' meeting by a simple majority of the votes cast by shareholders voting shares that carry the right to vote at general meetings, or (ii) passed, after being submitted to all of the shareholders holding shares that carry the right to vote at general meetings, by being consented to in writing by such shareholders who, in the aggregate, hold shares carrying at least three-quarters of the votes entitled to be cast on the resolution.</p> <p>A special resolution is a resolution (i) passed by not less than two-thirds of the votes cast by the shareholders voting shares that carry the right to vote at general meetings who voted in respect of the resolution at a meeting duly called and held for that purpose or (ii) passed by being consented to in writing by all shareholders entitled to vote on the resolution.</p> <p>Under the BCBCA, an action that prejudices or interferes with a right or special right attached to issued shares of a class or series of shares must be approved by a special separate resolution of the holders of the class or series of shares being affected.</p> <p>Under the BCBCA, arrangements are permitted and a company may make any proposal it considers appropriate "despite any other provision" of the BCBCA. In general, a plan of arrangement is approved by a company's board of directors and then is submitted to a court for approval. It is customary for a company in such circumstances to apply to a court initially for an interim order governing various procedural matters prior to calling any security holder meeting to consider the proposed arrangement. Plans of arrangement involving shareholders must be approved by a special resolution of shareholders, including holders of shares not normally entitled to vote. The court may, in respect of an arrangement proposed with persons other than shareholders and creditors, require that those persons approve the arrangement in the manner and to the extent required by the court. The court determines, among other things, to whom notice shall be given and whether, and in what manner, approval of any person is to be obtained and also determines whether any shareholders may dissent from the proposed arrangement and receive payment of the fair value of their shares. Following compliance with the procedural steps contemplated in any such interim order (including as to obtaining security holder approval), the court would conduct a final hearing, which would, among other things, assess the fairness of the arrangement and approve or reject the proposed arrangement.</p> <p>The BCBCA does not contain a provision comparable to Section 251(h) of the DGCL.</p>
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<p><b>Special Vote Required for Combinations with Interested Stockholders/ Shareholders</b></p>	<p><b>Delaware</b></p> <p>Unless a Delaware corporation's certificate of incorporation provides that it elects not to be governed by Section 203 of the DGCL, a Delaware corporation may not engage in a business combination with an interested stockholder for a period of three years after the time of the transaction in which the person became an interested stockholder, unless (i) the board of directors of the corporation, prior to the time of the transaction in which the person became an interested stockholder, approves either the business combination or the transaction in which the stockholder becomes an interested stockholder; (ii) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced (excluding shares owned by directors and officers of the corporation and shares held in certain types of employee stock plans); or (iii) the board of directors and the holders of at least two-thirds of the outstanding voting stock not owned by the interested stockholder approve the business combination on or after the time of the transaction in which the person became an interested stockholder.</p> <p>For purposes of Section 203, the DGCL, subject to specified exceptions, generally defines an interested stockholder to include any person who, together with that person's affiliates or associates, (i) owns 15% or more of the outstanding voting stock of the corporation (including any rights to acquire stock pursuant to an option, warrant, agreement, arrangement or understanding, or upon the exercise of conversion or exchange rights, and stock with respect to which the person has voting rights only), or (ii) is an affiliate or associate of the corporation and owned 15% or more of the outstanding voting stock of the corporation at any time within the previous three years.</p>	<p><b>British Columbia</b></p> <p>The BCBCA does not contain a provision comparable to Section 203 of the DGCL with respect to business combinations.</p> <p>However, Multi-lateral Instrument 61-101 <i>Protection of Minority Securityholders in Special Transactions</i> (the "Instrument"), published by the Canadian Securities Regulators who have adopted the Instrument, applies to the Company if it undertakes a related party transaction or business combination (as defined therein), in which case the Instrument provides (subject to certain exemptions) for a formal valuation, and majority of the minority shareholders' approval of the proposed transaction.</p>
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<b>Appraisal Rights; Rights to Dissent</b>	<p><b>Delaware</b></p> <p>Under the DGCL, a stockholder of a corporation participating in some types of major corporate transactions may, under varying circumstances, be entitled to appraisal rights pursuant to which the stockholder may receive cash in the amount of the fair market value of his or her shares in lieu of the consideration he or she would otherwise receive in the transaction.</p> <p>For example, a stockholder is entitled to appraisal rights in the case of a merger or consolidation if the shareholder is required to accept in exchange for the shares anything other than: (i) shares of stock of the corporation surviving or resulting from the merger or consolidation, or depository receipts in respect thereof; (ii) shares of any other corporation, or depository receipts in respect thereof, that on the effective date of the merger or consolidation will be either listed on a national securities exchange or held of record by more than 2,000 shareholders; (iii) cash instead of fractional shares of the corporation or fractional depository receipts of the corporation; or (iv) any combination of the foregoing.</p>	<p><b>British Columbia</b></p> <p>The BCBCA provides that shareholders of a company are entitled to exercise dissent rights in respect of certain matters and to be paid the fair value of their shares in connection therewith. The dissent right is applicable where the company resolves to (i) alter its articles to alter the restrictions on the powers of the company or on the business it is permitted to carry on; (ii) approve certain amalgamations; (iii) approve an arrangement, where the terms of the arrangement or court orders relating thereto permit dissent; (iv) sell, lease or otherwise dispose of all or substantially all of its undertaking; or (v) continue the company into another jurisdiction.</p> <p>Dissent may also be permitted if authorized by resolution. A court may also make an order permitting a shareholder to dissent in certain circumstances.</p>
<b>Compulsory Acquisition</b>	<p><b>Delaware</b></p> <p>Under the DGCL, a merger in which one corporation owns, prior to the merger, 90% or more of each class of stock of a second corporation may be completed without the vote of the second corporation's board of directors or shareholders.</p>	<p><b>British Columbia</b></p> <p>The BCBCA provides that if, within 4 months after the making of an offer to acquire shares, or any class of shares, of a company, the offer is accepted by the holders of not less than 90% of the shares (other than the shares held by the offeror or an affiliate of the offeror) of any class of shares to which the offer relates, the offeror is entitled, upon giving proper notice within 5 months after the date of the offer, to acquire (on the same terms on which the offeror acquired shares from those holders of shares who accepted the offer) the shares held by those holders of shares of that class who did not accept the offer. Offerees may apply to the court, within 2 months of receiving notice, and the court may set a different price or terms of payment and may make any consequential orders or directions as it considers appropriate.</p>

<b>Stockholder/Shareholder Consent to Action Without Meeting</b>	<p><b>Delaware</b></p> <p>Under the DGCL, unless otherwise provided in a corporation's certificate of incorporation, any action that can be taken at a meeting of the stockholders may be taken without a meeting if written consent to the action is signed by the holders of outstanding stock having not less than the minimum number of votes necessary to authorize or take the action at a meeting of the stockholders.</p>	<p><b>British Columbia</b></p> <p>Although it is not customary for public companies to do so, under the BCBCA, shareholder action without a meeting may be taken by a consent resolution of shareholders provided that it satisfies the thresholds for approval in a company's articles, the BCBCA and the regulations thereunder. A consent resolution is as valid and effective as if it was a resolution passed at a meeting of shareholders.</p>
<b>Special Meetings of Stockholders/Shareholders</b>	<p><b>Delaware</b></p> <p>Under the DGCL, a special meeting of shareholders may be called by the board of directors or by such persons authorized in the certificate of incorporation or the bylaws.</p>	<p><b>British Columbia</b></p> <p>Under the BCBCA, the holders of not less than 5% of the issued shares of a company that carry the right to vote at a general meeting may requisition that the directors call a meeting of shareholders for the purpose of transacting any business that may be transacted at a general meeting. Upon receiving a requisition that complies with the technical requirements set out in the BCBCA, the directors must, subject to certain limited exceptions, call a meeting of shareholders to be held not more than 4 months after receiving the requisition. If the directors do not call such a meeting within 21 days after receiving the requisition, the requisitioning shareholders or any of them holding in aggregate not less than 2.5% of the issued shares of the company that carry the right to vote at general meetings may call the meeting.</p>

<p><b>Distributions and Dividends; Repurchases and Redemptions</b></p>	<p><b>Delaware</b></p> <p>Under the DGCL, subject to any restrictions contained in the certificate of incorporation, a corporation may pay dividends out of its capital surplus or, if there is no surplus, out of net profits for the fiscal year in which the dividend is declared or the preceding fiscal year, as long as the amount of capital of the corporation following the declaration and payment of the dividend is not less than the aggregate amount of the capital represented by issued and outstanding shares having a preference upon the distribution of assets. Surplus is defined in the DGCL as the excess of the net assets over capital, as such capital may be adjusted by the board.</p> <p>A Delaware corporation may purchase or redeem shares of any class for cash or other property except when its capital is impaired or would be impaired by the purchase or redemption. A corporation may, however, purchase or redeem out of capital shares that are entitled, upon any distribution of its assets, to a preference over another class or series of its shares or, if no shares entitled to a preference are outstanding, any of its shares if such shares will be retired and the capital reduced.</p>	<p><b>British Columbia</b></p> <p>Under the BCBCA, unless its charter or an enactment provides otherwise, a company may pay a dividend in money or other property (including by issuing shares or warrants by way of dividend) unless there are reasonable grounds for believing that the company is insolvent, or the payment of the dividend would render the company insolvent.</p> <p>The BCBCA provides that no special rights or restrictions attached to a series of any class of shares confer on the series a priority in respect of dividends or return of capital over any other series of shares of the same class.</p> <p>Under the BCBCA, the purchase or other acquisition by a company of its shares is generally subject to solvency tests similar to those applicable to the payment of dividends (as set out above). The Company is permitted, under its articles, to acquire any of its shares, subject to the special rights and restrictions attached to such class or series of shares and the approval of its board of directors.</p> <p>Under the BCBCA, subject to solvency tests similar to those applicable to the payment of dividends (as set out above), a company may redeem, on the terms and in the manner provided in its articles, any of its shares that has a right of redemption attached to it.</p>
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<p><b>Vacancies on Board of Directors</b></p>	<p><b>Delaware</b></p> <p>Under the DGCL, a vacancy or a newly created directorship may be filled by a majority of the directors then in office, although less than a quorum, or by the sole remaining director, unless otherwise provided in the certificate of incorporation or bylaws. Any newly elected director usually holds office for the remainder of the full term expiring at the annual meeting of stockholders at which the term of the class of directors to which the newly elected director has been elected expires.</p>	<p><b>British Columbia</b></p> <p>Under the BCBCA and the Company's articles, a vacancy among the directors created by the removal of a director may be filled by the shareholders at the meeting at which the director is removed or, if not filled by the shareholders at such meeting, by the shareholders or by the remaining directors. In the case of a casual vacancy, the remaining directors may fill the vacancy. Under the BCBCA, directors may increase the size of the board of directors by one third of the number of current directors.</p> <p>Under the BCBCA and the Company's articles, if as a result of one or more vacancies, the number of directors in office falls below the number required for a quorum, the remaining directors may appoint as directors the number of individuals that, when added to the number of remaining directors, will constitute a quorum and/or call a shareholders' meeting to fill any or all vacancies among directors and to conduct such other business that may be dealt with at that meeting, but must not take any other action until a quorum is obtained.</p>
<p><b>Removal of Directors; Terms of Directors</b></p>	<p><b>Delaware</b></p> <p>Under the DGCL, except in the case of a corporation with a classified board or with cumulative voting, any director or the entire board may be removed, with or without cause, by the holders of a majority of the shares entitled to vote at an election of directors. If a Delaware corporation has a classified board, unless its certificate of incorporation provides otherwise, any director or the entire board may only be removed by stockholders for cause.</p>	<p><b>British Columbia</b></p> <p>The Company's articles allow for the removal of a director by special resolution of the shareholders.</p> <p>All directors are eligible for re-election or re-appointment.</p>

<b>Inspection of Books and Records</b>	<b>Delaware</b>  Under the DGCL, any holder of record of stock or a person who is the beneficial owner of shares of such stock held either in a voting trust or by a nominee on behalf of such person has the right during usual business hours to inspect the corporation's books and records for a proper purpose.	<b>British Columbia</b>  Under the BCBCA, directors and shareholders may, without charge, inspect certain of the records of a company. Former shareholders and directors may also inspect certain of the records, free of charge, but only those records pertaining to the times that they were shareholders or directors.  Public companies must allow all persons to inspect certain records of the company free of charge.
<b>Amendment of Governing Documents</b>	<b>Delaware</b>  Under the DGCL, a certificate of incorporation may be amended if: (i) the board of directors adopts a resolution setting forth the proposed amendment, declares the advisability of the amendment and directs that it be submitted to a vote at a meeting of shareholders; provided that, unless required by the certificate of incorporation, no meeting or vote is required to adopt an amendment for certain specified changes; and (ii) the holders of a majority of the outstanding shares of stock entitled to vote on the matter approve the amendment, unless the certificate of incorporation requires the vote of a greater number of shares.  If a class vote on the amendment is required by the DGCL, a majority of the outstanding stock of the class is required, unless a greater proportion is specified in the certificate of incorporation or by other provisions of the DGCL.  Under the DGCL, the board of directors may amend a corporation's bylaws if so authorized in the certificate of incorporation. The shareholders of a Delaware corporation also have the power to amend bylaws.	<b>British Columbia</b>  Under the BCBCA, a company may amend its articles or notice of articles by (i) the type of resolution specified in the BCBCA, (ii) if the BCBCA does not specify a type of resolution, then by the type specified in the company's articles, or (iii) if the company's articles do not specify a type of resolution, then by special resolution. The BCBCA permits many substantive changes to a company's articles (such as a change in the company's authorized share structure or a change in the special rights or restrictions that may be attached to a certain class or series of shares) to be changed by the resolution specified in that company's articles.  Our articles provide that certain changes to the Company's share structure and any creation or alteration of special rights and restrictions attached to a series or class of shares be done by way of ordinary resolution. However, if a right or special right attached to a class or series of shares would be prejudiced or interfered with by such an alteration, the BCBCA requires that holders of such class or series of shares must approve the alteration by a special separate resolution of those shareholders.

<p><b>Indemnification of Directors and Officers</b></p>	<p><b>Delaware</b></p> <p>Under the DGCL, subject to specified limitations in the case of derivative suits brought by a corporation's stockholders in its name, a corporation may indemnify any person who is made a party to any action, suit or proceeding on account of being a director, officer, employee or agent of the corporation (or was serving at the request of the corporation in such capacity for another corporation, partnership, joint venture, trust or other enterprise) against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with the action, suit or proceeding, provided that there is a determination that: (i) the individual acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation; and (ii) in a criminal action or proceeding, the individual had no reasonable cause to believe his or her conduct was unlawful.</p> <p>Without court approval, however, no indemnification may be made in respect of any derivative action in which an individual is adjudged liable to the corporation, except to the extent the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity.</p> <p>The DGCL requires indemnification of directors and officers for expenses (including attorneys' fees) actually and reasonably relating to a successful defense on the merits or otherwise of a derivative or third-party action.</p> <p>Under the DGCL, a corporation may advance expenses to any director or officer relating to the defense of any proceeding upon the receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified.</p>	<p><b>British Columbia</b></p> <p>Under the BCBCA, a company may indemnify: (i) a current or former director or officer of that company; or (ii) a current or former director or officer of another corporation if, at the time such individual held such office, the corporation was an affiliate of the company, or if such individual held such office at the company's request against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him or her in respect of any civil, criminal, administrative or other legal proceeding or investigative action (whether current, threatened, pending or completed) in which he or she is involved because of that person's position as an indemnifiable person, unless: (i) the individual did not act honestly and in good faith with a view to the best interests of such company or the other entity, as the case may be; or (ii) in the case of a proceeding other than a civil proceeding, the individual did not have reasonable grounds for believing that the individual's conduct was lawful. A company cannot indemnify an indemnifiable person if it is prohibited from doing so under its articles.</p> <p>In addition, a company must not indemnify an indemnifiable person in proceedings brought against the indemnifiable person by or on behalf of the company or an associated company. A company may pay, as they are incurred in advance of the final disposition of an eligible proceeding, the expenses actually and reasonably incurred by an indemnifiable person in respect of that proceeding only if the indemnifiable person has provided an undertaking that, if it is ultimately determined that the payment of expenses was prohibited, the indemnifiable person will repay any amounts advanced. Subject to the aforementioned prohibitions on indemnification, a company must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by an indemnifiable person in respect of such eligible proceeding if such indemnifiable person has not been reimbursed for such expenses, and was wholly successful, on the merits or otherwise, in the outcome of such eligible proceeding or was substantially successful on the merits in the outcome of such eligible proceeding. On application from an indemnifiable person, a court may make any order the court considers appropriate in respect of an eligible proceeding, including the indemnification of penalties imposed or expenses incurred in any such proceedings and the enforcement of an indemnification agreement.</p> <p>As permitted by the BCBCA, the Company's articles require it to indemnify its directors, officers, former directors or officers (and such individual's respective heirs and legal representatives) and permit the Company to indemnify any person to the extent permitted by the BCBCA.</p>
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<p><b>Limited Liability of Directors</b></p>	<p><b>Delaware</b></p> <p>The DGCL permits the adoption of a provision in a corporation's certificate of incorporation limiting or eliminating the monetary liability of a director to a corporation or its shareholders by reason of a director's breach of the director's fiduciary duties, except for (i) any breach the duty of loyalty to the corporation or its shareholders; (ii) any act or omission not in good faith or involving intentional misconduct or a known violation of law; (iii) any breach in which the director obtains an improper personal benefit from the corporation; or (iv) the unlawful payment of a dividend or the unlawful approval a stock repurchase.</p>	<p><b>British Columbia</b></p> <p>Under the BCBCA, a director or officer of a company must (i) act honestly and in good faith with a view to the best interests of the company; (ii) exercise the care, diligence and skill that a reasonably prudent individual would exercise in comparable circumstances; (iii) act in accordance with the BCBCA and the regulations thereunder; and (iv) subject to (i) to (iii), act in accordance with the articles of the company. These statutory duties are in addition to duties under common law and equity.</p> <p>No provision in a contract or the articles of a company may relieve a director or officer of a company from the above duties.</p> <p>Under the BCBCA, a director is not liable for certain acts if the director has otherwise complied with his or her duties and relied, in good faith, on (i) financial statements of the company represented to the director by an officer of the company or in a written report of the auditor of the company to fairly reflect the financial position of the company, (ii) a written report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by that person, (iii) a statement of fact represented to the director by an officer of the company to be correct, or (iv) any record, information or representation that the court considers provides reasonable grounds for the actions of the director, whether or not that record was forged, fraudulently made or inaccurate or that information or representation was fraudulently made or inaccurate. Further, a director is not liable if the director did not know and could not reasonably have known that the act done by the director or authorized by the resolution voted for or consented to by the director was contrary to the BCBCA.</p>
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<b>Stockholder/ Shareholder Lawsuits</b>	<b>Delaware</b>  Under the DGCL, a stockholder may bring a derivative action on behalf of the corporation to enforce the rights of the corporation; provided, however, that under Delaware case law, the plaintiff generally must be a stockholder not only at the time of the transaction that is the subject of the suit, but also throughout the duration of the derivative suit. Delaware law also requires that the derivative plaintiff make a demand on the directors of the corporation to assert the derivative claim before the suit may be prosecuted by the derivative plaintiff, unless such demand would be futile. An individual also may commence a class action suit on behalf of himself or herself and other similarly situated stockholders where the requirements for maintaining a class action have been met.	<b>British Columbia</b>  Under the BCBCA, a shareholder (including a beneficial shareholder) or director of a company and any person who, in the discretion of the court, is an appropriate person to make an application to court to prosecute or defend an action on behalf of a company (a derivative action) may, with judicial leave: (i) bring an action in the name and on behalf of the company to enforce a right, duty or obligation owed to the company that could be enforced by the company itself or to obtain damages for any breach of such right, duty or obligation or (ii) defend, in the name and on behalf of the company, a legal proceeding brought against the company.  Under the BCBCA, the court may grant leave if: (i) the complainant has made reasonable efforts to cause the directors of the company to prosecute or defend the action; (ii) notice of the application for leave has been given to the company and any other person that the court may order; (iii) the complainant is acting in good faith; and (iv) it appears to the court to be in the interests of the company for the action to be prosecuted or defended.  Under the BCBCA, upon the final disposition of a derivative action, the court may make any order it determines to be appropriate. In addition, under the BCBCA, a court may order a company to pay the complainant’s interim costs, including legal fees and disbursements. However, the complainant may be held accountable for the costs on final disposition of the action.
<b>Oppression Remedy</b>	<b>Delaware</b>  Although the DGCL imposes upon directors and officers fiduciary duties of loyalty (i.e., a duty to act in a manner believed to be in the best interest of the corporation and its stockholders) and care, the DGCL does not provide for a remedy for a breach of fiduciary duties that is comparable to the BCBCA’s oppression remedy.	<b>British Columbia</b>  The BCBCA’s oppression remedy enables a court to make an order (interim or final) to rectify the matters complained of if the court is satisfied upon application by a shareholder (as defined below) that the affairs of the company are being conducted or that the powers of the directors have been exercised in a manner that is oppressive, or that some action of the company or shareholders has been or is threatened to be taken which is unfairly prejudicial, in each case to one or more shareholders. The applicant must be one of the persons being oppressed or prejudiced and the application must be brought in a timely manner. A “shareholder” for the purposes of the oppression remedy includes legal and beneficial owners of shares as well as any other person whom the court considers appropriate.  The oppression remedy provides the court with extremely broad and flexible jurisdiction to intervene in corporate affairs to protect shareholders.

<p><b>Blank Check Preferred Stock/Shares</b></p>	<p><b>Delaware</b></p> <p>Under the DGCL, the certificate of incorporation of a corporation may give the board the right to issue new classes of preferred shares with voting, conversion, dividend distribution, and other rights to be determined by the board at the time of issuance, which could prevent a takeover attempt and thereby preclude shareholders from realizing a potential premium over the market value of their shares.</p> <p>In addition, the DGCL does not prohibit a corporation from adopting a shareholder rights plan, or “poison pill,” which could prevent a takeover attempt and also preclude shareholders from realizing a potential premium over the market value of their shares.</p>	<p><b>British Columbia</b></p> <p>Under the Company’s articles, the preferred shares may be issued in one or more series. Accordingly, the Company’s board of directors is authorized, without shareholder approval, but subject to the provisions of the BCBCA, to determine the maximum number of shares of each series, create an identifying name for each series and attach such special rights or restrictions, including dividend, liquidation and voting rights, as the Company’s board of directors may determine, and such special rights or restrictions, including dividend, liquidation and voting rights, may be superior to those of the subordinate voting shares and multiple voting shares. The issuance of preferred shares, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change of control of the Company and might adversely affect the market price of the Company’s subordinate voting shares and the voting and other rights of the holders of subordinate voting shares. Under the BCBCA, each share of a series of shares must have the same special rights or restrictions as are attached to every other share of that series of shares. In addition, the special rights or restrictions attached to shares of a series of shares must be consistent with the special rights or restrictions attached to the class of shares of which the series of shares is part.</p> <p>In addition, the BCBCA does not prohibit a corporation from adopting a shareholder rights plan, or “poison pill,” which could prevent a takeover attempt and also preclude shareholders from realizing a potential premium over the market value of their shares.</p>
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<p><b>Advance Notification Requirements for Proposals of Stockholders/Shareholders</b></p>	<p><b>Delaware</b></p> <p>Delaware corporations typically have provisions in their bylaws, often referred to as “advance notice bylaws,” that require a stockholder proposing a nominee for election to the board of directors or other proposals at an annual or special meeting of the stockholders to provide notice of any such proposals to the corporation in advance of the meeting for any such proposal to be brought before the meeting of the stockholders. In addition, advance notice bylaws frequently require the stockholder nominating a person for election to the board of directors to provide information about the nominee, such as his or her age, address, employment and beneficial ownership of shares of the corporation’s capital stock. The stockholder may also be required to disclose information about the stockholder, including, among other things, his or her name, share ownership and agreement, arrangement or understanding with respect to such nomination.</p> <p>For other proposals, the proposing stockholder is often required by the bylaws to provide a description of the proposal and any other information relating to such stockholder or beneficial owner, if any, on whose behalf that proposal is being made, required to be disclosed in a proxy statement or other filings required to be made in connection with the solicitation of proxies for the proposal and pursuant to and in accordance with the Exchange Act and the rules and regulations promulgated thereunder.</p>	<p><b>British Columbia</b></p> <p>Under the BCBCA, qualified shareholders holding at least one percent (1%) of the Company’s issued voting shares or whose shares have a fair market value in excess of \$2,000 in the aggregate may make proposals for matters to be considered at the annual general meeting of shareholders. Such proposals must be sent to the Company in advance of any proposed meeting by delivering a timely written notice in proper form to the Company’s registered office in accordance with the requirements of the BCBCA. The notice must include information on the business the shareholder intends to bring before the meeting. To be a qualified shareholder, a shareholder must currently be and have been a registered or beneficial owner of at least one share of the company for at least 2 years before the date of signing the proposal.</p> <p>If the proposal and a written statement in support of the proposal (if any) are submitted at least three months before the anniversary date of the previous annual meeting and the proposal and written statement (if any) meet other specified requirements, then the company must either set out the proposal, including the names and mailing addresses of the submitting person and supporters and the written statement (if any), in the proxy circular of the company or attach the proposal and written statement thereto.</p> <p>In certain circumstances, the company may refuse to process a shareholder’s proposal.</p> <p>In addition, our articles include provisions for advance notice of any nomination of a director by a registered shareholder. Pursuant to the articles, the nomination must be in writing, and received by the Secretary of the Company, (i) in the case of an annual general meeting, not less than 10 days after the date on which the first public announcement of the annual meeting was made; and (ii) in the case of a special meeting (which is not also an annual meeting) called for the purpose of electing directors (whether or not called for other purposes), not less than 15 days after the date on which the first public announcement of the special meeting was made. The nomination must set forth for each person whom the nominating shareholder proposes to nominate (a) the name, age, business address and residential address of the person; (b) the principal occupation or employment of the person; (c) the class or series and number of shares of the Company which are controlled or beneficially owned by the person as of the record date for the meeting and as of the date of the notice; and (d) any other information relating to the person that would be required to be disclosed in a dissident’s proxy circular under the BCBCA and applicable securities laws; and (e) as to the nominating shareholder giving the notice, any proxy, contract, arrangement, understanding or relationship pursuant to which the nominating shareholder has a right to vote any shares of the Company, and any other information relating to such nominating shareholder that would be required to be made in a dissident’s proxy circular under the BCBCA and applicable securities laws. The Company may require any proposed nominee to furnish such other information as may be reasonably requested to determine the eligibility of such proposed nominee.</p>
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List of Subsidiaries

Subsidiary	Ownership Interest	Jurisdiction
Oniva Silver and Gold Mines S.A. de C.V.	100%	Mexico
Nueva Vizcaya Mining S.A. de C.V.	100%	Mexico
Promotora Avino, S.A. de C.V. ("Promotora")	79.09%	Mexico
Compañía Minera Mexicana de Avino, S.A. de C.V. ("Avino Mexico")	98.45% direct 1.22% indirect (Promotora) 99.67% effective	Mexico
La Luna Silver & Gold Mines Ltd.	100%	Canada
La Preciosa Silver & Gold Mines Ltd.	100%	Canada

CERTIFICATION

I, David Wolfin, certify that:

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

Date: March 30, 2022

/s/ David Wolfin

David Wolfin, Principal Executive Officer

CERTIFICATION

I, Nathan Harte, certify that:

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

Date: March 30, 2022

/s/ Nathan Harte

Nathan Harte, Principal Financial Officer

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

In connection with the Annual Report of Avino Silver & Gold Mines Ltd. (the "Company") on Form 20-F for the period ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Wolfen, Principal Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

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

Date: March 30, 2022

*/s/ David Wolfen*

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David Wolfen, Principal Executive Officer

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

In connection with the Annual Report of Avino Silver & Gold Mines Ltd. (the "Company") on Form 20-F for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nathan Harte, Principal Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

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

Date: March 30, 2022

*/s/ Nathan Harte*

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Nathan Harte, Principal Financial Officer



**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the use of our reports, each dated March 16, 2022, relating to the consolidated financial statements of Avino Silver & Gold Mines Ltd. as of December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019 and the effectiveness of internal control over financial reporting as at December 31, 2021 included in the Annual Report on Form 20-F dated March 30, 2022.

We also consent to the incorporation by reference of such reports in the Registration Statements on Form S-8 (SEC File No.: 333-195120) and Form F-3 (SEC File Nos.: 333--226963 and 252081) of Avino Silver & Gold Mines Ltd.

/s/ Manning Elliott LLP

March 30, 2022  
Vancouver, Canada

## CONSENT OF EXPERT

TETRA TECH CANADA, INC.

(Hassan Ghaffari)

I, Hassan Ghaffari of Tetra Tech Canada, Inc., in connection with the filing of Avino Silver & Gold Mines Ltd.'s (the Company's) Annual Report on Form 20-F for the year ended December 31, 2021, consents to:

- the use of the technical report titled "Technical Report" refers to the "Resource Estimate Update For the Avino Property, Durango, Mexico", as amended in the "Amended Resource Estimate Update For the Avino Property, Durango, Mexico" dated December 20, 2021, with an effective date of January 13, 2021 (the "Technical Report"), by the public filing and/or incorporation by reference in the Company's Annual Report on Form 20-F;
- the incorporated by reference to the Company's registration statements on Form S-8 (SEC File No.: 333-195120) and Form F-3 (SEC File Nos.: 333-226963 and 333-252081) (collectively, "Registration Statements") of the Technical Report;
- the use of and references to my name, including my status as an expert or "qualified person" (as defined in Subpart 1300 of Regulation S-K promulgated by the U.S. Securities and Exchange Commission), in connection with the Registration Statements and any such Technical Report; and
- any extracts from or a summary of the Technical Report in the Annual Statement on Form 20-F incorporated by reference to the Registration Statements and the use of any information derived, summarized, quoted or referenced from the Technical Report, or portions thereof, that was prepared by us, that we supervised the preparation of and/or that was reviewed and approved by us, that is included or incorporated by reference in the Registration Statements.
- I am responsible for Sections 1.0, 2.0, 3.0, 15.0, 16.0, 18.0, 20.0, 21.0, 22.0, 24.0, 25.0, 26.0 and 27.0 (only references from sections for which I am responsible) of the Technical Report

TETRA TECH CANADA INC.

Dated: March 30, 2022

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

## CONSENT OF EXPERT

TETRA TECH CANADA, INC.

(Jianhui (John) Huang)

I, Jianhui (John) Huang of Tetra Tech Canada, Inc., in connection with the filing of Avino Silver & Gold Mines Ltd.'s (the Company's) Annual Report on Form 20-F for the year ended December 31, 2021, consents to:

- the use of the technical report titled "Technical Report" refers to the "Resource Estimate Update For the Avino Property, Durango, Mexico", as amended in the "Amended Resource Estimate Update For the Avino Property, Durango, Mexico" dated December 20, 2021, with an effective date of January 13, 2021 (the Technical Report"), by the public filing and/or incorporation by reference in the Company's Annual Report on Form 20-F;
- the incorporated by reference to the Company's registration statements on Form S-8 (SEC File No.: 333-195120) and Form F-3 (SEC File Nos.: 333-226963 and 333-252081) (collectively, "Registration Statements") of the Technical Report;
- the use of and references to my name, including my status as an expert or "qualified person" (as defined in Subpart 1300 of Regulation S-K promulgated by the U.S. Securities and Exchange Commission), in connection with the Registration Statements and any such Technical Report; and
- any extracts from or a summary of the Technical Report in the Annual Statement on Form 20-F incorporated by reference to the Registration Statements and the use of any information derived, summarized, quoted or referenced from the Technical Report, or portions thereof, that was prepared by us, that we supervised the preparation of and/or that was reviewed and approved by us, that is included or incorporated by reference in the Registration Statements.

I am responsible for Sections 1.0, 13.0, 17.0, 19.0, 25.0, 26.0 (for matters related to metallurgy, process, product marketing and process/G&A operating costs) and 27.0 (only references from sections for which I am responsible) of the Technical Report.

TETRA TECH CANADA INC.

Dated: March 30, 2022

/s/ Jianhui (John) Huang, Ph.D., P.Eng  
Jianhui (John) Huang, Ph.D., P.Eng  
Senior Metallurgist

## CONSENT OF EXPERT

## RED PENNANT COMMUNICATIONS CORP.

I, Michael O'Brien, of Red Pennant Communications Corp., in connection with the filing of Avino Silver & Gold Mines Ltd.'s (the Company's) Annual Report on Form 20-F for the year ended December 31, 2021, consents to:

- the use of the technical report titled "Technical Report" refers to the "Resource Estimate Update For the Avino Property, Durango, Mexico", as amended in the "Amended Resource Estimate Update For the Avino Property, Durango, Mexico" dated December 20, 2021, with an effective date of January 13, 2021 (the "Technical Report"), by the public filing and/or incorporation by reference in the Company's Annual Report on Form 20-F;
- the incorporated by reference to the Company's registration statements on Form S-8 (SEC File No.: 333-195120) and Form F-3 (SEC File Nos.: 333-226963 and 333-252081) (collectively, "Registration Statements") of the Technical Report;
- the use of and references to my name, including my status as an expert or "qualified person" (as defined in Subpart 1300 of Regulation S-K promulgated by the U.S. Securities and Exchange Commission), in connection with the Registration Statements and any such Technical Report; and
- any extracts from or a summary of the Technical Report in the Annual Statement on Form 20-F incorporated by reference to the Registration Statements and the use of any information derived, summarized, quoted or referenced from the Technical Report, or portions thereof, that was prepared by us, that we supervised the preparation of and/or that was reviewed and approved by us, that is included or incorporated by reference in the Registration Statements.

I am responsible for authoring, and this consent pertains to, Sections 1.0, 4.0, 5.0, 6.0, 7.0, 8.0, 9.0, 10.0, 11.0, 12.0, 14.0, 23.0, 25.0, 26.0 (for matters related to geology and resource estimate) and 27.0 (only references from sections for which I am responsible) of the Technical Report.

RED PENNANT COMMUNICATIONS CORP.

Dated: March 30, 2022

/s/ Michael O'Brien, P. Geo

Michael O'Brien, P. Geo



MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021

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 audited consolidated financial statements as at and for the year ended December 31, 2021, and the notes thereto.

This Management's Discussion and Analysis ("MD&A") is dated March 16, 2022, 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 March 16, 2022, 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") and 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 year ended December 31, 2021, 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 Avino Mine located on the property.

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**Operational Highlights**

HIGHLIGHTS (Expressed in US\$)	Fourth Quarter 2021	Fourth Quarter 2020	Change	Year 2021	Year 2020	Change
<b>Operating</b>						
Tonnes Milled	103,513	-	100%	165,304	204,286	-19%
Silver Ounces Produced	163,933	-	100%	245,372	317,299	-23%
Gold Ounces Produced	2,158	-	100%	3,386	1,935	75%
Copper Pounds Produced	1,128,728	-	100%	1,869,306	2,267,939	-18%
Silver Equivalent Ounces <sup>1</sup> Produced	541,432	-	100%	842,373	842,230	0%
<b>Concentrate Sales and Cash Costs</b>						
Silver Equivalent Payable Ounces Sold <sup>2</sup>	417,881	59,710	600%	524,993	1,071,367	-51%
Cash Cost per Silver Equivalent Payable Ounce <sup>1,2,3</sup>	\$ 9.57	\$ 14.01	-32%	\$ 9.09	\$ 10.68	-15%
All-in Sustaining Cash Cost per Silver Equivalent Payable Ounce <sup>1,2,3</sup>	\$ 17.24	\$ 73.08	-76%	\$ 24.51	\$ 20.35	20%

1. In Q4 2021, AgEq was calculated using metal prices of \$23.33 oz Ag, \$1,795 oz Au, and \$4.40 lb Cu. In Q4 2020, AgEq was calculated using metals prices of \$24.39 oz Ag, \$1,867 oz Au and \$2.67 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\$)	Fourth Quarter 2021	Fourth Quarter 2020	Change	Year 2021	Year 2020	Change
<b>Financial Operating Performance</b>						
Revenues	\$ 9,318	\$ 1,407	562%	\$ 11,228	\$ 16,022	-30%
Mine operating income (loss)	\$ 4,406	\$ (1,251)	452%	\$ 3,547	\$ 190	1767%
Net income (loss) from continuing operations	\$ 2,629	\$ (1,553)	269%	\$ (2,057)	\$ (7,482)	73%
Net income (loss)	\$ 2,629	\$ (1,555)	269%	\$ (2,057)	\$ (7,651)	73%
Earnings (losses) before interest, taxes and amortization ("EBITDA") <sup>1</sup>	\$ 4,821	\$ (2,269)	312%	\$ 443	\$ (6,945)	106%
Adjusted earnings (losses) <sup>1</sup>	\$ 4,746	\$ (182)	2708%	\$ 2,298	\$ 1,500	53%
<b>Per Share Amounts</b>						
Earnings (loss) per share – basic & diluted	\$ 0.03	\$ (0.02)	250%	\$ (0.02)	\$ (0.09)	78%
Cash Flow per share <sup>1</sup> – basic	\$ 0.04	\$ (0.03)	233%	\$ 0.02	\$ (0.03)	167%
HIGHLIGHTS (Expressed in 000's of US\$)	December 31, 2021	December 31, 2020	Change	December 31, 2021	December 31, 2020	Change
<b>Liquidity &amp; Working Capital</b>						
Cash	\$ 24,765	\$ 11,713	111%	\$ 24,765	\$ 11,713	111%
Working capital	\$ 31,635	\$ 14,680	115%	\$ 31,635	\$ 14,680	115%

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.

#### **4<sup>th</sup> Quarter and FY 2021 Highlights**

##### **Strategic Acquisition of La Preciosa Silver Project from Coeur Mining Inc. ("Coeur")**

- On October 27, 2021, the Company announced that it has entered into a definitive agreement (the "Agreement") with Coeur to acquire the La Preciosa silver project, which is located adjacent to the Avino Mine in the state of Durango, Mexico, for upfront consideration of \$29.7 million on closing and \$5 million due within 12 months of closing. Further contingent consideration including cash, royalties and a mineral reserve discovery payment. The transaction is expected to close during Q1 2022

##### **Mining Operations Resumed at Avino Mine**

- On August 3, 2021, the Company announced that mining operations have officially restarted at the Avino Mine. During H2 2021, mining activities continued to ramp up and the Company is confident that ramp up activities will continue throughout 2022.

##### **Term Facility Repaid on Schedule**

- During 2021, the Company has fully repaid its \$10 million term facility with Samsung C&T U.K. Limited ("Samsung"). The Company remains committed to selling Avino Mine concentrate to Samsung until December 31, 2024.

##### **Exploration Continues**

- Over 15,000 metres were drilled during the year. Areas drilled include the existing Oxide Tailings Resource, which is contained within the tailings storage facility ("TSF #1). 124 holes have been drilled on this program, with 110 having reported assays and currently under review by our technical team. Additional areas for exploration include the main Avino vein below current mining activities and at the La Potosina vein. Turnaround times for assay results have been slow and results will continue to be released throughout 2022.

##### **Working Capital & Liquidity at December 31, 2021**

- The Company's cash balance at December 31, 2021, totaled \$24.8 million compared to \$22.3 million at September 30, 2021 and \$11.7 million at December 31, 2020. Working capital totaled \$31.6 million at December 31, 2020, compared to \$28.9 million at September 30, 2021 and \$14.7 million at December 31, 2020.

**Financial Results – Three months ended December 31, 2021, compared to three months ended December 31, 2020**

**Revenues**

The Company recognized revenues net of penalties, treatment costs and refining charges, of \$9.3 million on the sale of Avino Mine bulk copper/silver/gold concentrate, compared to revenues of \$1.4 million for Q4 2020, an increase of \$7.9 million.

The increase in revenues is a direct result of the shutdown of mining operations until August 2021, as well as additional COVID-19 protocols, with the only revenues in the Q4 2020 period being from sales of stockpiled inventory, and sales from the finalization of provisionally priced invoices issued during Q2 and Q3 2020.

Metal prices for revenues recognized during the period were \$22.83 per ounce of silver, \$1,802 per ounce of gold, and \$9,548 per tonne of copper, compared to averages of \$24.48 per ounce of silver, \$1,853 per ounce of gold, and \$7,765 per tonne of copper, for Q4 2020.

**Cost of Sales & Mine Operating Income**

Cost of sales was \$4.9 million, compared to \$2.8 million in Q4 2020, an increase of \$2.1 million. The increase in cost of sales is attributable to mining operations being active in Q4 2021, with no tonnage being mined and milled during Q4 2020. Any cost of sales in Q4 2020 related to sales of concentrate inventory, as well as \$0.9 million in stand-by costs while the mining operations were shutdown.

Mine operating income, after depreciation and depletion, was \$4.4 million, compared to a loss of \$1.4 million in Q4 2020. The increase in mine operating income is a direct result of the Company being in production for Q4 2021, alongside higher feed grades for the current period, compared to the inventory processed and sold during Q4 2020. The higher grades also resulted in lower per unit costs for mining and processing activities.

**General and Administrative Expenses & Share-Based Payments**

General and administrative expenses was \$0.8 million, compared to \$0.8 million in Q4 2020, with no significant changes, even with the increased corporate activity surrounding ramp up procedures.

Share-based payments was \$0.1 million, compared to \$0.8 million in Q4 2020, a decrease of \$0.7 million. The decrease is a direct result of no option or RSU grants occurring during 2021, whereas there were grants for both in 2020. Any share-based payment expense in Q4 2021 related to the three-year vesting period for RSUs issued in previous years.

**Other Items**

Other items totaled \$0.6 million in income for the period, an increase of \$0.3 million compared to income of \$0.3 million related to other items in Q4 2020.

Unrealized gain on long-term investment was \$0.6 million, an increase of \$0.5 million compared to \$0.1 million in Q4 2020. This is a direct result of fluctuations in the Company's investment in shares of Talisker Resources from period to period, as well as the Company's investment in shares of Silver Wolf Exploration.

Fair value adjustment on warrant liability was a gain of \$Nil million, an increase to income of \$0.6 million compared to a loss of \$0.6 million in Q4 2020. 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.



Foreign exchange gain for the period was \$0.1 million, a change of \$0.8 million compared to a gain of \$0.9 million in Q4 2020. Foreign exchange gains or losses result from transactions in currencies other than the Canadian dollar functional currency. During the three months ended December 31, 2021, the Canadian dollar and the US dollar depreciated slightly in relation to the Mexican peso, resulting in a foreign exchange loss.

The remaining Other Items resulted in income of \$0.2 million, a change of \$0.3 compared to a loss of \$0.1 million for Q4 2020.

#### **Current and Deferred Income Taxes**

Current income tax expense remained fairly unchanged at \$Nil for Q4 2021, compared to \$0.1 million in income tax expense for Q4 2020. Given the return to profitable mining operations, the lower amount of current income tax expenses in Q4 2021 is a result of the current period application of income tax losses built up during 2020 and 2021.

Deferred income tax expense was \$0.4 million, a change of \$1.4 million compared to a recovery of \$1.1 million in Q4 2020. 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 during the current and comparable periods primarily relate to movements in the tax bases and mining profits and/or losses in Mexico.

#### **Net Income/Loss**

Net income from all operations was \$2.6 million for the period, or \$0.03 per share, compared to a loss of \$1.6 million, or \$0.02 per share during Q4 2020. The changes are a result of the items noted above, which are primarily increases in revenues and mine operating income, decreases in share-based payments, an increased unrealized gain on investments between the two comparable quarters. The positive movement in income/loss was partially offset by movements in unrealized foreign exchange, as noted above.

#### **EBITDA & Adjusted Income/Loss (see "Non-IFRS Measures")**

EBITDA was \$4.8 million, a positive increase of \$7.1 million when compared to losses of \$2.3 million for Q4 2020. The changes in EBITDA are primarily a factor of the items above, excluding any changes in depreciation and depletion, and any changes in income taxes. See Non-IFRS Measures for a reconciliation for EBITDA.

Adjusted earnings for the period was \$4.7 million, a positive increase of \$4.9 when compared to adjusted losses of \$0.2 million in the corresponding quarter in 2020. Changes to adjusted losses are a result of the items noted above in EBITDA, further excluding share-based payments, gains and losses related to warrants, and movements in unrealized foreign exchange. See Non-IFRS Measures for a reconciliation for adjusted losses.

#### **Cash Costs & All-in Sustaining Cash Costs (see "Non-IFRS Measures")**

Cash costs per silver equivalent payable ounce, excluding stand-by costs, was \$9.71, compared to \$14.01 for Q4 2020. The decrease in cash costs is a result of higher grades mined during the current period, which resulted in lower unit costs on a per ounce sold basis.

All-in sustaining cash costs per silver equivalent payable ounce was \$17.55, compared to \$73.08 for Q4 2020. The decrease in all-in sustaining cash costs during the current period is attributable to the items mentioned above, as well as the stand-by costs incurred during Q4 2020, of \$0.9 million, with no comparable costs being incurred during the current period. Throughout Q4 2020, no production mining activities took place.

See Non-IFRS Measures for a reconciliation for cash costs and all-in sustaining cash costs.

**Financial Results – Year ended December 31, 2021, compared to year ended December 31, 2020**

**Revenues**

The Company recognized revenues net of penalties, treatment costs and refining charges, of \$11.2 million on the sale of Avino Mine bulk copper/silver/gold concentrate, compared to revenues of \$16.0 million for year ended December 31, 2020, a decrease of \$4.8 million. The decrease in revenues is a direct result of the shutdown of mining operations until August 2021, as well as additional COVID-19 protocols, with the only revenues in the current period being from sales that occurred in the second half of 2021 and from the finalization of provisionally priced invoices.

Metal prices for revenues recognized during the period were \$23.18 per ounce of silver, \$1,802 per ounce of gold, and \$9,524 per tonne of copper, in the prior year quarter, compared to \$23.73, \$1,885, and \$6,610, respectively, for the same period in 2020.

**Cost of Sales & Mine Operating Income**

Cost of sales was \$7.7 million, compared to \$15.8 million in 2020, a decrease of \$8.1 million. The decrease in cost of sales is attributable to lower production costs by \$6.5 million as a result of lower tonnages mined and milled. Further, the Company incurred \$0.8 million in stand-by costs, compared to \$2.4 million in the comparable period for 2020, a decrease of \$1.6 million. Depreciation and depletion remained consistent with 2020 at \$2.0 million for the period.

Mine operating income was \$3.5 million, compared to mine operating income of \$0.2 million, an increase of \$3.3 million. This was a direct result of higher feed grade for silver, gold, and copper, and increased metal prices for copper when compared to 2020, as well as the factors noted above.

**General and Administrative Expenses & Share-Based Payments**

General and administrative expenses was \$3.6 million, compared to \$2.9 million in 2020, an increase of \$0.7 million. The increase is attributable to increased administrative and support activity following the restart of mining operations in Q3 2021, as well as the cost reduction measures put into place following the government mandated COVID-19 shutdown in Q2 2020.

Share-based payments was \$1.5 million, compared to \$1.9 million in 2020, a decrease of \$0.4 million. The decrease is a direct result of no option or RSU grants occurring during 2021, whereas there were grants for both in 2020. Any share-based payment expense in 2021 related to options vesting in Q1-Q3 2021, as well as the three-year vesting period for RSUs issued in previous years.

**Other Items**

Other items totaled \$0.1 million in losses for the period, a favourable change of \$4.2 million compared to a loss of \$4.3 million related to other items in the comparable period in 2020.

Unrealized loss on long-term investment was \$0.4 million, a decrease of \$0.3 million compared to a loss of \$0.1 million in 2020. This is a direct result of fluctuations in the Company's investment in shares of Talisker Resources from period to period, as well as the Company's investment in shares of Silver Wolf Exploration.

Fair value adjustment on warrant liability was a gain of \$1.6 million, a favourable change of \$2.3 million compared to a loss of \$0.7 million in 2020. 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.

Realized loss on warrants exercised was \$1.1 million, a decrease of \$1.6 million compared to \$2.7 million in 2020. During the current period, 1.0 million warrants were exercised, compared to 4.2 million warrants in the comparable period in 2020. These exercises generated all of the non-cash losses noted above.

Foreign exchange loss for the period was \$0.1 million, a decrease of \$0.7 million compared to a loss of \$0.8 million in the comparable period in 2020. Foreign exchange gains or losses result from transactions in currencies other than the Canadian dollar functional currency. Overall, during the year ended December 31, 2021, the Canadian dollar remained fairly constant in relation to the US dollar and Mexican peso, resulting in minimal foreign exchange loss. During the comparable period in 2020, the Canadian dollar depreciated in relation to the US dollar and Mexican peso, resulting in higher foreign exchange loss.

The remaining Other Items resulted in a loss of \$0.1 million, a change of \$0.1 million compared to a loss of \$Nil million for the same remaining Other items in 2020.

#### **Current and Deferred Income Taxes**

Current income tax expense remained fairly unchanged when compared to 2020, with under \$0.1 million in income tax expense for the current period and \$0.2 million for the comparable period in 2020. Given the return to profitable mining operations, the lower amount of current income tax expenses in 2021 is a result of the current period application of income tax losses built up during 2020 and the first half of 2021.

Deferred income tax expense was \$0.4 million, a change of \$2.0 million compared to a recovery of \$1.6 million for the comparable period in 2020. 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 during the current and comparable periods primarily relate to movements in the tax bases and mining profits and/or losses in Mexico.

#### **Net Income/Loss**

Net loss from all operations was \$2.1 million for the period, or \$0.02 per share, compared to a loss of \$7.7 million, or \$0.09 per share during the comparable period in 2020. The changes are a result of the items noted above, primarily increases to mine operating income, the decreased losses relating to warrants exercised, the favourable change in the fair value adjustment on warrant liability, and movements in unrealized foreign exchange between the two comparable periods.

#### **EBITDA & Adjusted Income/Loss (see "Non-IFRS Measures")**

EBITDA was \$0.4 million, compared to losses of \$6.9 million for 2020. The changes in EBITDA are primarily a factor of the items above, excluding any changes in depreciation and depletion, and any changes in income taxes. See Non-IFRS Measures for a reconciliation for EBITDA.

Adjusted earnings for the period was \$2.3 million, an increase of \$0.8 million when compared to \$1.5 million in 2020. Changes to adjusted losses are a result of the items noted above in EBITDA, further excluding share-based payments, gains and losses related to warrants, and movements in unrealized foreign exchange. See Non-IFRS Measures for a reconciliation for adjusted losses.

#### **Cash Costs & All-in Sustaining Cash Costs (see "Non-IFRS Measures")**

Cash costs per silver equivalent payable ounce, excluding stand-by costs was \$9.09, compared to \$10.68 for the comparable period in 2020. The decrease in cash costs is a result of higher grades mined during the current period, which resulted in lower unit costs on a per ounce sold basis.

All-in sustaining cash costs per silver equivalent payable ounce, including stand-by costs, was \$24.51, compared to \$20.35 in 2020. The increase is due to the fact that during the majority of 2021, and up until Q3, no mining activities and sales took place due to the work stoppage. As such, ounces sold was significantly lower at 0.5 million silver equivalent ounces compared to 1.1 million during 2020. This contributed to the increase in all-in sustaining cash costs during the current period, as all administrative and sustaining costs were higher on a per ounce basis.

See Non-IFRS Measures for a reconciliation for cash costs and all-in sustaining cash costs.

**Three months ended December 31, 2021, compared to the three months ended December 31, 2020:**

(000's)	2021	2020
<b>Revenue from mining operations</b>	\$ 9,318	\$ 1,407
<b>Cost of sales</b>	4,912	2,658
<b>Mine operating income (loss)</b>	4,406	(1,251)
<b>Operating expenses</b>		
General and administrative expenses	840	838
Share-based payments	79	795
<b>Income (loss) before other items</b>	3,487	(2,884)
<b>Other items</b>		
Interest and other income	35	101
Gain on long-term investments	579	57
Fair value adjustment on warrant liability	21	(637)
Realized loss on exercise of warrants	-	(25)
Unrealized foreign exchange gain	132	890
Project evaluation expenses	(176)	-
Finance costs	(6)	(36)
Accretion of reclamation provision	(11)	(25)
Interest expense	(9)	(3)
<b>Net income (loss) from continuing operations before income taxes</b>	4,052	(2,562)
<b>Income taxes</b>		
Current income tax expense	(2)	(73)
Deferred income tax (expense) recovery	(1,421)	1,082
<b>Income tax (expense) recovery</b>	(1,423)	1,009
<b>Net income (loss) from continuing operations</b>	\$ 2,629	\$ (1,553)
Loss from discontinued operations and on disposal	-	(2)
<b>Net income (loss)</b>	\$ 2,629	\$ (1,555)
<b>Earnings (loss) per share from continuing operations</b>		
Basic & Diluted	\$ 0.03	\$ (0.02)
<b>Earnings (loss) per share</b>		
Basic & Diluted	\$ 0.03	\$ (0.02)

**Year ended December 31, 2021, compared to the year ended December 31, 2020:**

(000's)	2021	2020
<b>Revenue from mining operations</b>	\$ 11,228	\$ 16,022
<b>Cost of sales</b>	7,681	15,832
<b>Mine operating income</b>	3,547	190
<b>Operating expenses</b>		
General and administrative expenses	3,566	2,902
Share-based payments	1,469	1,857
<b>Loss before other items</b>	(1,488)	(4,569)
<b>Other items</b>		
Interest and other income	178	332
Gain on long-term investments	(423)	(124)
Fair value adjustment on warrant liability	1,581	(650)
Realized loss on exercise of warrants	(1,106)	(2,733)
Unrealized foreign exchange loss	(61)	(811)
Project evaluation expenses	(176)	-
Finance costs	(52)	(211)
Accretion of reclamation provision	(47)	(99)
Interest expense	(24)	(25)
<b>Net loss from continuing operations before income taxes</b>	(1,618)	(8,890)
<b>Income taxes</b>		
Current income tax expense	(25)	(161)
Deferred income tax (expense) recovery	(412)	1,569
<b>Income tax (expense) recovery</b>	(439)	1,408
<b>Net loss from continuing operations</b>	\$ (2,057)	\$ (7,482)
Loss from discontinued operations and on disposal	-	(169)
<b>Net loss</b>	\$ (2,057)	\$ (7,651)
<b>Loss per share from continuing operations</b>		
Basic & Diluted	\$ (0.02)	\$ (0.09)
<b>Loss per share</b>		
Basic & Diluted	\$ (0.02)	\$ (0.09)

**Consolidated Production Highlights**

Q4 2021						
Production by Mine	Tonnes Processed	Silver oz	Gold oz	Copper lbs	AgEq oz	
Avino	103,513	163,933	2,158	1,128,728	541,432	
Historic Above Ground Stockpiles	-	-	-	-	-	
<b>Consolidated</b>	<b>103,513</b>	<b>163,933</b>	<b>2,158</b>	<b>1,128,728</b>	<b>541,432</b>	
YTD 2021						
Production by Mine	Tonnes Processed	Silver oz	Gold oz	Copper lbs	AgEq oz	
Avino	154,498	236,035	3,328	1,856,722	826,589	
Historic Above Ground Stockpiles	10,806	9,336	58	12,584	15,784	
<b>Consolidated</b>	<b>165,304</b>	<b>245,372</b>	<b>3,386</b>	<b>1,869,306</b>	<b>842,373</b>	
Q4 2021						
Grade & Recovery by Mine	Grade Ag g/t	Grade Au g/t	Grade Cu %	Recovery Ag %	Recovery Au %	Recovery Cu %
Avino	56	0.86	0.55	89%	75%	90%
Historic Above Ground Stockpiles	-	0.00	0.00	0%	0%	0%
<b>Consolidated</b>	<b>56</b>	<b>0.86</b>	<b>0.55</b>	<b>89%</b>	<b>75%</b>	<b>90%</b>
YTD 2021						
Grade & Recovery by Mine	Grade Ag g/t	Grade Au g/t	Grade Cu %	Recovery Ag %	Recovery Au %	Recovery Cu %
Avino	53	0.88	0.60	89%	75%	91%
Historic Above Ground Stockpiles	41	0.26	0.12	65%	63%	45%
<b>Consolidated</b>	<b>53</b>	<b>0.84</b>	<b>0.57</b>	<b>87%</b>	<b>75%</b>	<b>88%</b>

**Avino Mine Production Highlights**

	Q4 2021	Q4 2020	Change %	YTD 2021	YTD 2020	Change %
Total Mill Feed (dry tonnes)	103,513	-	100%	154,498	199,575	-23%
Feed Grade Silver (g/t)	56	-	100%	53	54	-2%
Feed Grade Gold (g/t)	0.86	-	100%	0.88	0.40	121%
Feed Grade Copper (%)	0.55	-	100%	0.60	0.58	3%
Recovery Silver (%)	89%	-	100%	89%	90%	-1%
Recovery Gold (%)	75%	-	100%	76%	75%	1%
Recovery Copper (%)	90%	-	100%	91%	88%	3%
Total Silver Produced (oz)	163,933	-	100%	236,035	312,819	-25%
Total Gold Produced (oz)	2,158	-	100%	3,328	1,916	74%
Total Copper Produced (lbs)	1,128,728	-	100%	1,856,722	2,263,082	-18%
Total Silver Equivalent Produced (oz)*	541,432	-	100%	826,589	835,370	-1%

\* In Q4 2021, AgEq was calculated using metal prices of \$23.33 oz Ag, \$1,795 oz Au, and \$4.40 lb Cu. In Q4 2020, AgEq was calculated using metals prices of \$24.39 oz Ag, \$1,867 oz Au and \$2.67 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 Mine Exploration**

Plans continued for the Company's 30,000 metre exploration program and the Company is looking at all options to increase overall head grade and expand resources.

On January 10, 2022, the Company released drill results from Phase 2 of the drill campaign. In 2021, the Company drilled over 15,500 metres and was one of the Company's main focuses for the year.

The reported results below are from the El Trompo Vein, the Santiago Vein and the La Malinche Vein and additional areas including the Nuestra Señora and the area below Level 17 at the current ET mine. The tables below include previous results achieved in 2021 and the latest new holes. In addition, we have completed drilling on the oxide tailings resource but are waiting for assays on a number of outstanding holes.

**Brecha de Bajo Veins:**

This vein is located Northeast of the Avino Vein at the eastern end. This vein is within 20m of the current mine working into the footwall and shows some potentially large, strongly mineralized widths with a 15.4m and 32.2m intersections. In addition to a showing of gold and silver grades, there is massive specularite (iron ore) mineralization. More work is planned in this area.

Table 1: The Brecha de Bajo and Bart Vein – Summary of Drilling – 3 holes and 843 metres

Hole Number	From (m)	To (m)	Length <sup>1</sup> (m)	Au (g/t)	Ag (g/t)	Cu (ppm)	PB (ppm)	Zn (ppm)	AgEq <sup>2</sup> (g/t)
NBX-21-02	259.10	260.30	1.20	0.06	151	3,743	614	1,807	211
<b>And</b>	<b>276.60</b>	<b>284.40</b>	<b>7.80</b>	<b>0.08</b>	<b>21</b>	<b>5,550</b>	<b>66</b>	<b>1,611</b>	<b>103</b>
And	300.40	301.05	0.65	0.06	48	7,565	128	3,063	159
NBX-21-03	184.05	185.55	1.50	0.14	84	3,236	762	2,491	147
<b>And</b>	<b>186.90</b>	<b>202.30</b>	<b>15.40</b>	<b>0.27</b>	<b>72</b>	<b>2,569</b>	<b>2,808</b>	<b>1,326</b>	<b>141</b>
<i>Including</i>	<i>189.60</i>	<i>190.65</i>	<i>1.05</i>	<i>0.30</i>	<i>380</i>	<i>11,980</i>	<i>4,230</i>	<i>1,838</i>	<i>573</i>
<b>And</b>	<b>222.60</b>	<b>254.80</b>	<b>32.20</b>	<b>0.84</b>	<b>44</b>	<b>2,173</b>	<b>1,906</b>	<b>1,698</b>	<b>151</b>
<i>Including</i>	<i>247.85</i>	<i>249.80</i>	<i>1.95</i>	<i>1.58</i>	<i>120</i>	<i>1,187</i>	<i>1,355</i>	<i>453</i>	<i>267</i>

1. True Widths cannot be determined with the available information

2. AgEq in drill results above assumes \$1,750 Au and \$22.00 Ag per ounce, and \$4.30 Cu, \$1.25 Pb, and \$1.50 Zn per pound, and 100% metallurgical recovery

**Below Level 17 and West of the Current ET Mine Workings:**

Eight holes were drilled to identify the continuity of the ET vein to the west and below the current mine workings on Level 17, and five assays have been received. ET-21-01 to 04 correspond to the area west of the current workings and it appears that the vein narrows significantly; however, more work is needed to understand the extent of the ET mineralization. ET-21-05 corresponds to the area below the current workings. It was redrilled (ET-21-05B) due to the original hole trending off target. The number of intersections correspond to offshoot vein and veinlets that make up the stockwork system of the Avino vein. The remaining outstanding assays are for holes below the current mining works.

Table 2: Below and Beside the ET Vein – Summary of Drilling – 8 holes and 3,170 metres

Hole Number	From (m)	To (m)	Length <sup>1</sup> (m)	Au (g/t)	Ag (g/t)	Cu (ppm)	PB (ppm)	Zn (ppm)	AgEq <sup>2</sup> (g/t)
<b>ET-21-01</b>	<b>309.80</b>	<b>320.60</b>	<b>10.80</b>	<b>0.11</b>	<b>7</b>	<b>537</b>	<b>50</b>	<b>154</b>	<b>23</b>
ET-21-02	364.65	365.85	1.20	0.03	9	84	165	302	14
ET-21-03	288.40	288.95	0.55	0.15	58	459	469	283	79
ET-21-04	303.00	310.50	7.50	0.85	8	210	46	116	79
<i>including</i>	<i>309.30</i>	<i>310.20</i>	<i>0.90</i>	<i>2.59</i>	<i>15</i>	<i>513</i>	<i>44</i>	<i>115</i>	<i>228</i>
<b>ET-21-05</b>	<b>182.15</b>	<b>183.15</b>	<b>1.00</b>	<b>0.57</b>	<b>62</b>	<b>17,514</b>	<b>71</b>	<b>71</b>	<b>322</b>
ET-21-05B	180.75	181.90	1.15	0.20	16	4,785	65	127	90
And	459.15	466.20	7.05	0.03	10	3,513	37	363	57
<b>And</b>	<b>489.25</b>	<b>489.85</b>	<b>0.60</b>	<b>0.04</b>	<b>17</b>	<b>15,150</b>	<b>19</b>	<b>83</b>	<b>205</b>
<b>And</b>	<b>494.50</b>	<b>508.20</b>	<b>13.70</b>	<b>0.07</b>	<b>14</b>	<b>5,222</b>	<b>185</b>	<b>292</b>	<b>85</b>
<i>including</i>	<i>494.50</i>	<i>494.80</i>	<i>0.30</i>	<i>0.07</i>	<i>54</i>	<i>49,200</i>	<i>121</i>	<i>246</i>	<i>662</i>

1. True Widths cannot be determined with the available information

2. AgEq in drill results above assumes \$1,750 Au and \$22.00 Ag per ounce, and \$4.30 Cu, \$1.25 Pb, and \$1.50 Zn per pound, and 100% metallurgical recovery



**La Malinche Vein:**

The La Malinche vein has been tested by six holes and the assays are shown in Table 3. The style of mineralization intersected resembles the low-sulphidation epithermal San Gonzalo vein, which was the main source of the Company's production from 2012 to its closure in 2019. This vein may represent a northwestern fault-dislocated extension of the San Gonzalo vein.

More exploration work will be conducted to confirm this concept and broaden the understanding of the system.

**Table 3: La Malinche – Summary of Drilling – 8 holes and 820 metres**

Hole Number	From (m)	To (m)	Length <sup>1</sup> (m)	Au (g/t)	Ag (g/t)	Cu (ppm)	PB (ppm)	Zn (ppm)	AgEq <sup>2</sup> (g/t)
LM-21-07	29.90	30.10	0.20	7.87	100	2,710	27,700	2,880	870
LM-21-08	5.75	6.40	0.65	6.04	173	697	6,100	1,350	689
And	13.75	14.90	1.15	0.41	29	470	3,190	1,292	85
<i>including</i>	<i>14.60</i>	<i>14.90</i>	<i>0.30</i>	<i>1.44</i>	<i>50</i>	<i>1,270</i>	<i>2,020</i>	<i>1,240</i>	<i>193</i>
LM-21-08	16.60	16.65	0.05	1.49	320	2,650	75,400	1,800	746
And	86.98	87.03	0.05	0.42	61	2,890	99,600	17,300	557

1. True Widths cannot be determined with the available information

2. AgEq in drill results above assumes \$1,750 Au and \$22.00 Ag per ounce, and \$4.30 Cu, \$1.25 Pb, and \$1.50 Zn per pound, and 100% metallurgical recovery

These drill results are encouraging as the presence of mineralized material in the La Malinche Vein has been shown to extend along a strike distance of 250 metres and to a depth of 75 metres from surface. The 650 metre gap between the La Malinche vein and the northwest termination of the San Gonzalo vein remains prospective.

**Nuestra Señora Vein**

The Nuestra Señora structure is another example of an epithermal, low sulfidation vein. This structure ranges from 0.10 to 0.90 m wide, composed of white, gray, and banded quartz, abundant galena, sphalerite, and moderate argentite. Disseminated pyrite is also observed, as well as scarce chalcocopyrite in some areas.

**Table 4: Nuestra Señora – Summary of Drilling – 2 Holes at 340 metres**

Hole Number	From (m)	To (m)	Length <sup>1</sup> (m)	Au (g/t)	Ag (g/t)	Cu (ppm)	PB (ppm)	Zn (ppm)	AgEq <sup>2</sup> (g/t)
NS-21-01	145.80	146.10	0.30	0.03	71	2,480	26,300	29,700	324
And	148.20	149.20	1.00	0.99	82	604	38,292	12,986	360
<i>including</i>	<i>148.20</i>	<i>148.50</i>	<i>0.30</i>	<i>2.99</i>	<i>135</i>	<i>880</i>	<i>56,300</i>	<i>21,800</i>	<i>676</i>
<i>including</i>	<i>149.00</i>	<i>149.20</i>	<i>0.20</i>	<i>0.16</i>	<i>184</i>	<i>712</i>	<i>104,000</i>	<i>26,500</i>	<i>688</i>
And	149.55	149.70	0.15	0.31	143	426	90,600	111,000	968
NS-21-02	154.30	154.55	0.25	0.10	206	73,400	521	930	1,116
And	157.65	157.75	0.10	0.08	174	63,200	643	702	958
And	157.90	158.20	0.30	0.04	100	41,200	333	456	609
And	159.25	159.75	0.50	0.06	106	14,200	436	701	289
And	160.25	161.15	0.90	0.17	268	20,928	6,288	10,121	603
<i>including</i>	<i>160.25</i>	<i>160.50</i>	<i>0.25</i>	<i>0.06</i>	<i>192</i>	<i>24,200</i>	<i>1,300</i>	<i>2,440</i>	<i>508</i>
<i>including</i>	<i>160.50</i>	<i>160.70</i>	<i>0.20</i>	<i>0.12</i>	<i>323</i>	<i>22,300</i>	<i>1,470</i>	<i>1,770</i>	<i>618</i>
<i>including</i>	<i>160.70</i>	<i>161.15</i>	<i>0.45</i>	<i>0.26</i>	<i>285</i>	<i>18,500</i>	<i>11,200</i>	<i>18,100</i>	<i>649</i>

1. True Widths cannot be determined with the available information

2. AgEq in drill results above assumes \$1,750 Au and \$22.00 Ag per ounce, and \$4.30 Cu, \$1.25 Pb, and \$1.50 Zn per pound, and 100% metallurgical recovery

**Santiago Vein:**

The Santiago vein lies north of the ET Mine in an area of narrow veins that average 1 to 2 metres in width, and it intersects the San Gonzalo vein with similar style of mineralization to the historically exploited at San Gonzalo Mine. The San Gonzalo Mine previously produced 6 million ounces of silver equivalent until it closed in 2019. The continuity of the mineralization of the Santiago vein is being tested as well as a possible offset displacement by the San Gonzalo fault. This target was drilled from surface. Because of the proximity to San Gonzalo underground infrastructure, mining access would be relatively easy, if significant mineralization is found.

**Table 5: Santiago Vein – Summary of Drilling – 7 holes and 1,717 metres**

Hole Number	From (m)	To (m)	Length <sup>1</sup> (m)	Au (g/t)	Ag (g/t)	Cu (ppm)	PB (ppm)	Zn (ppm)	AgEq <sup>2</sup> (g/t)
ST-21-04	202.60	203.40	0.80	2.62	643	2,500	2,605	2,918	904
<i>including</i>	<i>202.90</i>	<i>203.20</i>	<i>0.30</i>	<i>6.24</i>	<i>1,000</i>	<i>1,010</i>	<i>3,710</i>	<i>6,080</i>	<i>1,548</i>
ST-21-07	211.2	211.4	0.2	0.16	46	2740	3480	262	106

1. True Widths cannot be determined with the available information

2. AgEq in drill results above assumes \$1,750 Au and \$22.00 Ag per ounce, and \$4.30 Cu, \$1.25 Pb, and \$1.50 Zn per pound, and 100% metallurgical recovery

**El Trompo Vein:**

The El Trompo Vein is an offshoot of the Avino Vein. Historical data suggests that there are narrower high-grade areas within the broader vein volume. Also, existing underground infrastructure adjacent to the El Trompo vein, potentially provides rapid and easy access for mining. The structure has already been exposed and developed on the upper levels in the ET Area of the Avino Vein. Drilling on this vein has been from surface to confirm the continuity of the mineralization at depth.

**Table 6: El Trompo Vein – Summary of Drilling – 9 hole and 1,569 metres**

Hole Number	From (m)	To (m)	Length <sup>1</sup> (m)	Au (g/t)	Ag (g/t)	Cu (ppm)	PB (ppm)	Zn (ppm)	AgEq <sup>2</sup> (g/t)
TR-21-09	178.50	180.00	1.50	0.01	6	416	42	3,187	26

1. True Widths cannot be determined with the available information

2. AgEq in drill results above assumes \$1,750 Au and \$22.00 Ag per ounce, and \$4.30 Cu, \$1.25 Pb, and \$1.50 Zn per pound, and 100% metallurgical recovery

The recent El Trompo drilling has demonstrated continuity along 250 m of strike at a depth of 120 m below surface.

**San Jorge Vein:**

The San Jorge vein appears to be an extension of the Santiago vein across a known fault. Only one exploratory hole has been drilled to date.

**Table 7: San Jorge Vein – Summary of Drilling - 1 hole and 133 metres**

Hole Number	From (m)	To (m)	Length <sup>1</sup> (m)	Au (g/t)	Ag (g/t)	Cu (ppm)	PB (ppm)	Zn (ppm)	AgEq <sup>2</sup> (g/t)
SJG-21-01	83.30	85.50	2.20	0.02	10	100	55	433	15

1. True Widths cannot be determined with the available information

2. AgEq in drill results above assumes \$1,750 Au and \$22.00 Ag per ounce, and \$4.30 Cu, \$1.25 Pb, and \$1.50 Zn per pound, and 100% metallurgical recovery

### Current Drilling Highlights

As of Dec 31, 2021, the total meterage drilled was 15,583 and is as follows:

- El Trompo Vein – 1,569 metres
- Santiago Vein – 1,717 metres
- La Malinche – 820 metres
- Nuestra Senora – 340 metres
- San Jorge – 133 metres
- Below and Beside ET – 4,082 metres
- Brecha de bajo and Bart Veins – 895 metres
- La Potosina – 2,382 metres
- Oxide Tailings – 3,645 metres

Assays are pending due to long turnaround times at the laboratories for some of the Oxide Tailings drilling as well as the holes at La Potosina, Brecha de Bajo and 3 holes below ET.

### Avino Historic Above Ground Stockpile Production Highlights

	Q4 2021	Q4 2020	Change %	YTD 2021	YTD 2020	Change %
Total Mill Feed (dry tonnes)	-	-	0%	10,806	4,711	129%
Feed Grade Silver (g/t)	-	-	0%	41	59	-30%
Feed Grade Gold (g/t)	-	-	0%	0.26	0.31	-14%
Feed Grade Copper (%)	-	-	0%	0.12	0.15	-22%
Recovery Silver (%)	-	-	0%	65%	50%	30%
Recovery Gold (%)	-	-	0%	63%	41%	54%
Recovery Copper (%)	-	-	0%	45%	31%	45%
Total Silver Produced (oz)	-	-	0%	9,336	4,481	108%
Total Gold Produced (oz)	-	-	0%	58	19	205%
Total Copper Produced (lbs)	-	-	0%	12,584	4,857	159%
Total Silver Equivalent Produced (oz) <i>calculated*</i>	-	-	0%	15,784	6,860	130%

\* In Q4 2021, AgEq was calculated using metal prices of \$23.33 oz Ag, \$1,795 oz Au, and \$4.40 lb Cu. In Q4 2020, AgEq was calculated using metals prices of \$24.39 oz Ag, \$1,867 oz Au and \$2.67 lb Cu.

Moving forward, no production is expected from the Historic Stockpiles, and any production during 2021 was a result of ramp-up procedures.

### 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 in the financial statements to EBITDA and adjusted earnings, and includes the Company’s discontinued operations (see Note 5 of the consolidated audited financial statements):

Expressed in 000's of US\$, unless otherwise noted	Q4 2021	Q4 2020	YTD 2021	YTD 2020
Net income (loss) for the period	\$ 2,629	\$ (1,555)	\$ (2,057)	\$ (7,651)
Depreciation and depletion	778	332	2,116	2,111
Interest income and other	(35)	(101)	(178)	(332)
Interest expense	9	3	24	25
Finance cost	6	36	52	211
Accretion of reclamation provision	11	25	47	99
Current income tax expense	2	73	27	161
Deferred income tax expense (recovery)	1,421	(1,082)	412	(1,569)
<b>EBITDA</b>	<b>\$ 4,821</b>	<b>\$ (2,269)</b>	<b>\$ 443</b>	<b>\$ (6,945)</b>
Fair value adjustment on warrant liability	(21)	637	(1,581)	650
Realized loss on warrants exercised	-	26	1,106	2,733
Share-based payments	78	795	1,469	1,857
Stand-by costs during strike action	-	1,519	800	2,394
Foreign exchange loss (gain)	(132)	(890)	61	811
<b>Adjusted earnings (loss)</b>	<b>\$ 4,746</b>	<b>\$ (182)</b>	<b>\$ 2,298</b>	<b>\$ 1,500</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, 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 \$1,780 for the year ended December 31, 2021 (December 31, 2020 - \$1,699) all of which is attributable to the Avino Mine

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 accurately due to rounding.

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

The following table 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 table reconcile cost of sales to cash cost per payable AgEq oz and all-in sustaining cash cost per payable AgEq oz for the three months ended December 31, 2021, and 2020:

Expressed in 000's of US\$, unless otherwise noted	Avino		AHAG Stockpiles		Consolidated	
	Q4 2021	Q4 2020	Q4 2021	Q4 2020	Q4 2021	Q4 2020
	Cost of sales	\$ 4,766	\$ 2,658	\$ 146	\$ -	\$ 4,912
Stand-by costs during strike action	-	(1,519)	-	-	-	(1,519)
Depletion and depreciation	(728)	(303)	(13)	-	(741)	(303)
Cash production cost	4,038	836	133	-	4,171	836
Payable silver equivalent ounces sold	417,881	59,710	18,004	-	435,885	59,710
Cash cost per silver equivalent ounce	\$ 9.67	\$ 14.01	\$ 7.37	\$ -	\$ 9.57	\$ 14.01
General and administrative expenses	928	1,633	39	-	967	1,633
Treatment & refining charges	510	47	19	-	529	47
Penalties	1,181	45	19	-	1,200	45
Sustaining capital expenditures	774	1,106	-	-	774	1,106
Stand-by costs during stoppages	-	1,519	-	-	-	1,519
Share-based payments and G&A depreciation	(120)	(824)	(5)	-	(125)	(824)
Cash operating cost	\$ 7,311	\$ 4,362	\$ 205	\$ -	\$ 7,516	\$ 4,362
AISC per silver equivalent ounce	\$ 17.50	\$ 73.08	\$ 11.37	\$ -	\$ 17.24	\$ 73.08

The following table reconciles cash cost per AgEq oz production cost to all-in sustaining cash cost per AgEq oz for the year ended December 31, 2021, and 2020:

Expressed in 000's of US\$, unless otherwise noted	Avino		AHAG Stockpiles		Consolidated	
	2021	2020	2021	2020	2021	2020
	Cost of sales	\$ 7,535	\$ 15,222	\$ 146	\$ 610	\$ 7,681
Stand-by costs during strike action	(800)	(2,394)	-	-	(800)	(2,394)
Depletion and depreciation	(1,963)	(1,981)	(13)	(14)	(1,976)	(1,995)
Cash production cost	4,772	10,847	133	596	4,905	11,443
Payable silver equivalent ounces sold	524,993	1,011,665	18,004	59,702	542,997	1,071,367
Cash cost per silver equivalent ounce	\$ 9.09	\$ 10.72	\$ 7.37	\$ 9.98	\$ 9.03	\$ 10.68
General and administrative expenses	5,045	4,622	39	137	5,084	4,759
Treatment & refining charges	637	1,274	19	67	656	1,341
Penalties	1,436	2,020	19	121	1,455	2,141
Sustaining capital expenditures	1,781	1,699	-	-	1,781	1,699
Stand-by costs during stoppages	800	2,394	-	-	800	2,394
Share-based payments and G&A depreciation	(1,604)	(1,945)	(5)	(28)	(1,609)	(1,973)
Cash operating cost	\$ 12,867	\$ 20,911	\$ 205	\$ 893	\$ 13,072	\$ 21,804
AISC per silver equivalent ounce	\$ 24.51	\$ 20.67	\$ 11.37	\$ 14.95	\$ 24.07	\$ 20.35

### 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 three months and year ended December 31, 2021, and 2020.

	Q4 2021	Q4 2020	2021	2020
Operating cash flows before movements in working capital	\$ 4,020	\$ (2,199)	\$ 1,657	\$ (2,479)
Weighted average number of shares outstanding				
Basic	102,243,211	89,568,682	100,161,357	83,180,069
Diluted	103,938,699	89,568,682	100,161,357	83,180,069
<b>Cash Flow per Share – basic &amp; diluted</b>	<b>\$ 0.04</b>	<b>\$ (0.02)</b>	<b>\$ 0.02</b>	<b>\$ (0.03)</b>

### Working Capital

	December 31, 2021	December 31, 2020
Current assets	\$ 35,478	\$ 19,702
Current liabilities	(3,843)	(5,022)
<b>Working capital</b>	<b>\$ 31,635</b>	<b>\$ 14,680</b>

### Results of Operations

#### Summary of Quarterly Results

(000's)	2021		2021		2020		2020	
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Quarter ended	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$ 9,318	\$ 1,881	\$ -	\$ 29	\$ 1,407	\$ 2,659	\$ 4,840	\$ 7,116
Net income (loss) from all operations for the quarter	2,629	(214)	(2,654)	(1,818)	(1,555)	(4,589)	(1,276)	(232)
Earnings (loss) per share from all operations - basic	\$ 0.03	\$ (0.00)	\$ (0.03)	\$ (0.02)	\$ (0.02)	\$ (0.05)	\$ (0.02)	\$ (0.00)
Earnings (loss) per share from all operations - diluted	\$ 0.04	\$ (0.00)	\$ (0.03)	\$ (0.02)	\$ (0.02)	\$ (0.05)	\$ (0.02)	\$ (0.00)
<b>Total Assets</b>	\$ 86,264	\$ 82,109	\$ 83,024	\$ 84,550	\$ 68,780	\$ 71,638	\$ 70,970	\$ 67,420

- Revenue increased in Q4 2021 compared to previous quarters after Q4 2020, due to the restart of operations and the commencement of sales.
- Net income in Q4 2021 increased primarily due to higher mine operating income of \$5.6 million compared with prior quarter, partially offset by higher current and deferred income tax of \$1.4 million.
- Total assets increased at December 31, 2021 compared to previous quarters in 2021, as result of increased operating cash flow generation. Total assets had increased compared to 2020 due to the receipt of net proceeds from financing activities of \$19.2 million in connection with a brokered at-the-market offering issued under prospectus supplements, warrants and stock options exercised, most of which came in during Q1 2021.

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.

**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.

Intended Use of Proceeds	Actual Use of Proceeds
<p>During 2021, the Company received net proceeds of \$18.1 million in connection with a brokered at-the-market offering issued under prospectus supplements, \$0.8 million in connection with warrants exercised and \$0.2 million in connection with stock options exercised.</p>	<p>As of the date of this MD&amp;A, the Company is using the funds as intended. During 2021, the Company announced an increase to its exploration from 12,000 to 30,600 metres of exploration and resource drilling. As of the date of this MD&amp;A, over 15,500 metres of the program had been completed.</p> <p>The Company will use the gross proceeds raised from the at-the-market offering, as well as warrants and options 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.</p> <p>In supporting mining operations in Mexico, the Company incurred expenditures of \$1.1 million for exploration and evaluation activities, acquired property and equipment of \$2.8 million, and made lease and loan repayments of \$0.5 million during the year ended December 31, 2021.</p>



Intended Use of Proceeds	Actual Use of Proceeds
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 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.
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 \$5.0 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 December 31, 2021 and December 31, 2020, as well as movements in cash flow during the year ended December 31, 2021 and 2020, is as follows:

**Statement of Financial Position**

(000's)	December 31, 2021	December 31, 2020
Cash	\$ 24,765	\$ 11,713
Working capital	31,635	14,680
Accumulated Deficit	<u>(55,953)</u>	<u>(54,339)</u>

**Cash Flow**

(000's)	December 31, 2021	December 31, 2020
Cash generated by operating activities	\$ 109	\$ 72
Cash generated by financing activities	16,092	4,203
Cash used in investing activities	<u>(3,207)</u>	<u>(2,167)</u>
Change in cash	12,994	2,108
Effect of exchange rate changes on cash	58	(20)
Cash, beginning of period	11,713	9,625
<b>Cash, end of period</b>	<u>\$ 24,765</u>	<u>\$ 11,713</u>

**Operating Activities**

Cash generated by operating activities for the year ended December 31, 2021, was \$0.1 million compared to \$0.1 million used for the year ended December 31, 2020. 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 \$16.1 million for the year ended December 31, 2021, compared to \$4.2 million for the year ended December 31, 2020. Cash generated by financing activities for the year ended December 31, 2021, relates to the issuance of shares for cash, by way of at-the-market sales and the exercise of warrants and stock options. 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 year ended December 31, 2021, the Company received net proceeds from issuance of shares for cash of \$18.1 million (December 31, 2020 - \$4.7 million), received proceeds from warrants exercise by \$0.8 million (December 31, 2020 - \$3.7 million) and received proceeds from stock options exercised by \$0.2 million (December 31, 2020 - \$0.03 million). The Company also made term facility repayments of \$2.5 million (December 31, 2020 - \$3.3 million) and made finance lease and equipment loan payments totalling \$0.5 million (December 31, 2020 - \$0.9 million).

### Investing Activities

Cash used in investing activities for the year ended December 31, 2021, was \$3.2 million compared to \$2.2 million for year ended December 31, 2020. Cash generated from the proceeds of sale of common shares in Talisker totalled \$Nil (December 31, 2020 - \$1.3 million). Proceeds were re-invested through the exercise of share purchase warrants in Talisker, totalling \$Nil (December 31, 2020 - \$1.2 million).

Other financing activities the year ended December 31, 2021, includes cash capital expenditures and exploration and evaluation expenditures of \$3.2 million (December 31, 2020 - \$2.2 million) on the acquisition of property and equipment and exploration 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 years ended December 31, 2021, 2020 and 2019 is as follows:

	2021	2020	2019
Salaries, benefits, and consulting fees	\$ 1,021	\$ 757	\$ 723
Share-based payments	1,188	1,468	659
	<u>\$ 2,209</u>	<u>\$ 2,225</u>	<u>\$ 1,382</u>

(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 due to / (from) related parties:

	December 31, 2021	December 31, 2020
Oniva International Services Corp.	\$ 107	\$ 106
Directors	56	48
	<u>\$ 163</u>	<u>\$ 154</u>

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 year ended December 31, 2021, 2020 and 2019 the Company paid \$239, \$224 and \$226, respectively to ICC.

(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 year ended December 31, 2021, 2020 and 2019 are summarized below:

	2021	2020	2019
Salaries and benefits	\$ 766	\$ 636	\$ 665
Office and miscellaneous	403	290	322
Exploration and evaluation assets	-	-	206
	<u>\$ 1,169</u>	<u>\$ 926</u>	<u>\$ 1,193</u>

**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 two (December 31, 2020 – three) counterparty (see Note 23. 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 highly-rated 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 unaudited consolidated statement of financial position. At December 31, 2021, 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 December 31, 2021, in the amount of \$24,765 and working capital of \$31,635 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 consolidated 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 December 31, 2021, are summarized as follows:

	Total	Less Than 1 Year	1-5 years	More Than 5 Years
Accounts payable and accrued liabilities	\$ 3,260	\$ 3,260	\$ -	\$ -
Amounts due to related parties	163	163	-	-
Minimum rental and lease payments	889	96	331	462
Finance lease obligations	1,152	438	714	-
<b>Total</b>	<b>\$ 5,464</b>	<b>\$ 3,957</b>	<b>\$ 1,045</b>	<b>\$ 462</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:

	December 31, 2021		December 31, 2020	
	MXN	CDN	MXN	CDN
Cash	\$ 3,576	\$ 1,450	\$ 36,896	\$ 2,831
Long-term investments	-	4,976	-	5,317
Reclamation bonds	-	6	-	6
Amounts receivable	-	33	-	20
Accounts payable and accrued liabilities	(57,604)	(211)	(22,972)	(157)
Due to related parties	-	(206)	-	(196)
Finance lease obligations	(1)	(394)	(1,543)	(448)
Net exposure	(54,029)	5,654	12,381	7,373
US dollar equivalent	\$ (2,363)	\$ (4,054)	\$ 620	\$ 5,791

Based on the net US dollar denominated asset and liability exposures as at December 31, 2021, a 10% fluctuation in the US/Mexican and Canadian/US exchange rates would impact the Company's earnings for the year ended December 31, 2021, by approximately \$143 (year ended December 31, 2020 - \$589). The Company has not entered into any foreign currency contracts to mitigate this risk.

Price Risk

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

The Company is exposed to price risk with respect to its amounts receivable, as certain trade accounts receivable are recorded based on provisional terms that are subsequently adjusted according to quoted metal prices at the date of final settlement. Quoted metal prices are affected by numerous factors beyond the Company's control and are subject to volatility, and the Company does not employ hedging strategies to limit its exposure to price risk. At December 31, 2021, 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 \$26 (December 31, 2020 - \$2).

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 December 31, 2021, a 10% change in market prices would have an impact on net earnings (loss) of approximately \$330 (December 31, 2020 - \$418).

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 December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Financial assets</b>			
Cash	\$ 24,765	\$ -	\$ -
Amounts receivable	-	1,208	-
Long-term investments	3,939	-	-
<b>Total financial assets</b>	<u>\$ 28,704</u>	<u>\$ 1,208</u>	<u>\$ -</u>
<b>Financial liabilities</b>			
Warrant liability	-	-	(741)
<b>Total financial liabilities</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (741)</u>

The Company uses Black-Scholes model to measure its Level 3 financial instruments. As at December 31, 2021, the Company's Level 3 financial instruments consisted of the Silver Wolf warrants and the warrant liability.

For the Company's warrant liability valuation and fair value adjustments during the years ended December 31, 2021 and 2020, see Note 14 of the consolidated financial statements.

The Company's Level 3 financial assets, which consists of warrants of Silver Wolf that were acquired during the year ended December 31, 2021 (see Note 8 for long-term investments details and Note 9 for details of the acquisition). The warrants are measured on acquisition and at December 31, 2021, using the following assumptions:

	December 31, 2021	March 1, 2021
Weighted average assumptions:		
Risk-free interest rate	0.91%	0.26%
Expected dividend yield	0%	0%
Expected life (years)	2.19	3.00
Expected stock price volatility	128.24%	129.51%
Weighted average fair value at grant date	C\$ 0.11	C\$ 0.32

**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.

Mexico has been particularly impacted by the COVID-19 pandemic. The Company's mining operations have been temporarily shut-down since April 2020, first as a result of governmental COVID-19 quarantine and containment measures, and later in July 2020 due to a labour strike, which was resolved in October 2020. The labour settlement agreement must be approved by the Mexican governmental labour authority. On August 3, 2021, the Company announced that mining operations had resumed. Although the Company takes appropriate measures and safeguards to protect its staff from infection, these events can result in volatility and disruption to supply chains, operations, transportation, and mobility of people, which are beyond the control of the Company, and which have had and could continue to adversely affect the availability of components, supplies and materials, labour, interest rates, credit ratings, credit risk, inflation, business operations, financial markets, exchange rates, and other factors material to the Company, including in particular, the Company's revenues and concentrate delivery schedule.

### Commitments

The Company has a cost sharing agreement to reimburse Oniva for a percentage of its overhead expenses, to reimburse 100% of its out-of-pocket expenses incurred on behalf of the Company, and to pay a percentage fee based on Oniva's total overhead and corporate expenses. The agreement may be terminated with one-month notice by either party. Transactions and balances with Oniva are disclosed in Note 10.

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:

	December 31, 2021	December 31, 2020
Not later than one year	\$ 96	\$ 20
Later than one year and not later than five years	330	14
Later than five years	462	3
	<u>\$ 889</u>	<u>\$ 37</u>

Office lease payments recognized as an expense during the year ended December 31, 2021, totalled \$16 (December 31, 2020 - \$40).

### Outstanding Share Data

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

As at March 16, 2022 the following common shares, warrants, and stock options were outstanding:

	Number of shares	Exercise price	Remaining life (years)
Share capital	102,243,211	-	-
Warrants (US\$)	1,950,412	\$ 0.80	1.53
Restricted Share Units ("RSUs")	1,439,477	-	0.43 – 1.39
Stock options	2,839,000	C\$ 0.79 - C\$1.98	0.52 – 3.39
Fully diluted	<u>108,472,100</u>		

The following are details of outstanding stock options as at December 31, 2021 and March 16, 2022:

Expiry Date	Exercise Price Per Share	Number of Shares Remaining Subject to Options (December 31, 2021)	Number of Shares Remaining Subject to Options (March 16, 2022)
September 20, 2022	C\$ 1.98	880,000	880,000
August 28, 2023	C\$ 1.30	105,000	105,000
August 21, 2024	C\$ 0.79	174,000	174,000
August 4, 2025	C\$ 1.64	1,680,000	1,680,000
<b>Total:</b>		<b>2,839,000</b>	<b>2,839,000</b>



The following are details of outstanding warrants as at December 31, 2021 and March 16, 2022:

Expiry Date	Exercise Price Per Share	Number of Underlying Shares (December 31, 2021)	Number of Underlying Shares (March 16, 2022)
September 25, 2023	\$ 0.80	1,950,412	1,950,412
<b>Total:</b>		<b>1,950,412</b>	<b>1,950,412</b>

The following are details of outstanding RSUs as at December 31, 2021 and March 16, 2022:

Expiry Date	Number of Shares Remaining Subject to RSUs (December 31, 2021)	Number of Shares Remaining Subject to RSUs (March 16, 2022)
August 21, 2022	539,733	539,733
August 4, 2023	899,744	899,744
<b>Total:</b>	<b>1,439,477</b>	<b>1,439,477</b>

#### Proposed Transactions

**Acquisition of La Preciosa** – On October 27, 2021, the Company announced it has entered into a share purchase agreement (the “Transaction”) to indirectly acquire through the purchase of the shares of certain holding companies, the La Preciosa Property (“La Preciosa”) from Coeur Mining, Inc. (“Coeur”).

Consideration of \$20 million, of which \$15 million is payable at the closing of the Transaction from Avino’s cash on hand and the remaining \$5 million is payable before the first anniversary of the closing date.

Additionally, Avino will issue 14.0 million units (the “Units”), each comprising one common share and one-half of a common share purchase warrant (each full warrant, a “Warrant”).

Contingent cash consideration of US\$8.75 million will be payable by Avino to Coeur within 12 months of initial production at La Preciosa. Avino may elect to pay up to half of the contingent cash consideration in Avino shares. Coeur will retain ownership of a 1.25% net smelter return royalty on the Gloria and Abundancia areas of La Preciosa, and a 2.00% gross value royalty on all areas of La Preciosa other than the Gloria and Abundancia areas.

So long as Coeur holds 10% or more of the outstanding shares of Avino, Coeur has the option to nominate one director for election to the Avino board or designate a board observer. At closing, Coeur has also been granted pre-emptive rights to maintain its equity ownership position in Avino and has entered into a voting agreement with Avino.

The completion of the proposed Transaction is subject to a number of customary conditions precedent, as well as, the authorization of the Mexican Federal Economic Competition Commission, approval of the issuance of the Unit consideration and contingent payment amount by the NYSE American, the Toronto Stock Exchange, and any other necessary third party approvals. The Closing of the Transaction is expected to occur during Q1 2022.

## **Recent Accounting Pronouncements**

### **Application of new and revised accounting standards:**

#### ***Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)***

The amendments in Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments were applied effective January 1, 2021, and did not have a material impact on the Company's financial statements.

### **Future Changes in Accounting Policies Not Yet Effective as at December 31, 2021:**

#### ***Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)***

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are applied on or after the first annual reporting period beginning on or after January 1, 2022, with early application permitted. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the Company first applies the amendments. The Company will recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings at the beginning of that earliest period presented. This amendment will impact the Company's accounting for proceeds from mineral sales prior to reaching commercial production at levels intended by management.

#### ***Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)***

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments are applied on or after the first annual reporting period beginning on or after January 1, 2023, with early adoption permitted. This amendment is not expected to have a material impact on the Company's financial statements.

## **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 December 31, 2021, 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 December 31, 2021, 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 March 16, 2022. 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.

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