



AVINO SILVER & GOLD MINES LTD.

Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2015 and 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The condensed consolidated interim financial statements of Avino Silver & Gold Mines Ltd. (the "Company") are the responsibility of the Company's management. The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and reflect management's best estimates and judgements 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 condensed consolidated interim financial statements prior to their submission to the Board of Directors for approval.

The condensed consolidated interim financial statements as at June 30, 2015, and for the periods ended June 30, 2015 and 2014, have not been audited by the Company's independent auditors.

"David Wolfin"

David Wolfin
President & CEO
August 18, 2015

"Malcolm Davidson"

Malcolm Davidson, CPA, CA
Chief Financial Officer
August 18, 2015

AVINO SILVER & GOLD MINES LTD.

Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars)(unaudited)

	Note	June 30, 2015 (unaudited)	December 31, 2014
ASSETS			
Current assets			
Cash and cash equivalents		\$ 3,256,186	\$ 4,249,794
Amounts receivable		2,913,572	2,568,873
Sales taxes recoverable		2,527,375	1,658,617
Prepaid expenses and other assets		1,401,171	812,600
Inventory	3	4,105,416	3,804,141
		14,203,720	13,094,025
Exploration and Evaluation Assets	4	38,139,580	29,909,220
Plant, Equipment and Mining Properties	6	21,395,300	18,173,513
Investments in Related Companies	7	77,643	33,889
Investments in Other Companies	8	46,000	60,000
Reclamation Bonds		145,500	145,500
		\$ 74,007,743	\$ 61,416,147
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 5,187,950	\$ 3,968,646
Concentrate prepayment	9	6,276,302	-
Current portion of equipment loan	12	161,367	-
Current portion of finance lease obligations	13	1,662,979	1,292,326
Taxes payable		1,632,990	993,110
Amounts due to related parties	10(b)	246,343	222,066
		15,167,931	6,476,148
Warrant Liability	11	64,514	239,690
Equipment Loan	12	320,385	-
Finance Lease Obligations	13	2,251,628	2,007,010
Reclamation Provision	14	2,091,549	2,005,881
Deferred Income Tax Liabilities		5,250,700	5,637,027
Total liabilities		25,146,707	16,365,756
EQUITY			
Share Capital	15	60,268,222	58,606,898
Equity Reserves		10,599,534	10,797,709
Treasury Shares (14,180 shares, at cost)		(101,869)	(101,869)
Accumulated Other Comprehensive Income		3,281,563	1,672,009
Accumulated Deficit		(25,186,414)	(25,924,356)
Total Equity		48,861,036	45,050,391
		\$ 74,007,743	\$ 61,416,147

Commitments – Note 18

Subsequent Events – Note 21

Approved by the Board of Directors on August 18, 2015:

Gary Robertson Director

David Wolfin Director

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

AVINO SILVER & GOLD MINES LTD.

Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Loss)

For the three and six months ended June 30, 2015 and 2014

(Expressed in Canadian dollars)

(unaudited)

		Three months ended June 30,		Six months ended June 30,	
	Note	2015	2014	2015	2014
Revenue from Mining Operations	16	\$ 5,908,883	\$ 5,104,921	\$ 10,194,424	\$ 10,879,048
Cost of Sales	16	3,535,980	2,792,993	5,733,665	5,727,118
Mine Operating Income		2,372,903	2,311,928	4,460,759	5,151,930
General and administrative expenses	17	1,094,459	931,935	2,030,385	2,240,464
Income before other items		1,278,444	1,379,993	2,430,374	2,911,466
Other Items					
Fair value adjustment on warrant liability		210,265	(489,148)	175,176	292,579
Unrealized gain on investments in related companies	7	12,708	7,166	43,754	2,824
Foreign exchange loss		(196,370)	(432,343)	(136,377)	(503,464)
Interest expense		(43,514)	(34,384)	(76,701)	(43,389)
Accretion of reclamation provision		(33,677)	-	(67,555)	-
Unrealized gain (loss) on investments	8	(9,000)	10,000	(14,000)	12,500
Interest and other income (loss)		(4,427)	(487)	22,852	4,982
Net Income Before Income Taxes		1,214,429	440,797	2,377,523	2,677,498
Income Taxes					
Current income tax expense		(1,927,007)	(655,461)	(2,177,978)	(808,130)
Deferred income tax recovery (expense)		1,074,233	127,567	538,397	(612,149)
		(852,774)	(527,894)	(1,639,581)	(1,420,279)
Net Income (Loss)		361,655	(87,097)	737,942	1,257,219
Other Comprehensive Income (Loss) - Items that may be reclassified subsequently to income or loss					
Currency translation differences of foreign operations		(282,153)	(588,973)	1,609,554	(27,157)
Comprehensive Income (Loss)		\$ 79,502	\$ (676,070)	\$ 2,347,496	\$ 1,230,062
Earnings (Loss) per Share					
Basic	15(e)	\$ 0.01	\$ (0.00)	\$ 0.02	\$ 0.04
Diluted	15(e)	\$ 0.01	\$ (0.00)	\$ 0.02	\$ 0.04
Weighted Average Number of Common Shares Outstanding					
Basic		35,819,166	32,234,738	35,798,371	30,982,873
Diluted		36,347,672	33,192,583	36,464,726	31,966,463

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

AVINO SILVER & GOLD MINES LTD.

Condensed Consolidated Interim Statements of Changes in Equity

For the six months ended June 30, 2015 and 2014

(Expressed in Canadian dollars) (unaudited)

	Note	Number of Common Shares	Share Capital Amount	Equity Reserves	Treasury Shares	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Equity
			\$	\$	\$	\$	\$	\$
Balance, December 31, 2013		27,488,834	42,784,832	10,150,849	(101,869)	215,680	(28,502,464)	24,547,028
Common shares issued for cash:								
Brokered public offerings		4,606,826	10,611,380	-	-	-	-	10,611,380
Less share issuance costs			(917,701)	-	-	-	-	(917,701)
Exercise of stock options		146,100	152,572	-	-	-	-	152,572
Carrying value of stock options exercised		-	192,448	(192,448)	-	-	-	-
Share-based payments		-	-	12,285	-	-	-	12,285
Options and warrants cancelled or expired		-	-	(10,300)	-	-	10,300	-
Net income for the period		-	-	-	-	-	1,257,219	1,257,219
Currency translation differences of foreign operations		-	-	-	-	(27,157)	-	(27,157)
Balance, June 30, 2014		32,241,760	52,823,531	9,960,386	(101,869)	188,523	(27,234,945)	35,635,626
Balance, December 31, 2014		35,374,813	58,606,898	\$ 10,797,709	\$ (101,869)	\$ 1,672,009	(25,924,356)	\$ 45,050,391
Common shares issued for cash:								
Brokered public offerings	15(b)(i)	901,609	1,409,901	-	-	-	-	1,409,901
Less share issuance costs	15(b)(i)		(99,670)	-	-	-	-	(99,670)
Exercise of stock options	15(d)	151,000	144,570	-	-	-	-	144,570
Carrying value of stock options exercised		-	206,523	(206,523)	-	-	-	-
Share-based payments		-	-	8,348	-	-	-	8,348
Net income for the period		-	-	-	-	-	737,942	737,942
Currency translation differences of foreign operations		-	-	-	-	1,609,554	-	1,609,554
Balance, June 30, 2015		36,427,422	60,268,222	\$ 10,599,534	\$ (101,869)	\$ 3,281,563	(25,186,414)	\$ 48,861,036

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

AVINO SILVER & GOLD MINES LTD.

Condensed Consolidated Interim Statements of Cash Flows

For the six months ended June 30, 2015 and 2014

(Expressed in Canadian dollars) (unaudited)

	Note	2015	2014
Cash Provided By (Used In):			
Operating Activities			
Net income		\$ 737,942	\$ 1,257,219
Adjustments for non-cash items:			
Depreciation and depletion		582,033	675,849
Foreign exchange loss		115,830	62,029
Accretion of reclamation provision		67,555	-
Share-based payments		8,348	12,285
Deferred income tax expense (recovery)		(538,397)	612,149
Fair value adjustment on warrant liability		(175,176)	(292,579)
Unrealized gain on investments		(29,754)	(15,324)
		768,381	2,311,628
Net change in non-cash working capital items	19	(33,869)	147,941
		734,512	2,459,569
Financing Activities			
Shares and units issued for cash, net of issuance costs		1,454,801	11,141,898
Finance lease and equipment loan payments		(674,470)	(305,358)
		780,331	10,836,540
Investing Activities			
Net change in non-cash working capital – concentrate prepayment		6,276,302	-
Recovery of exploration costs from concentrate proceeds		4,946,538	-
Exploration and evaluation expenditures		(11,814,836)	(547,189)
Additions to plant, equipment and mining properties		(1,818,738)	(2,884,170)
		(2,410,734)	(3,431,359)
Change in cash and cash equivalents		(895,891)	9,864,750
Effect of exchange rate changes on cash and cash equivalents		(97,717)	(103,910)
Cash and Cash Equivalents, Beginning		4,249,794	3,839,595
Cash and Cash Equivalents, Ending		\$ 3,256,186	\$ 13,600,435
Cash and Cash Equivalents Consist of:			
Bank balances		\$ 3,256,186	\$ 13,297,149
Guaranteed investment certificates		-	303,286
		\$ 3,256,186	\$ 13,600,435

Supplementary Cash Flow Information (Note 19)

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

AVINO SILVER & GOLD MINES LTD.

Notes to the condensed consolidated interim financial statements

For the six months ended June 30, 2015 and 2014

(Expressed in Canadian dollars) (unaudited)

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, exploration, advancement and acquisition of mineral properties.

The Company’s head office and principal place of business is Suite 900, 570 Granville Street, Vancouver, BC, Canada. The Company is a reporting issuer in Canada and the United States and trades on the TSX Venture Exchange (“TSX-V”), the NYSE MKT, and the Frankfurt and Berlin Stock Exchanges.

The Company owns interests in mineral properties located in Durango, Mexico as well as in British Columbia and the Yukon, Canada. On October 1, 2012, the Company commenced production of silver and gold at levels intended by management at its San Gonzalo mine in the state of Durango, Mexico.

2. BASIS OF PRESENTATION

Statement of Compliance

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard (“IAS”) 34 - Interim Financial Reporting under International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements of the Company, except for the accounting policies which have changed as a result of the adoption of new and revised standards and interpretations which are effective January 1, 2015. These condensed consolidated interim financial statements do not contain all of the information required for full annual financial statements. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the Company’s December 31, 2014 annual consolidated financial statements, which were prepared in accordance with IFRS as issued by the IASB.

Basis of Presentation

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

Significant Accounting Judgements and Estimates

The Company’s management makes judgements in its process of applying the Company’s accounting policies to the preparation of its condensed consolidated interim 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.

The critical judgments and estimates applied in the preparation of the Company’s unaudited condensed consolidated interim financial statements for the six months ended June 30, 2015, are consistent with those applied and disclosed in Note 2 to the Company’s audited consolidated financial statements for the year ended December 31, 2014.

AVINO SILVER & GOLD MINES LTD.

Notes to the condensed consolidated interim financial statements

For the six months ended June 30, 2015 and 2014

(Expressed in Canadian dollars) (unaudited)

2. BASIS OF PRESENTATION (continued)

Basis of Consolidation

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

Subsidiary	Ownership Interest	Jurisdiction	Nature of Operations
Oniva Silver and Gold Mines S.A. de C.V.	100%	Mexico	Mexican operations and 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")	98.39% direct 1.27% indirect (Promotora) 99.66% effective	Mexico	Mining and exploration
Bralorne Gold Mines Ltd.	100%	Canada	Mining and exploration

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

On October 20, 2014, the Company acquired a 100% ownership interest in Bralorne Gold Mines Ltd. ("Bralorne"). Bralorne's fiscal year end date prior to the acquisition was January 31.

On June 4, 2013, the Company converted existing loans advanced to Avino Mexico into new additional shares, resulting in an increase of the Company's ownership by 0.38% to an effective 99.66%. The intercompany loans and investments are eliminated upon consolidation of the financial statements. The Company had a pre-existing effective ownership interest of 99.28% in Avino Mexico prior to the 0.38% increase. 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%.

Financial Instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivables, or fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. Loans and receivables and other financial liabilities are subsequently measured at amortized cost. Financial instruments comprise cash and cash equivalents, amounts receivable, investments in related and other companies, reclamation bonds, accounts payable, amounts due to related parties, warrant liability, equipment loan, and finance lease obligations.

The Company has classified its cash and cash equivalents, investments in related and other companies, and warrant liability as FVTPL. Amounts receivable, and reclamation bonds are classified as loans and receivables. Accounts payable, amounts due to related parties, equipment loan and finance lease obligations are classified as other financial liabilities.

AVINO SILVER & GOLD MINES LTD.

Notes to the condensed consolidated interim financial statements

For the six months ended June 30, 2015 and 2014

(Expressed in Canadian dollars) (unaudited)

2. BASIS OF PRESENTATION (continued)

Financial Instruments (continued)

Subsequent to initial recognition, financial assets are measured in accordance with the following:

- (i) Financial assets classified as fair value through profit or loss are measured at fair value. All gains and losses resulting from changes in their fair value are included in net income (loss) in the period in which they arise.
- (ii) Held-to-maturity investments and loans and receivables are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and transaction costs are amortized into net income (loss), using the effective interest method less any impairment.
- (iii) Available-for-sale financial assets are measured at fair value, with unrealized gains and losses recorded in other comprehensive income until the asset is realized, at which time they will be recorded in net income (loss). Other than temporary impairments on available-for-sale financial assets are recorded in net income (loss).

Subsequent to initial recognition, financial liabilities are measured in accordance with the following:

- (i) Financial liabilities classified as other financial liabilities are initially recognized at fair value less transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.
- (ii) Financial liabilities classified as fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss. Fair value changes on financial liabilities classified as fair value through profit or loss are recognized in net income (loss). At June 30, 2015, the Company classified share purchase warrants with an exercise price in U.S. dollars (see Note 11) as financial liabilities at fair value through profit or loss. 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 net income (loss).

The mandatory adoption of the following new and revised accounting standards and interpretations on January 1, 2015 had no significant impact on the Company's condensed consolidated interim financial statements for the periods presented:

Annual improvements

In December 2013, the IASB issued the Annual Improvements 2010-2012 and 2011-2013 cycles, effective for annual periods beginning on or after July 1, 2014.

The following accounting standards were issued but not yet effective as of June 30, 2015:

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its condensed consolidated interim financial statements.

AVINO SILVER & GOLD MINES LTD.

Notes to the condensed consolidated interim financial statements

For the six months ended June 30, 2015 and 2014

(Expressed in Canadian dollars) (unaudited)

2. BASIS OF PRESENTATION (continued)

IFRS 9 – Financial Instruments

The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments (“IFRS 9”) which is intended to reduce the complexity in the classification and measurement of financial instruments. In February 2014, the IASB tentatively determined that the revised effective date for IFRS 9 would be January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its condensed consolidated interim financial statements.

IFRS 7 Financial instruments: Disclosure

IFRS 7 was amended to require additional disclosures on transition from IAS 39 to IFRS 9. The standard is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018. The Company is currently evaluating the impact this standard is expected to have on its condensed consolidated interim financial statements.

IFRS 10 Consolidated Financial Statements

The amendments to IFRS 10 will require a full gain or loss to be recognized when a transaction involves a business (whether it is housed in a subsidiary or not), while a partial gain or loss would be recognized when a transaction involves assets that do not constitute a business, even if the assets are housed in a subsidiary. The amendments are effective for transactions occurring in annual periods beginning on or after January 1, 2016. The Company is currently evaluating the impact these amendments are expected to have on its condensed consolidated interim financial statements.

Annual improvements

In September 2014, the IASB issued the Annual Improvements 2012-2014 cycle, effective for annual periods beginning on or after July 1, 2016. These annual improvements made necessary but non-urgent amendments to existing IFRSs. These amendments are not expected to have a significant impact on the Company's condensed consolidated interim financial statements.

3. INVENTORY

	June 30, 2015	December 31, 2014
Process material stockpiles	\$ 2,551,588	\$ 2,730,816
Materials and supplies	998,594	723,698
Concentrate	555,234	349,627
	\$ 4,105,416	\$ 3,804,141

The amount of inventory recognized as an expense for the six months ended June 30, 2015, totalled \$5,733,665 (June 30, 2014 – \$5,727,118), and includes production costs and depreciation and depletion directly attributable to the inventory production process.

AVINO SILVER & GOLD MINES LTD.

Notes to the condensed consolidated interim financial statements

For the six months ended June 30, 2015 and 2014

(Expressed in Canadian dollars) (unaudited)

4. EXPLORATION AND EVALUATION ASSETS

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

	Durango, Mexico	British Columbia, Canada	Yukon, Canada	Total
Balance, January 1, 2014	\$ 15,686,172	\$ 3	\$ 1	\$ 15,686,176
Acquisition	-	9,752,300	-	9,752,300
Costs incurred during 2014:				
Mine and camp costs	4,099,672	1,323,105	-	5,422,777
Drilling and exploration	870,562	368,081	-	1,238,643
Depreciation of plant and equipment	495,847	-	-	495,847
Effect of movements in exchange rates	407,455	-	-	407,455
Assessments and taxes	164,127	678	-	164,805
Geological and related services	68,328	85,425	-	153,753
Assays	-	16,088	-	16,088
Sale of concentrate	(2,510,304)	(918,320)	-	(3,428,624)
Balance, December 31, 2014	\$ 19,281,859	\$ 10,627,360	\$ 1	\$ 29,909,220
Costs incurred during 2015:				
Mine and camp costs	7,921,585	2,715,606	-	10,637,191
Effect of movements in exchange rates	619,683	-	-	619,683
Drilling and exploration	614,243	633,963	-	1,248,206
Depreciation of plant and equipment	445,729	-	-	445,729
Assessments and taxes	69,246	31,909	-	101,155
Geological and related services	774	82,057	-	82,831
Assays	-	42,103	-	42,103
Sale of concentrate	(4,200,983)	(745,555)	-	(4,946,538)
Balance, June 30, 2015	\$ 24,752,136	\$ 13,387,443	\$ 1	\$ 38,139,580

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

(a) Durango, Mexico

The Company's subsidiary Avino Mexico owns 42 mineral claims and leases 4 mineral claims in the state of Durango, Mexico. The Company's mineral claims in Mexico are divided into the following four groups:

AVINO SILVER & GOLD MINES LTD.

Notes to the condensed consolidated interim financial statements

For the six months ended June 30, 2015 and 2014

(Expressed in Canadian dollars) (unaudited)

4. EXPLORATION AND EVALUATION ASSETS (continued)

(a) Durango, Mexico (continued)

(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 levels intended by management as of October 1, 2012, and on that date accumulated exploration and evaluation costs for the San Gonzalo mine were transferred to mining properties.

(ii) Gomez Palacio property

The Gomez Palacio property is located near the town of Gomez Palacio, and consists of nine exploration concessions covering 2,549 hectares.

(iii) Santiago Papasquiaro property

The Santiago Papasquiaro property is located near the village of Papasquiaro, and consists of four exploration concessions covering 2,552.6 hectares and one exploitation concession covering 602.9 hectares.

(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 around the towns of Panuco de Coronado and San Jose de Avino and surrounding the formerly producing Avino mine.

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

Under the agreement, the Company has obtained the exclusive right to explore and mine the property for an initial period of 15 years, with the option to extend the agreement for another 5 years. In consideration of the granting of these rights, the Company issued 135,189 common shares with a fair value of \$250,100.

The Company has agreed to pay to Minerales a royalty equal to 3.5% of net smelter returns ("NSR") at the commencement of production from the property. 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 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 US\$8 million within 15 days of the Company's notice of election to acquire the property. The purchase would be subject to a separate purchase agreement for the legal transfer of the property.

AVINO SILVER & GOLD MINES LTD.

Notes to the condensed consolidated interim financial statements

For the six months ended June 30, 2015 and 2014

(Expressed in Canadian dollars) (unaudited)

4. EXPLORATION AND EVALUATION ASSETS (continued)

(a) Durango, Mexico (continued)

The Company continues to assess its development activities at the ET zone with reference to guidance for development of mineral projects and eventual production from those projects should expected development activities prove successful. The Company's annual financial statements cite a number of factors requiring management judgment that are considered in the decision of whether a mineral project is in the condition necessary for it to be capable of operating in the manner intended by management, including factors which support both technical feasibility and commercial viability of a project. In the periods before management determines technical feasibility and commercial viability have been achieved, the Company records in its statement of financial position the costs of extracting and processing mineralized material from the ET zone as exploration and evaluation costs, and records a reduction to the carrying value of those costs for any proceeds from sales of ET zone concentrate. During the six months ended June 30, 2015, the Company reduced its exploration and evaluation assets in the statement of financial position by \$4,200,983 (US\$3,280,100) for sales of 1,621 tonnes of ET zone copper/silver/gold concentrate.

(b) British Columbia, Canada

(i) Bralorne Mine

The Company owns a 100% undivided interest in certain mineral properties located in the Lillooet Mining Division. There is an underlying agreement on 12 crown grants in which the Company is required to pay 1.6385% of Net Smelter Proceeds of Production from the claims, and pay fifty cents (\$0.50) per ton of ore produced from these claims if the ore grade exceeds 0.75 ounces per ton gold. Subsequent to June 30, 2015, the shares of Bralorne Gold Mines Ltd. (the 100%-owned subsidiary which holds title to the Bralorne Mine property) were registered as security for a US\$10,000,000 prepayment facility (Note 21).

(ii) 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. In January 2012, the Company entered into an option agreement on the Eagle property, under which the optionee is required to make cash payments, incur exploration expenditures, and issue shares to the Company in order to earn a 75% interest in the property. During the six months ended June 30, 2015, the optionee withdrew from the option agreement, and the entire interest in the property reverted back to the Company.

5. NON-CONTROLLING INTEREST

At June 30, 2015, the Company had an effective 99.66% (December 31, 2014 - 99.66%) interest in its subsidiary Avino Mexico and the remaining 0.34% (December 31, 2014 - 0.34%) 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 condensed consolidated interim financial statements.

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6. PLANT, EQUIPMENT, AND MINING PROPERTIES

	Mining properties	Office equipment, furniture, and fixtures	Computer equipment	Mine machinery and transportation equipment	Mill machinery and processing equipment	Buildings	Total
	\$	\$	\$	\$	\$	\$	\$
COST							
Balance at January 1, 2014	3,433,028	46,141	117,457	4,742,728	3,502,079	522,779	12,364,212
Additions	808,713	15,663	96,138	3,346,357	3,343,270	970,768	8,580,909
Effect of movements in exchange rates	276,388	3,715	9,456	381,830	281,947	42,088	995,424
Balance at December 31, 2014	4,518,129	65,519	223,051	8,470,915	7,127,296	1,535,635	21,940,545
Additions	447,250	4,657	30,438	1,845,214	752,761	7,658	3,087,978
Effect of movements in exchange rates	321,851	4,667	15,889	599,438	572,470	48,630	1,562,945
Balance at June 30, 2015	5,287,230	74,843	269,378	10,915,567	8,452,527	1,591,923	26,591,468
ACCUMULATED DEPLETION AND DEPRECIATION							
Balance at January 1, 2014	221,779	13,609	36,181	916,345	221,385	390,296	1,799,595
Additions	533,465	7,657	29,610	1,008,949	204,881	37,990	1,822,552
Effect of movements in exchange rates	17,855	1,096	2,913	73,775	17,823	31,423	144,885
Balance at December 31, 2014	773,099	22,362	68,704	1,999,069	444,089	459,709	3,767,032
Additions	315,746	4,112	20,071	642,243	148,674	29,943	1,160,789
Effect of movements in exchange rates	55,072	1,593	4,894	142,405	31,635	32,748	268,347
Balance at June 30, 2015	1,143,917	28,067	93,669	2,783,717	624,398	522,400	5,196,168
NET BOOK VALUE							
At June 30, 2015	4,143,313	46,776	175,709	8,131,850	7,828,129	1,069,523	21,395,300
At December 31, 2014	3,745,030	43,157	154,347	6,471,846	6,683,207	1,075,926	18,173,513

Plant, equipment, and mining properties includes \$181,682 as at June 30, 2015 (December 31, 2014 - \$892,172), on which no depreciation was charged in the periods then ended.

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7. INVESTMENTS IN RELATED COMPANIES

Investments in related companies comprise the following:

	Cost	Accumulated Unrealized Gains	Fair Value June 30, 2015	Fair Value December 31, 2014
(a) Levon Resources Ltd.	\$ 4,236	\$ 73,406	\$ 77,642	\$ 33,888
(b) Oniva International Services Corp.	1	-	1	1
	\$ 4,237	\$ 73,406	\$ 77,643	\$ 33,889

During the six months ended June 30, 2015, the Company recorded a \$43,754 unrealized gain (June 30, 2014 – \$2,824) on investments in related companies, representing the change in fair value during the period.

(a) Levon Resources Ltd. (“Levon”)

The Company’s investment in Levon consists of 141,200 common shares with a quoted market value of \$77,642 as at June 30, 2015 (December 31, 2014 - \$33,888). Levon is a public company with common directors.

(b) Oniva International Services Corp. (“Oniva”)

The Company and its subsidiary each hold a 1/5 indirect beneficial ownership interests in Oniva, with three other public companies holding equal 1/5 indirect beneficial ownership interest. David Wolfen and Malcolm Davidson, the Company’s CEO and CFO, serve as directors of Oniva, and certain of the Company’s directors and officers also serve in those capacities in all three of the other companies. The companies’ interests in Oniva are held in trust by David Wolfen and a family member of Mr. Wolfen. See Note 10(c) for a description of transactions with Oniva and Note 18 for disclosure of the Company’s commitments with Oniva.

8. INVESTMENTS IN OTHER COMPANIES

The Company classifies its investments in other companies as a long-term investment designated at fair value through profit and loss, summarized as follows:

	Cost	Accumulated Unrealized Gains Losses	Fair Value June 30, 2015	Fair Value December 31, 2014
(a) Avaron Mining Corp.	\$ 40,000	\$ -	\$ 40,000	\$ 40,000
(b) Benz Mining Corp.	14,500	(8,500)	6,000	20,000
	\$ 54,500	\$ (8,500)	\$ 46,000	\$ 60,000

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8. INVESTMENTS IN OTHER COMPANIES (continued)*(a) Avaron Mining Corp. ("Avaron")*

In January 2012, the Company acquired 150,000 common shares of Avaron at a cost of \$15,000. In April 2013, Avino received an additional 250,000 common shares at a cost of \$25,000.

(b) Benz Mining Corp. ("Benz")

In April 2013, the Company acquired 50,000 common shares of Benz. The value assigned to the investment is based on the market price of Benz's common shares on the date the agreement was entered into.

9. CONCENTRATE PREPAYMENT

On May 8, 2015, the Company entered into a concentrate sale contract for material produced during the second quarter of 2015 from the ET zone of the Avino mine area property. Under the terms of the contract the buyer provided a US\$5,000,000 prepayment which was applied against the Company's shipment of the concentrates subsequent to June 30, 2015. The prepayment was secured by the concentrates delivered under the contract and interest accrued at LIBOR (3 month U.S. dollar) plus 3.5%.

10. 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 six months ended June 30, 2015 and 2014 were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Salaries, benefits, and consulting fees	\$ 199,914	\$ 165,755	\$ 385,419	\$ 517,994

(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. Advances to Oniva International Services Corp. of \$197,520 (December 31, 2014 - \$121,639) 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 June 30, 2015, and December 31, 2014, the following amounts were due to related parties:

	June 30, 2015	December 31, 2014
Oniva International Services Corp.	\$ 219,929	\$ 171,650
Directors	19,610	19,259
Jasman Yee & Associates, Inc.	6,804	4,032
Intermark Capital Corp.	-	21,875
Wear Wolfin Designs Ltd.	-	5,250
	\$ 246,343	\$ 222,066

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10. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**(c) Other related party transactions**

The Company has entered into 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 a percentage of overhead and corporate expenses and for out-of-pocket expenses incurred on behalf of the Company. The cost sharing agreement may be terminated with one-month notice by either party without penalty. The transactions with Oniva during the six months ended June 30, 2015 and 2014 are summarized below:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Office and miscellaneous	\$ 204,964	\$ 99,377	\$ 367,855	\$ 188,409
Salaries and benefits	112,503	70,012	230,180	169,006
	\$ 317,467	\$ 169,389	\$ 598,035	\$ 357,415

Salaries and benefits above included \$9,593 for key management personnel compensation that has been included in Note 10(a).

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 six months ended June 30, 2015, the Company paid \$125,000 (2014 - \$308,333, including a one-time bonus) to ICC.

The Company pays Jasman Yee & Associates, Inc. ("JYAI"), a company whose managing director is Jasman Yee, a director of the Company, for operational, managerial, metallurgical, engineering and consulting services related to the Company's activities. For the six months ended June 30, 2015 and 2014, the Company paid \$36,960 and \$40,798, respectively, to JYAI.

The Company pays Wear Wolfin Designs Ltd. ("WWD"), a company whose director is the brother-in-law of David Wolfin, the Company's president and CEO and also a director, for financial consulting services related to ongoing consultation with stakeholders and license holders. For the six months ended June 30, 2015 and 2014, the Company paid \$15,000 and \$15,000, respectively, to WWD.

11. WARRANT LIABILITY

The Company's warrant liability arises as a result of the issuance of warrants exercisable in U.S. 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.

A reconciliation of the changes in the warrant liability during the period is as follows:

	June 30, 2015	December 31, 2014
Balance at beginning of the period	\$ 239,690	\$ -
Recognition upon issuance	-	1,295,647
Fair value adjustment	(175,176)	(1,055,957)
Balance at end of the period	\$ 64,514	\$ 239,690

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11. WARRANT LIABILITY (continued)

Continuity of derivative warrants during the period is as follows:

	Underlying Shares	Weighted Average Exercise Price
Derivative warrants outstanding and exercisable, December 31, 2014 and June 30, 2015	1,033,059	US\$2.87

Derivative warrants outstanding and exercisable as at June 30, 2015, are as follows:

Expiry Date	Exercise Price per Share	Derivative Warrants Outstanding and Exercisable	
		June 30, 2015	December 31, 2014
February 25, 2017	US\$2.87	1,033,059	1,033,059

As at June 30, 2015, the weighted average remaining contractual life of warrants outstanding was 1.65 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:

	June 30, 2015	December 31, 2014
Weighted average assumptions:		
Risk-free interest rate	0.49%	1.00%
Expected dividend yield	0%	0%
Expected option life (years)	1.65	2.14
Expected stock price volatility	59.07%	66.42%
Weighted average fair value	\$0.06	\$0.23

12. EQUIPMENT LOAN

The Company has entered into a loan for mining equipment expiring in June 2018 with a fixed interest rate of 4.75% per annum. The Company's obligations under the loan are secured by the mining equipment. As at June 30, 2015, plant, equipment, and mining properties includes a net carrying amount of \$519,250 (December 31, 2014 - \$nil) for this mining equipment.

The contractual maturity and interest charges in respect of the Company's obligations under this equipment loan are as follows:

	June 30, 2015	December 31, 2014
Not later than one year	\$ 179,532	\$ -
Later than one year and not later than five years	336,237	-
Less: Future interest charges	(34,017)	-
Present value of loan payments	481,752	-
Less: Current portion	(161,367)	-
Non-current portion	\$ 320,385	\$ -

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13. FINANCE LEASE OBLIGATIONS

The Company has entered into mining equipment leases expiring between 2015 and 2020 with interest rates ranging from 4.50% to 13.90% per annum. The Company has the option to purchase the mining equipment at the end of the lease term for a nominal amount. The Company's obligations under finance leases are secured by the lessor's title to the leased assets. As at June 30, 2015, plant and equipment includes a net carrying amount of \$6,522,156 (December 31, 2014 - \$5,322,510) for this leased mining equipment.

The contractual maturities and interest charges in respect of the Company's finance lease obligations are as follows:

	June 30, 2015	December 31, 2014
Not later than one year	\$ 1,799,434	\$ 1,362,766
Later than one year and not later than five years	2,380,314	2,216,930
Less: Future interest charges	(265,141)	(280,360)
Present value of minimum lease payments	3,914,607	3,299,336
Less: Current portion	(1,662,979)	(1,292,326)
Non-current portion	\$ 2,251,628	\$ 2,007,010

The Company has a US\$5,375,400 master credit facility with Caterpillar Finance that is used to acquire equipment necessary for advancing operations at the San Gonzalo Mine and for continuing exploration activity at the Avino Mine. As of June 30, 2015, the Company had US\$1,959,386 in available credit remaining under this facility.

Additionally, the Company has a US\$5,000,000 credit facility with Sandvik Customer Finance LLC that is used to acquire equipment necessary for advancing operations at the San Gonzalo Mine and for continuing exploration activity at the Avino Mine and the Bralorne Mine. As of June 30, 2015, the Company had US\$4,373,873 in available credit remaining under this facility.

14. RECLAMATION PROVISION

Management's estimate of the reclamation provision at June 30, 2015, is \$2,091,549 (December 31, 2014 - \$2,005,881). The present value of the obligation was calculated using a risk-free interest rate of 7% (December 31, 2014 - 7%) and an inflation rate of 4.25% (December 31, 2014 - 4.25%). Reclamation activities are estimated to begin in 2019 for San Gonzalo and in 2023 for the Avino Mine. The undiscounted value of the obligation is \$2,293,196 (December 31, 2014 - \$2,269,534).

A reconciliation of the changes in the reclamation provision during the periods is as follows:

	June 30, 2015	December 31, 2014
Balance at beginning of the period	\$ 2,005,881	\$ 1,833,938
Unwinding of discount	67,555	131,787
Effect of movements in exchange rates	18,113	(57,844)
Provision recognized on acquisition of Bralorne Gold Mines Ltd.	-	98,000
Balance at end of the period	\$ 2,091,549	\$ 2,005,881

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15. SHARE CAPITAL

(a) Authorized: Unlimited common shares without par value.

(b) Issued:

(i) During the six months ended June 30, 2015, the Company continued to issue shares in an at-the-market offering under prospectus supplements, the latest of which was filed on May 27, 2015 for up to US\$6,000,000. The Company sold an aggregate of 901,609 common shares at an average price of \$1.56 (US\$1.28) per common share for gross proceeds of \$1,409,901 (US\$1,152,814) during six months ended June 30, 2015.

The Company paid a 3% cash commission on the gross proceeds in the amount of \$42,297 (US\$34,584) and incurred additional accounting, legal and regulatory costs of \$57,373.

(ii) During the six months ended June 30, 2015, the Company issued 151,000 common shares upon the exercise of stock options for gross proceeds of \$144,570.

(c) Warrants:

During the six months ended June 30, 2015, and the year ended December 31, 2014 there were no warrants issued or exercised. There were 1,033,059 warrants issued during the year ended December 31, 2014 as summarized in Note 11.

(d) 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 (up to a limit of 5%), and to persons providing investor relations or consulting services (up to a limit of 2%), 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 five years from the grant date.

Continuity of stock options for the six months ended June 30, 2015 and the year ended December 31, 2014 is as follows:

	Underlying Shares	Weighted Average Exercise Price
Stock options outstanding and exercisable, December 31, 2013	2,642,957	\$1.16
Granted	1,035,000	\$1.90
Forfeited	(50,000)	\$1.15
Exercised	(266,457)	\$1.16
Stock options outstanding and exercisable, December 31, 2014	3,361,500	\$1.39
Exercised	(151,000)	\$0.96
Stock options outstanding and exercisable, June 30, 2015	3,210,500	\$1.41

As at June 30, 2015, the weighted average remaining contractual life of stock options outstanding was 2.05 years.

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15. SHARE CAPITAL (continued)

(d) Stock options (continued):

Details of stock options outstanding and exercisable are as follows:

Expiry Date	Exercise Price	Stock Options Outstanding	
		June 30, 2015	December 31, 2014
January 14, 2015	\$0.81	-	45,000
September 10, 2015	\$1.05	225,000	225,000
January 18, 2016	\$1.02	745,500	806,500
September 30, 2016	\$1.02	650,000	695,000
February 18, 2018	\$1.60	195,000	195,000
September 9, 2018	\$1.62	360,000	360,000
September 19, 2019	\$1.90	855,000	855,000
December 22, 2019	\$1.90	180,000	180,000
		3,210,500	3,361,500

(e) Earnings per share:

The calculations for earnings per share and diluted earnings per share for the three and six months ended June 30, 2015 and 2014 are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net income (loss) for the period	\$ 361,655	\$ (87,097)	\$ 737,942	\$ 1,257,219
Basic weighted average number of shares outstanding	35,819,166	32,234,738	35,798,371	30,982,873
Effect of dilutive share options	528,506	700,667	666,355	983,592
Diluted weighted average number of shares outstanding	36,347,672	33,192,583	36,464,726	31,966,463
Basic earnings per share	\$ 0.01	\$ (0.00)	\$ 0.02	\$ 0.04
Diluted earnings per share	\$ 0.01	\$ (0.00)	\$ 0.02	\$ 0.04

16. REVENUE AND COST OF SALES

Revenue and the related cost of sales reflect the sale of silver and gold concentrate from the San Gonzalo mine during the six months ended June 30, 2015, and from the San Gonzalo mine and the historic Avino stockpiles for the six months ended June 30, 2014.

Cost of sales consists of changes in inventories, direct costs including personnel costs, general and administrative 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. Cost of sales is based on the weighted average cost of contained or recoverable ounces sold for the periods and consists of the following:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Direct costs	\$ 2,993,476	\$ 2,452,371	\$ 5,170,156	\$ 5,083,031
Depreciation and depletion	542,504	340,622	563,509	644,087
	\$ 3,535,980	\$ 2,792,993	\$ 5,733,665	\$ 5,727,118

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17. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses on the condensed consolidated interim statements of operations consist of the following:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Salaries and benefits	\$ 393,467	\$ 255,057	\$ 737,252	\$ 794,320
Professional fees	202,687	110,622	315,812	231,300
Office and miscellaneous	165,142	251,786	310,996	480,884
Management and consulting fees	161,403	104,393	318,664	365,285
Travel and promotion	92,872	49,589	164,645	93,733
Investor relations	58,406	89,135	114,768	135,055
Directors fees	20,000	20,000	40,000	40,000
Depreciation	9,330	16,441	18,524	31,762
Regulatory and compliance fees	(8,848)	34,912	9,724	68,125
	\$ 1,094,459	\$ 931,935	\$ 2,030,385	\$ 2,240,464

18. 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:

	June 30, 2015	December 31, 2014
Not later than one year	\$ 343,224	\$ 301,121
Later than one year and not later than five years	47,641	134,291
Later than five years	48,672	56,235
	\$ 439,537	\$ 491,647

Office lease payments recognized as an expense during the six months ended June 30, 2015, totalled \$106,324 (2014 - \$42,289).

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19. SUPPLEMENTARY CASH FLOW INFORMATION

	June 30, 2015	June 30, 2014
Net change in non-cash working capital items:		
Accounts payable and accrued liabilities	\$ 1,219,304	\$ 268,802
Taxes payable	639,880	959,872
Amounts due to related parties	24,277	26,368
Sales taxes recoverable	(868,758)	(430,019)
Prepaid expenses and other assets	(588,571)	(325,329)
Amounts receivable	(344,699)	(114,961)
Inventory	(115,302)	(242,164)
Interest receivable	-	5,372
	<u>\$ (33,869)</u>	<u>\$ 147,941</u>
	June 30, 2015	June 30, 2014
Taxes paid	\$ 3,739,175	\$ -
Interest paid	64,396	43,389

20. FINANCIAL INSTRUMENTS

The fair values of the Company's cash and cash equivalents, amounts receivable, amounts due to related parties, and accounts payable approximate their carrying values because of the short-term nature of these instruments. The fair values of investments in related and other companies are based on quoted market prices. The carrying values of the equipment loan and of the finance lease obligations approximate their fair values based on current market rates for similar debt. The warrant liability is recorded at fair value.

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 parties by failing to discharge an obligation. The Company has exposure to credit risk through its cash and cash equivalents and amounts receivable.

The Company manages credit risk, in respect of cash and cash equivalents, by maintaining the majority of cash 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 counterparties. However, the Company has not recorded any allowance against its trade receivables because to-date all balances owed have been settled in full when due (typically within 60 days of submission) and because of the nature of the counterparties.

The Company's maximum exposure to credit risk at the end of any period is equal to the carrying amount of these financial assets as recorded in the consolidated statement of financial position. At June 30, 2015, no amounts were held as collateral.

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20. FINANCIAL INSTRUMENTS (continued)**(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 and cash equivalents at June 30, 2015, in the amount of \$3,256,186 (December 31, 2014 - \$4,249,794) in order to meet short-term business requirements. At June 30, 2015, the Company had current liabilities of \$15,167,931 (December 31, 2014 - \$6,476,148). 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 finance lease obligations and equipment loan 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 concentrate prepayment is settled upon delivery of concentrate, with any shortfall remedied in cash or in concentrate at the buyer's determination.

(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 not exposed to significant interest rate cash flow risk as the Company's finance lease obligations and equipment loan bear interest at fixed rates.

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 US dollars:

	June 30, 2015		December 31, 2014	
	MXN	USD	MXN	USD
Cash and cash equivalents	\$ 2,180,631	\$ 2,281,637	\$ 2,532,442	\$ 3,382,302
Amounts receivable	-	2,287,531	-	1,350,874
Accounts payable and accrued liabilities	(18,299,463)	(1,461,439)	(10,805,057)	(786,490)
Finance lease obligations	(346,786)	(2,909,585)	(908,005)	(2,788,356)
Equipment loan	-	(389,567)	-	-
Warrant liability	-	(51,653)	-	(206,611)
Net exposure	(16,465,618)	(243,076)	(9,180,620)	951,719
Canadian dollar equivalent	\$ (1,307,968)	\$ (303,601)	\$ (722,056)	\$ 1,104,088

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(Expressed in Canadian dollars) (unaudited)

20. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk (continued)

Based on the net Canadian dollar denominated asset and liability exposures as at June 30, 2015, a 10% fluctuation in the Canadian/Mexican and Canadian/US exchange rates would impact the Company's earnings for the six months ended June 30, 2015, by approximately \$305,035 (December 31, 2014 - \$45,188). 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 accounts 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 June 30, 2015, based on outstanding accounts receivable that were subject to pricing adjustments, a 10% change in the market price of silver would have an impact on net earnings of approximately \$452,388 (December 31, 2014 - \$489,808), and a 10% change in the market price of gold would have an impact on net earnings of approximately \$145,001 (December 31, 2014 - \$210,058).

The Company is exposed to price risk with respect to its investments in related companies and its investments in other companies as certain of 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 June 30, 2015, a 10% change in market prices would have an impact on net earnings of approximately \$8,366 (December 31, 2014 - \$5,389).

The Company's profitability and ability to raise capital to fund mineral resource exploration 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).

AVINO SILVER & GOLD MINES LTD.

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20. FINANCIAL INSTRUMENTS (continued)**(d) Classification of Financial Instruments** (continued)

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 June 30, 2015:

	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and cash equivalents	\$ 3,256,186	\$ -	\$ -	\$ 3,256,186
Investments in related companies	77,643	-	-	77,643
Investments in other companies	46,000	-	-	46,000
Financial Liabilities				
Warrant liability	-	-	(64,514)	(64,514)
	\$ 3,379,829	\$ -	\$ (64,514)	\$ 3,315,315

21. SUBSEQUENT EVENTS

Prepayment Agreement – On July 8, 2015, the Company entered into a concentrates prepayment agreement with Samsung C&T U.K. Limited (“Samsung”). Pursuant to the agreement, Avino will sell concentrates produced from the ET zone of the Avino mine area property on an exclusive basis to Samsung for a period of 24 months, and Samsung agreed to make a prepayment of US\$10,000,000 for the concentrates. Samsung will pay for the concentrates at the prevailing metal prices for their silver, copper, and gold content at or about the time of delivery, less treatment, refining, shipping and insurance charges. Interest will be charged on the prepayment at a rate of LIBOR (3 month) plus 4.75%, and the prepayment will be repaid in 15 consecutive equal monthly instalments starting in June 2016. The prepayment is secured by the concentrates produced under the agreement and by the common shares of Bralorne Gold Mines Ltd. The US\$10,000,000 prepayment was received from Samsung on August 14, 2015.

Share issuances and stock option cancellation – Subsequent to the six months ended June 30, 2015, the Company issued 10,400 common shares under the prospectus supplement for net proceeds of \$13,164 (US\$10,100) and issued 5,000 common shares upon the exercise of stock options for gross proceeds of \$5,100. Subsequent to the six months ended June 30, 2015, the Company also cancelled 50,000 stock options exercisable at \$1.90 with an expiry date of December 22, 2019.