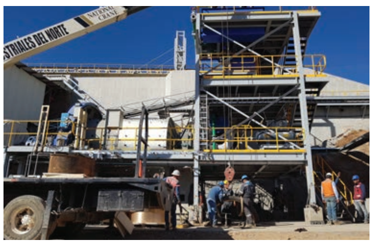
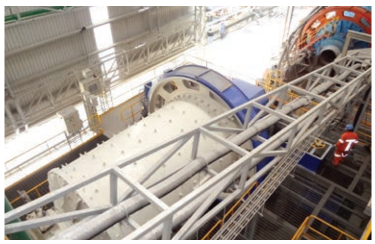




Since 1968.

ANNUAL REPORT 2017

Contents

A proven model for growth.

Avino has operated in Mexico for 50 years. Our progressive approach to exploration and mine development places an emphasis on relationships, trust and innovation. This strategy and philosophy have helped Avino become an efficient company with two mines in operation in Mexico and a gold mine under brownfield exploration in southern British Columbia. To support nearby communities in British Columbia, Avino has forged a unique alliance with communities, universities, government and industry to hire and empower local First Nations youth. Long-term growth in shareholder value is supported by an exceptional share structure, cash management and expansive exploration potential in both Mexico and British Columbia.

Our Investment Profile

Reasons to Own Shares in Avino

Assets/Geographical Diversity
Two producing mines in Mexico, one under brownfield exploration in Canada

Capital Management
Exceptional share structure for a company at Avino's growth stage

Financial Performance
Increasing revenues, competitive cost model, consistent profits

Resilient Silver Margins
Consistent margins for the past three years

Resource and Production Growth
Silver, gold and copper in Mexico, gold in Canada

Community Support
First Nations engagement, hiring local talent, building infrastructure—we're good neighbors in both Mexico and Canada

Securing Top Talent
Securing skills and experience to direct the next phase of growth

Samsung C & T Strategic Partnership
Ethical partner, long-term concentrate sales, supporting Avino's growth

Silver Use Expanding
Industry, technology and investment support long-term demand

Commitment
Passionately committed to our vision, values and growth model

Exploration Potential
Significant undeveloped brownfield ground in both Mexico and Canada

Capital Investment
Modern technology, equipment, training

2017 Highlights and Milestones

APRIL

Updated Positive Preliminary Economic Assessment completed for the Oxide Tailings at Avino Mine.

MAY

Work continues on new Circuit 4 at Avino Mine, which will increase processing capacity by approximately 70%.

Installation of new on-stream analyzer in Mexico provides more process control.

Avino signs a non-binding Letter of Intent ("LOI") to recognize opportunities for collaboration and establishment of joint ventures with St'át'imc First Nations communities in British Columbia.

JUNE

With new instrumentation and construction of a new onsite metallurgical lab, the plant will be optimized for improved metallurgical results.

AUGUST

Exploration drilling between the San Luis workings and the Elena Tolosa ("ET") current production area extends the Avino Vein system while opening a new, gold-rich area untouched in the past.

Drilling begins on three additional areas of mineralization at the Avino property.

NOVEMBER

Bralorne Gold Mine receives a Permit Amendment to the Mines Act Permit M207 which replaces the 100 tpd permit from 1996 that Bralorne had been operating under since purchasing the project in 2014.

DECEMBER

Silver equivalent production for 2017 totals 2,700,585 ounces, a 1% increase over 2016.

Silver production totals 1,394,203 ounces, a 14% decrease from 2016.

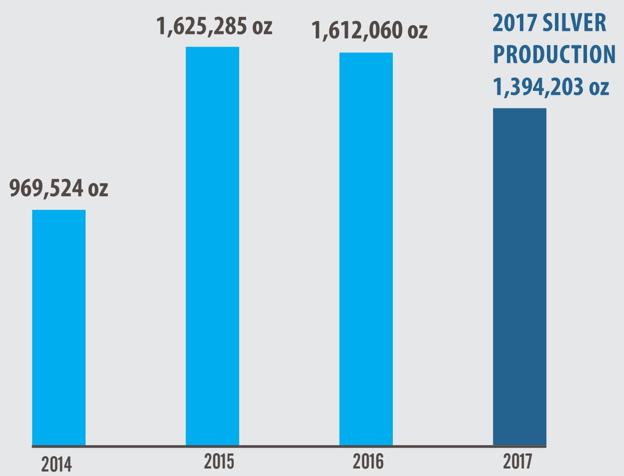
Gold production, at 7,935 ounces, increases 11% over 2016.

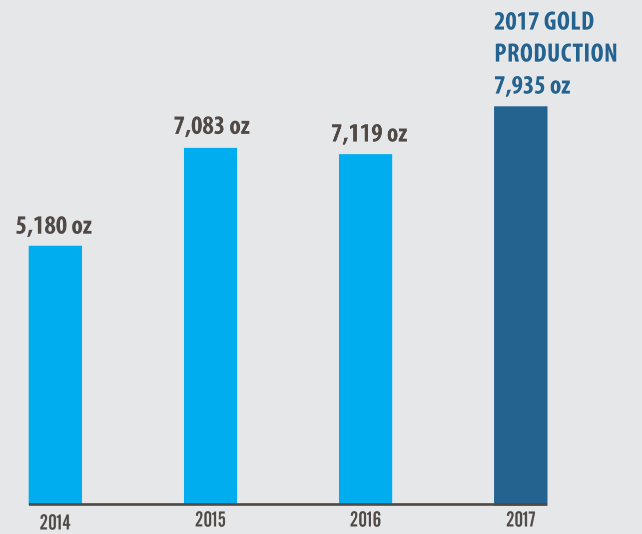
Copper production totals 4,373,166 lbs, an increase of 4% over 2016.

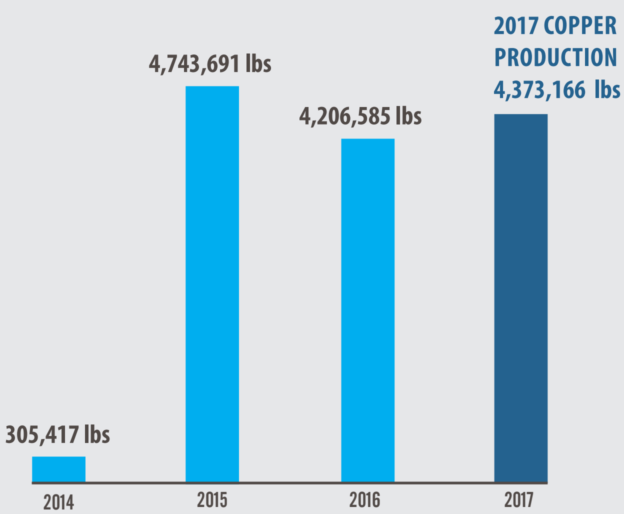
Avino announces plans for 8,000-metre exploration drill program at Bralorne, focusing on nine gold-bearing veins containing existing resources.

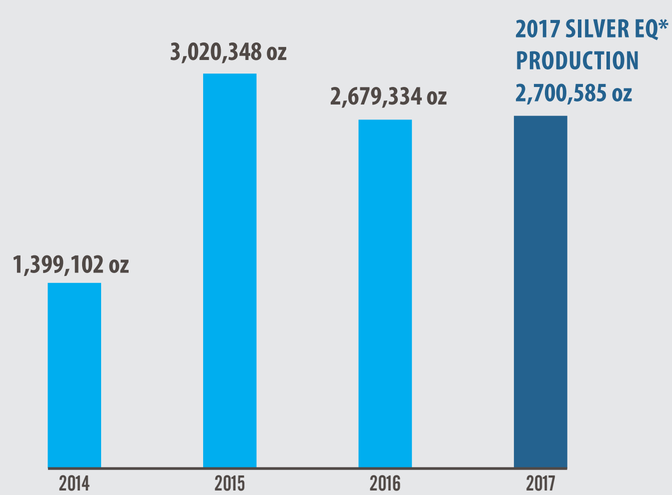
Avino receives conditional approval to list its shares and warrants on the Toronto Stock Exchange.

2017 Production Highlights









	2017	2016	Change
Total Mill Feed (dry tonnes)	541,935	544,336	↓ 0.4%
Avino Mine Feed Grade Silver (g/t)	64	67	↓ 4%
Avino Mine Feed Grade Gold (g/t)	0.516	0.42	↑ 23%
Avino Mine Feed Grade Copper (%)	0.484	0.50	↓ 3%
San Gonzalo Feed Grade Silver (g/t)	269	267	↑ 1%
San Gonzalo Feed Grade Gold (g/t)	1.32	1.25	↑ 6%

* In 2017, AgEq was calculated using metals prices of $17.05 oz Ag, $1,258 oz Au and $2.80 lb Cu. In 2016, AgEq was calculated using $17.10 oz Ag, $1,248 oz Au and $2.21 lb Cu

Message from the CEO

A long list of achievements made 2017 a pivotal year for Avino, including an overall strong financial performance, listing on the Toronto Stock Exchange, discovery of a new gold-rich mineral zone in Mexico and continued plant expansion. We're also pleased to have spearheaded a progressive, if not unique, collaboration between First Nations, industry, education and government in British Columbia to train and educate Indigenous youth for mining employment.

David Wolfin,
President and
Chief Executive Officer

I'm most proud that we're celebrating our 50th year in business. A half-century of operation is a remarkable accomplishment in this industry. We arrive at 2018 stronger, bigger and with more growth potential than at any time in the Company's long history.

Avino's Toronto Stock Exchange listing marks a major transition as we work towards our key goal of becoming a mid-tier silver producer. Moving up to a senior exchange in Canada provides expanded visibility, credibility and access to capital. It has been one of our primary goals for many years, and I take great satisfaction today in seeing "TSX" by our trading symbol.

As the San Gonzalo mine begins to wind down, we are drilling aggressively to replenish and expand resources while opening up new areas of the property. This was our fifth year of production at San Gonzalo. The original projected mine life was five years, so it has proven to be a solid asset. The mine's high grades and easy access launched Avino's rebirth back in 2010, providing dilution-free capital as we built and modernized—especially during difficult markets when other companies cut back.

Construction continued on Circuit 4 at the Avino plant, which when operational will increase our capacity by nearly 70%. We also built a new metallurgical lab and hired a full-time metallurgist to help optimize recoveries.

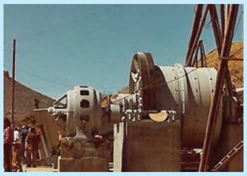
A 22-hole drill program evaluated tonnage and grade in the new gold-rich area of the Avino vein system between the San Luis workings and the current production area. This zone is

50 years of resilience, initiative and enterprise.

1967

Lou Wolfin meets Fernando Ysita, tours Avino site

1968



Cia Minera (Avino 49%/Ysita family 51%) buys Avino property close to surface and accessible from the existing underground workings. We also began drilling on three additional areas of the property where we believe there is potential to expand resources. We have dozens of high-quality targets to explore for years to come, and our geologists are confident we will find more targets of San Gonzalo's quality or better on the property.

At our Bralorne Mine in British Columbia, critical infrastructure improvements continued as we evaluated and refined our development plan. We concluded our best focus for now is exploration to expand resources for a planned 400 ton-per-day operation. A larger resource base will give us better options for funding the long-term operation, including joint venture participation.

We cannot reflect on Avino's 50 remarkable years without honouring key people who, through innovation, risk-taking, vision and plain hard work, got us where we are today.

My father Louis Wolfin, acting on a tip from a chance meeting in California, investigated the Avino Property and formed a pioneering partnership there in 1968. His tenacity and strong relationships in Mexico guided the Company through its formative years and then 27 years of production until 2001. Fernando Ysita ran the Mexican side of the operation, building the mine while establishing crucial relationships with local and federal authorities. Don Pedro Sanchez Mejorada, previously a key employee at Peñoles (Mexico's largest mining company at the time), was instrumental in modernizing recoveries and mining methods. Chris Sampson, Director and geologist, acted as a liaison between Durango and Vancouver and offered valuable guidance for us on many levels. Sadly, all four have passed away. We said good-bye to Lou and Chris in 2017.

Finally, I am honoured to recognize Mercedes Sanz Cerrada, who started with us in Durango in 1974 and where she remains an essential part of our operation today. Mercedes was instrumental in establishing the Durango office and ensuring it ran efficiently. We would never have succeeded without her intelligence, skills, enthusiasm and warmth.

I offer my congratulations and gratitude to each of our 500+ team members and directors. We have come a long, long way in 50 years, helping our host communities prosper while building better lives for many people along the way. This was a key part of my father's vision from the beginning, and it remains so as we launch the next 50 years.

You will see our pride, optimism and upward momentum embodied in Avino's new brand—including our new logo. Throughout 2017 we invested considerable time and energy to reflect upon where we've been, where we stand today and where we want Avino to go. This effort delivered a refined and powerful vision along with reinforced long-term objectives and core values. We also realigned and empowered our messaging to ensure everyone at Avino works toward common goals while communicating succinctly, consistently and openly with our shareholders.

New Look, Same Values.

The three arcs of Avino's new logo, derived from the original logo which served us well for 50 years, embody the triads of the Company's brand: the Brand Pillars of Resilience, Initiative and Enterprise, the Core Values of Quality, Relationships and Growth, and the three key elements of Avino's Integrated Growth Model (see page 10). The converging, concentric shapes also imply dynamic energy, inclusiveness and cohesion. And at the centre of it all—an A for Avino.

AVINO
SILVER & GOLD MINES LTD

1974

AVINO

Avino mine re-opens

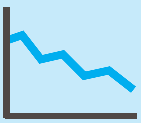
1980

Silver price hits US$49.45/oz (over US$97 in today's dollars)

1999

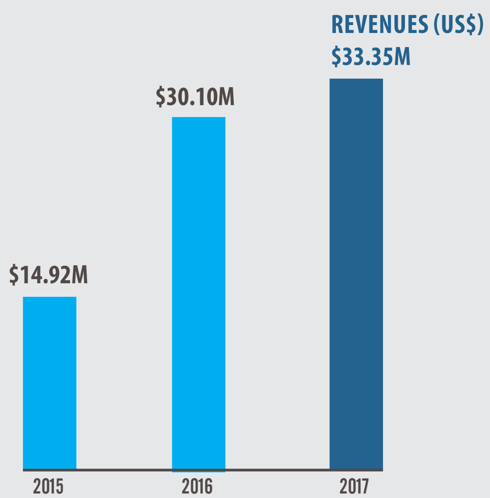
End of open pit mining, shift to underground

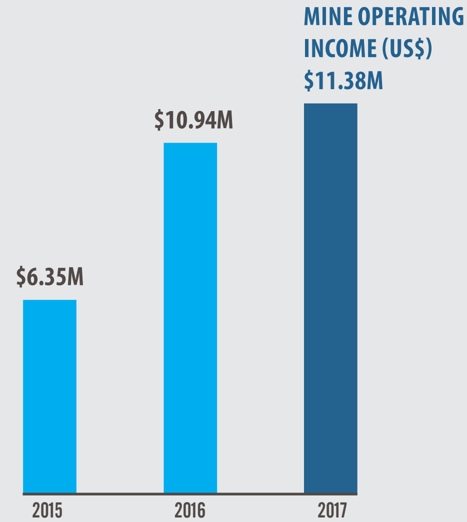
2001

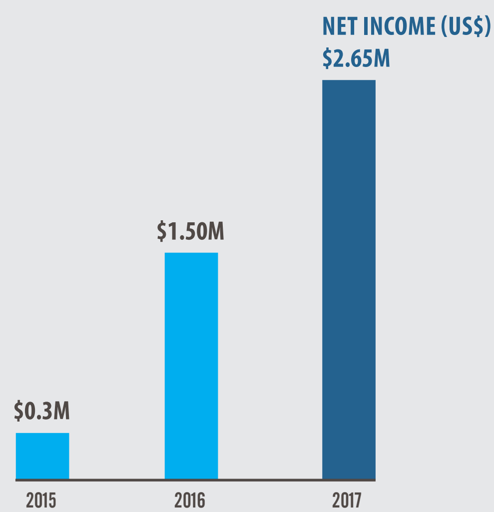


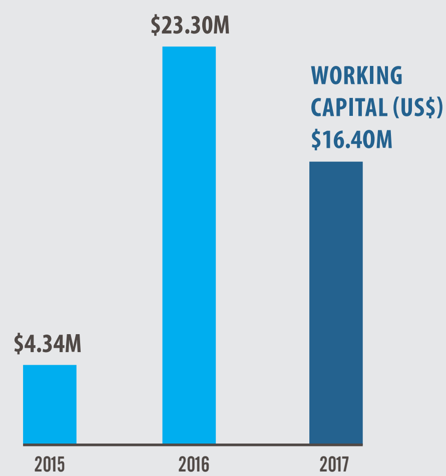
Mine closes due to economic conditions

2017 Financial Highlights









	2017	2016	2015	Change 2016/2017
Revenues	$ 33,358,641	$ 30,105,336	$ 14,924,798	↑ 11%
Mine Operating Income	$ 11,383,511	$ 10,944,536	$ 6,351,598	↑ 4%
Net Income	$ 2,653,461	$ 1,503,531	$ 378,087	↑ 76%
Cash	$ 3,419,532	$ 11,779,718	$ 5,401,109	↓ 71%
Working Capital	$ 16,402,359	$ 23,306,043	$ 4,337,827	↓ 30%

Message from the CFO

We are pleased with our overall financial performance in 2017. With expected marginal increases, the year ended with a strong balance sheet.

At the beginning of 2017, we began reporting in USD to better reflect the Company's business activities and, therefore, improve investors' ability to compare the Company's financial results with other publicly traded mining companies.

We continue to maintain consistent All in Sustaining Cash Costs (AISC) per silver equivalent ounce, and for 2017 we achieved $10.11 compared to $10.34 in 2016. Our silver cash margins remain consistent and also competitive with our peers.

As Mill Circuit 4 comes on line in 2018, we will see an increase in our silver equivalent production. However, we are mindful that some costs such as labour, mine-mill supplies, contractor services, electricity, and fuel may rise, and we will maintain a disciplined approach to these costs as the year progresses.

As we enter our 50th year, it's clear that the core values of investing in good people and forging connections, as we have done throughout our long history, produces the greatest dividends. This was certainly our key investment for 2017. We added exceptional talent, both in Mexico and Canada, that will guide us into our next half-century.

It's always a pleasure to see the engaged, enthusiastic and positive attitudes of our people at our Durango office and mine site. Everyone, whether fresh on the job or a long-time veteran (some with more than 30 years of service for Avino), is proud of what they do and anxious to share what they've learned or accomplished.

We have established ambitious goals, including our primary goal of becoming a mid-tier silver producer. While technology, the best equipment and smart exploration are essential to reach these goals, it's the brains, drive and relationships that will truly carry us forward. I'm pleased to see our team growing and coalescing into a cohesive unit.

We finished the year with over $100 million in assets, and we continue to allocate resources towards modernizing our plant, fine tuning and automating processes while finding ways to continually bring costs down.

Avino remains with a very positive share structure, and our intent is to preserve that asset. We have minimized dilution over the years by funding expansion from cash flow and through our partnership with Samsung C&T.

At our Bralorne Mine in British Columbia, we look forward to further exploration in 2018 as we work towards developing a robust resource base. We are working closely with geologists to establish a sound and cost-effective drilling program, along with other exploration efforts, that will help us expand resources to support a planned 400 ton-per-day operation.

Looking ahead to 2018, I'm optimistic that we will see a year of continued growth and improved performances, both operational and financial. The new Circuit 4 will be on stream, boosting our capacity significantly, and personally I expect to see improvements in metals markets due to international political pressures and growing industrial demand for silver.

We have enormous opportunities, both now and in the future. As our team coalesces into a tighter and more responsive unit, I'm confident they will contribute to higher productivity and efficiency. I'm most grateful for the enthusiasm, resourcefulness, attention to detail and diligent effort displayed by everyone. I look forward to working with all of you in the coming year.

Malcolm Davidson
Chief Financial Officer

2005

David Wolfin becomes Avino CEO

2006

Avino buys remaining 51% of Cia Minera

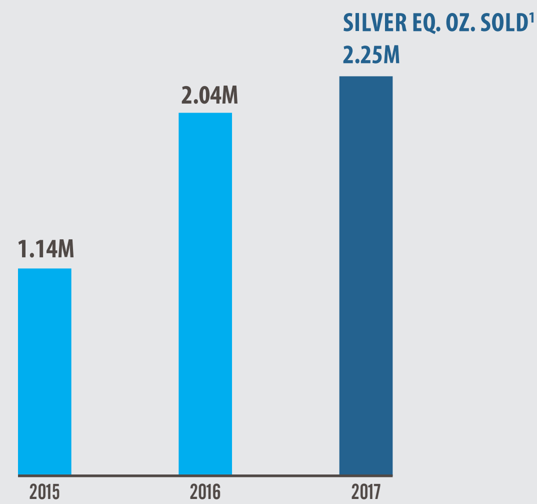
2007

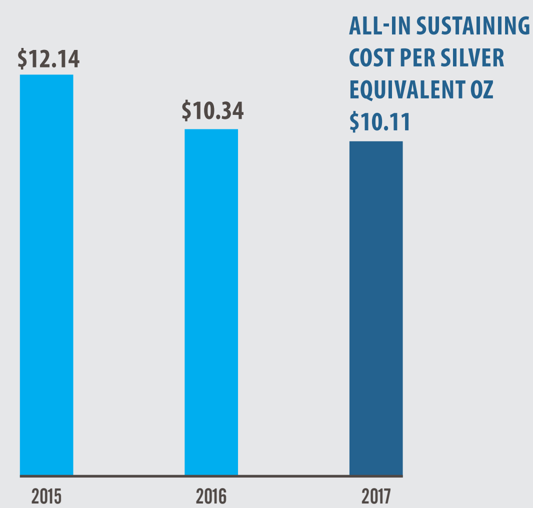
Discovery of San Gonzalo deposit

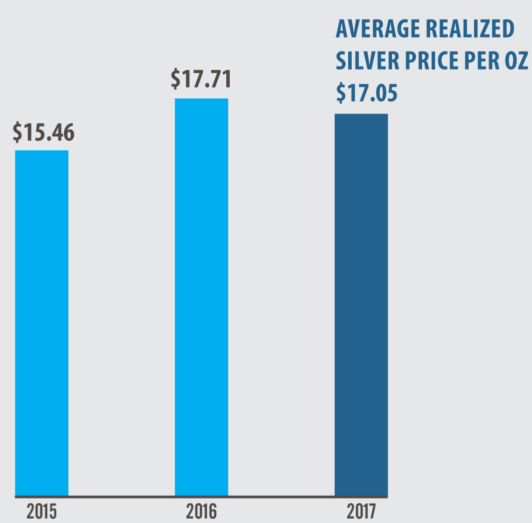
2012

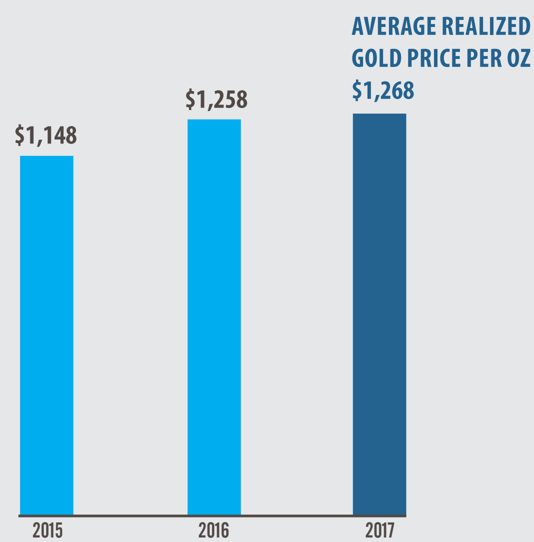
San Gonzalo Mine opens

2017 Operational Highlights









	2017	2016	Change
Silver Equivalent Ounces Sold[1]	2,245,946	2,035,618	↑ 10%
Cash Cost per Silver Equivalent Ounce[1]	$8.65	$ 8.48	↑ 2%
All-in Sustaining Cost per Silver Equivalent Ounce[1,2]	$10.11	$10.34	↓ 2%
Average Realized Silver Price per Ounce ($US)	$17.05	$17.71	↓ 4%
Average Realized Gold Price per Ounce ($US)	$1,268	$1,258	↑ 1%
Average Realized Copper Price per Tonne ($US)	$6,251	$ 4,850	↑ 29%

[1] "Silver equivalent ounces sold" for the purposes of cash costs and all-in sustaining costs consists of the sum of silver ounces, gold ounces, and copper tonnes sold multiplied by the ratio of the average spot gold and copper prices to the average spot silver price for the corresponding period.

[2] The Company reports non-IFRS measures which include cash cost per silver equivalent ounce, all-in sustaining cash cost per ounce, and cash flow per share. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and the calculation methods may differ from methods used by other companies with similar reported measures.

Message from the COO

All of us at the Avino office in Durango, and the 500-plus workers at the nearby mine site, have a special connection to the company's 50th anniversary and the history it represents. We are surrounded by the history and by the legacies of the people who worked so hard over the years to get us to where we are today. All of them certainly embodied our brand pillars of resilience, initiative and enterprise, and we intend to carry those principles forward as we work to achieve our long-term goal of building Avino into a mid-tier silver producer.

Our key near-term goals are to bring Circuit 4 online, open the new San Luis Mine (part of the larger, historical Avino Mine) and expand our exploration efforts on some of our many brownfield and greenfield targets. We also intend to begin construction of our backfilling plant for tailings processing and disposal.

Subsequent to year end, in February 2018, we announced an updated mineral resource at the Avino Property. The results of the additional drilling contributed to an approximate 225% increase in tonnage in the Measured and Indicated Resource categories and a decrease of 25% in the Inferred resource due to a conversion of a portion of the Inferred Resources to the Indicated Resource category. This latest drilling has also given us a positive evaluation of tonnage and grade between the San Luis workings and the ET production area. We believe this area of the property will continue to add resources to our operation long-term.

We expect to complete construction of Circuit 4 by Q2 2018 and quickly begin processing stockpiled material. This facility will increase capacity by roughly 70%. Later in the year, we expect to begin processing San Luis material in Circuit 4.

Our brownfield exploration will include drilling on the Guadalupe vein, which parallels the Avino vein. Our current plan is to drill up to 15 holes at Guadalupe, totaling around 2,500 metres. We will also explore the Chirumbo target, located east of the Avino Vein, where we expect to drill an additional 2,000 metres.

Beyond the Avino property, we have at least four greenfield projects with excellent potential that remain largely untested. In 2018 we plan to begin exploration at our El Hueco property, located northwest of the Avino property within the Sierra San Francisco near the township of Santiago Papasquiaro. The property lies approximately 30 kilometers south-southwest of Silver Standard's Pitarilla project.

Beyond our production and exploration work, we believe our community work shares equal importance. Relationship-building is one of Avino's Core Values, and this principle has been instrumental in Avino's growth and resilience over its 50-year history. In 2018 we will continue the ongoing work with local communities, helping schools, building infrastructure and addressing concerns from people of the villages. The doors of our community liaison office are always open, and we work very hard to ensure that locals are well-informed and helped whenever possible.

In closing, I wish to congratulate everyone in the Avino family on this 50th Anniversary milestone. I'm proud to be a part of the team carrying this company into its next half-century.

Carlos Rodriguez
Chief Operation Officer

2014

Mill circuit 3 triples production capacity

2014

Avino acquires Bralorne Gold Mine

2015

Avino Mine officially re-opens

2015

SAMSUNG SAMSUNG C&T

Agreement signed with Samsung C&T

Avino's Growth Strategy and Integrated Growth Model

Focused on growth, quality and relationships

Avino's *Integrated Growth Model* embodies our Core Values, strategies and commitment to building relationships. This model, philosophy and culture has fueled our growth for 50 years. We have built the Integrated Growth Model upon:

1. The way we treat and honor the people of our organization, our associates, our vendors, the communities in which we operate, our shareholders and all other stakeholders

2. The principles that underlie the way we keep the company vital and growing

3. How we operate from day-to-day to keep the Company efficient, profitable and safe

These principles and strategies have broadened and strengthened throughout the decades, and today they represent the fundamental framework of how the Company operates.

Philosophy, Culture, Ethics

Relationships

Trust

Integrity

Accessibility

Openness

First Nations Engagement

Business Growth Strategy

Innovative Approach

Evolutionary Thinking

Technology

Creativity

Unique Solutions

Be Trailblazers!

Operating Strategy & Structure

Quality First

Rigorous Attention to Detail

Team Synergy

Critical Thinking

Profitability

Safety

Our Integrated Growth Model, our philosophy and our culture have fueled Avino's growth for 50 years.

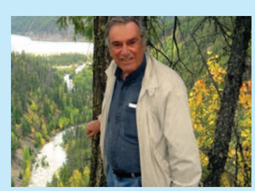
2016

Avino begins rebranding process to reflect new vision and goal of becoming mid-tier producer

2016

Avino produces 2.7M oz silver equivalent

2017



In Memoriam, Avino founder and former CEO Louis Wolfin: 1931-2017

Key Targets and Objectives for 2018

Mexico

- Complete Mill Circuit 4, increasing milling capacity by 70%.
- Continue exploration and development of new mineralized zone near San Luis vein.
- Continue drilling to explore regional targets on the Avino property.
- Evaluate production plans for the Oxide Tailings Project.
- Continue testing program for recovery of zinc from the San Gonzalo tailings.
- Continue Laboratory testwork for design of the tailings paste backfill plant. Finalize a timeline for plant construction.

Canada

- Drilling (approx. 8,000 metres) to expand and better define current resources.
- Carry out engineering and scientific studies to determine Long Term Water Management Plan and Strategy.
- Continue to work with First Nations with regard to education, training and business opportunities.
- Use proceeds of CDN$6M flow-through financing to fund drill program and other exploration work at Bralorne.

2017 TSX

Avino begins trading on TSX

2018

Avino nears completion of new Circuit 4, nearly doubling capacity

2018 AVINO SILVER & GOLD MINES LTD | 50 YEARS 1968–2018

Avino completes re-branding, celebrates 50th Anniversary

Operations in Mexico

Circuit		
Circuit 1	**Mill Feed**	San Gonzalo Mine
	Capacity (tpd)	250
	Online Date	Oct 2012
Circuit 2	**Mill Feed**	Avino (ET) & San Gonzalo mines
	Capacity (tpd)	250
	Online Date	Apr 2013
Circuit 3	**Mill Feed**	Avino (ET) Mine
	Capacity (tpd)	1,000
	Online Date	Jan 2015
Circuit 4	**Mill Feed**	Avino (ET) Mine
	Capacity (tpd)	1,000
	Online Date	Q2 2018

Mexico Operations

AVINO
SILVER & GOLD MINES LTD

YEARS
1968–2018

Avino began as a Canadian mining pioneer in Mexico in 1968, building longstanding relationships and infrastructure. In the 50 years we have operated here, our focus has been, and continues to be, the Avino Property located in Durango State within the Sierra Madre silver/gold belt. Here we own and operate two mines with significant brownfield exploration potential across dozens of targets—many of them former small mines. We are also planning to explore four greenfield projects, all within Durango State.

The Avino Mill serves the Avino and San Gonzalo mines. The plant is configured to run three separate circuits with a total capacity of 1,500 tpd. A fourth 1,000 tpd circuit, which will process material from the Avino Mine, is under construction with completion estimated in Q2 2018.

Mexico's mining history extends back more than 500 years—as does the history of the Avino Property. Mexico is the world's largest producer of silver and a leading producer of gold, copper and zinc, amongst other minerals. The country's appeal to both domestic and international miners derives from its stable political and economic environment, modern infrastructure, skilled and educated work force and a pro-mining culture.

2017 Silver Production

803,438 oz

2017 Silver Eq. Production*

1,911,428 oz

2017 Gold Production

5,259 oz

2017 Copper Production

4,373,166 lbs

Feed Grade Silver

64 g/t

Feed Grade Gold

0.52 g/t

*Metal production is expressed in terms of silver equivalent ounces (oz Ag Eq). In 2017, AgEq was calculated using metals prices of $17.05 oz Ag, $1,258 oz Au and $2.80 lb Cu. In 2016, AgEq was calculated using $17.10 oz Ag, $1,248 oz Au and $2.21 lb Cu.

Avino Mine

Operations

Following several years of redevelopment, Avino completed mine and mill expansion at the Avino Mine in Q4 2014. Operations began January 1, 2015. Full and commercial production was declared effective April 1, 2016 following a 19-month advancement and test period. The Avino vein remains open at depth.

Exploration in 2017

Avino completed a 22-hole, 3,374-metre diamond drill program in 2017, exploring an area of the Avino Vein System between the San Luis workings and the Elena Tolosa ("ET") current production area. This new area, previously unexplored, is close to surface and accessible from the existing Avino Mine underground workings. The area was identified as a target of interest given that on surface and at shallow depths, the Avino Vein System splits into hanging wall and foot wall structures.

Results from the drill program indicated the new zone extends for approximately 240 metres of strike length by 130 metres in depth, with an average thickness of 15 metres.

The results provide further confidence that should allow Avino to develop this area for mining. Notable assays also demonstrate that this area is richer in gold than other areas of the Avino vein system explored to date.

Drilling extended the new mineralized area for approximately 240 metres of strike length by 130 metres in depth, with an average thickness of 15 metres.

Avino mined the extensive Avino Vein through 27 years of both open pit and underground production prior to 2001. The vein measured 1.6 km in length and 60 m in width on the surface. The processing plant was built conveniently next to the vein.

The deepest level mined prior to 2001 was level 11.5 (330 m below the surface). From 1997 - 2001, the mine and mill averaged 1,000 tpd and achieved production up to 1,300 tpd. During the final three full years of operation, production averaged 1.7 million ounces of silver equivalent annually. The mine closed in November 2001 due to low metal prices (with silver at US$4.37/oz, gold US$283/oz and copper US$0.65/lb) and was also impacted by the closure of a key smelter.

THE CURRENT AVINO MINE RESOURCE
AS AT FEBRUARY 21, 2018

	Deposit	Cut-off AgEq g/t	Metric Tonnes	AgEq Grade g/t	Ag Grade g/t	Au Grade g/t	Cu%	Ag Eq Troy oz* (Millions)	Ag Troy oz (Millions)	Au Troy oz (Thousands)	Cu T
Measured	Avino - ET	60	3,890,000	141	71	0.54	0.55	17.6	8.9	67.4	21,000
Measured	Avino – San Luis	60	650,000	142	67	0.70	0.49	3.0	1.4	14.6	3,000
Indicated	Avino - ET	60	2,640,000	105	49	0.56	0.34	8.9	4.2	47.6	9,000
Indicated	Avino – San Luis	60	1,620,000	126	54	0.82	0.36	6.6	2.8	42.9	6,000
Inferred	Avino - ET	60	2,830,000	111	58	0.51	0.33	8.5	4.4	39.1	8,000
Inferred	Avino – San Luis	60	1,780,000	124	57	0.72	0.38	7.1	3.2	41.2	7,000

Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues. The quantity and grade of reported Inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred resources as an Indicated or Measured mineral resource and it is uncertain if further exploration will result in upgrading them to the Indicated or Measured mineral resource category.

Figures in the table may not add to the totals shown due to rounding.

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 "Standards of Disclosure for Mineral Projects."

The silver equivalent for the Avino (ET) mine was calculated using the following assumptions: Au price US$1,300/oz. Ag price US$ 17.50/oz. Copper price US$3/lb. A net smelter return (NSR) was calculated and the silver equivalent was back calculated for Avino/ET using the formula: AgEQ = (24.06 x Au (g/t) + 0.347 x Ag (g/t) + 43.0 x Cu (%) - 151.8 x Bi (%)) / 0.347

Qualified Person(s): Avino's projects in Durango, Mexico are under the geoscientific oversight of Michael O'Brien, P.Geo., Senior Principal Consultant, ARANZ Geo, and under the supervision of Jasman Yee P.Eng, Avino Director, who are both qualified persons within the context of NI 43-101. Both have reviewed and approved the technical data in this report.

San Gonzalo Mine

2017 Silver Production

590,765 oz

2017 Silver Eq. Production*

789,157 oz

2017 Gold Production

83,215 oz

Feed Grade Silver

269 g/t

Feed Grade Gold

1.32 g/t

*Metal production is expressed in terms of silver equivalent ounces (oz Ag Eq). In 2017, AgEq was calculated using metals prices of $17.05 oz Ag, $1,258 oz Au and $2.80 lb Cu. In 2016, AgEq was calculated using $17.10 oz Ag, $1,248 oz Au and $2.21 lb Cu.

San Gonzalo Mine

Operations

As an underground operation, San Gonzalo uses both shrinkage and cut-and-fill mining methods to extract mineralized material. The material is trucked to our 1,500 tpd Avino Mill facility and processed separately, into a bulk concentrate, through the 250 tpd Circuit #1. The concentrate is then shipped to Manzanillo, Mexico.

As expected, we are moving towards the end of San Gonzalo's mine life, estimated originally at four-to-five years. We are currently in year seven.

Exploration in 2017

Exploration to develop further resources near San Gonzalo continued throughout 2017, using both surface and underground drilling.

The San Gonzalo Mine, commissioned in 2012, is situated just two kilometers from the original Avino Mine. Production comes from a strongly-developed silver-gold-zinc vein system over 25 meters in width.

THE CURRENT SAN GONZALO RESOURCE
AS AT FEBRUARY 21, 2018

	Cut-off AgEq g/t	Metric Tonnes	AgEq g/t	Ag g/t	Au g/t	Ag Eq Troy oz* (Millions)	Ag Troy oz (Millions)	Au Troy oz (Thousands)
Measured	130	290,000	397	314	1.65	3.7	2.9	15.4
Indicated	130	240,000	319	257	1.25	2.5	2.0	9.6
Inferred	130	120,000	262	219	0.86	1.0	0.8	3.3

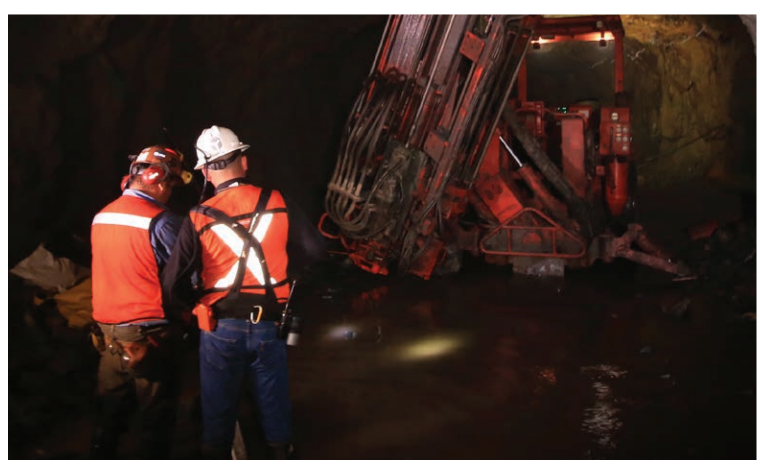
Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues. The quantity and grade of reported Inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred resources as an Indicated or Measured mineral resource and it is uncertain if further exploration will result in upgrading them to the Indicated or Measured mineral resource category.

Figures in the table may not add to the totals shown due to rounding.

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 "Standards of Disclosure for Mineral Projects."

The silver equivalent for San Gonzalo was calculated using the following assumptions: Au price US$1,300/oz. Ag price US$ 17.50/oz. Copper price US$3/lb A net smelter return (NSR) was calculated and the silver equivalent was back calculated for San Gonzalo using the formula: AgEQ = (0.03 x Au (g/t) + 0.385 x Ag (g/t) - 4.03 / 0.385

Qualified Person(s): Avino's projects in Durango, Mexico are under the geoscientific oversight of Michael O'Brien, P.Geo., Senior Principal Consultant, ARANZ Geo, and under the supervision of Jasman Yee P.Eng, Avino Director, who are both qualified persons within the context of NI 43-101. Both have reviewed and approved the technical data in this report.



Oxide Tailings Project

Oxide Tailings Project

The extensive oxide tailings asset, situated 500 meters west-southwest of the main Avino Mine shaft, includes both oxide and sulphide tailings. Each will require separate treatment methods.

In April 2017, Avino completed an updated Preliminary Economic Assessment ("PEA") for re-treatment of the tailings, which included results from the Company's recent 2016 Resource Estimate for the Avino property. The PEA has been prepared in accordance with National Instrument 43-101, and a compliant Technical Report was completed by Tetra Tech Canada Inc.

The Company cautions that the PEA is preliminary in nature in that it is based on Inferred Mineral Resources which are considered too speculative geologically to have the economic considerations applied to them that would enable them to be characterized as mineral reserves, and there is no certainty that the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Highlights of the Oxide Tailings Preliminary Economic Assessment

- Significant pre-tax NPV8% of US$40.5 million
- Strong pre-tax IRR of 48.4%
- Two-year pay-back period
- Total capital expenditures of US$28.5 million
- Seven-year mine life with LOM of 3.12 million tonnes of oxide tailings materials

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

In April 2017, Avino completed an updated Preliminary Economic Assessment ("PEA") for re-treatment of the tailings.

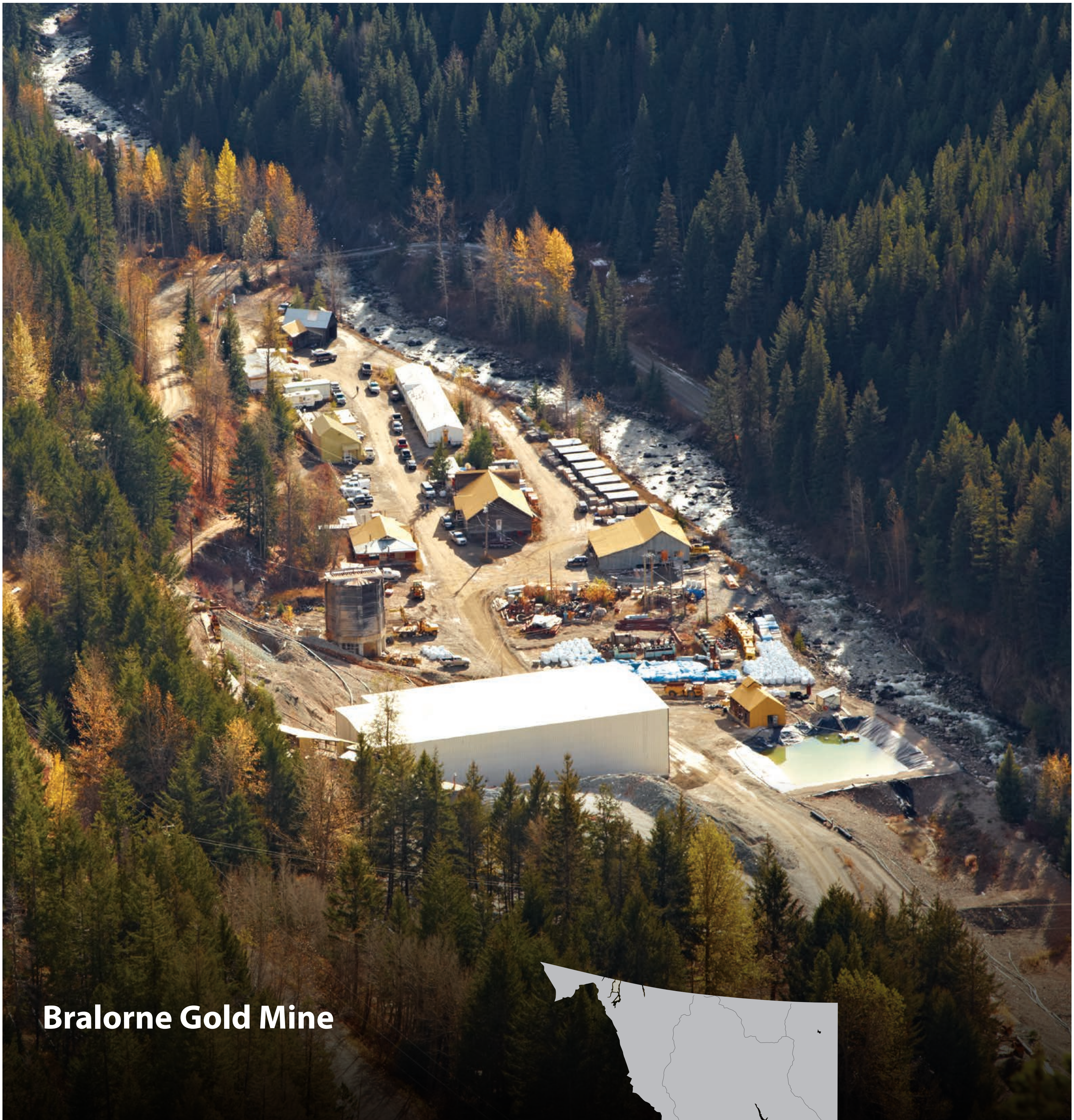
THE CURRENT TAILINGS RESOURCE
AS AT FEBRUARY 21, 2018

	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
Indicated	50	1,330,000	124	98	0.46	0	5.3	4.2	19.8	0
Inferred	50	1,810,000	113	88	0.44	0	6.6	5.1	25.6	0

Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues. The quantity and grade of reported Inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred resources as an Indicated or Measured mineral resource and it is uncertain if further exploration will result in upgrading them to the Indicated or Measured mineral resource category.

The silver equivalent for the Oxide Tailings was calculated using the following assumptions: Au price US$1,300/oz. Ag price US$ 17.50/oz. Copper price US$3/lb. A net smelter return (NSR) was calculated and the silver equivalent was back calculated for the Oxide Tailings using the formula: AgEQ = 69.37 x Au (g/t) + Ag (g/t)

Avino's projects in Durango, Mexico are under the geoscientific oversight of Michael O'Brien, P.Geo., Senior Principal Consultant, ARANZ Geo, and under the supervision of Jasman Yee P.Eng, Avino Director, who are both qualified persons within the context of NI 43-101. Both have reviewed and approved the technical data in this report.



Bralorne Gold Mine

Bralorne Gold Mine

The Bralorne Mine, located approximately 240 km north-east of Vancouver, British Columbia, is in the exploration, evaluation, and planning stage.

In December 2017, the Company announced that plans were finalised for an 8,000-metre drill program to begin early January 2018. This program was aimed at identifying additional resources and increasing confidence in existing resources in advance of a revised resource update. Drilling would focus on nine gold-bearing veins containing existing resources as defined in the NI 43-101 Updated Resource Estimate completed in October 2016. The program was also expected to include two geotechnical holes to provide information for engineering design of the proposed new tunnel on the 800 level.

In 2017 engineering and internal economic models indicated that a larger operation is required than 100 tpd under the amended M207 permit which was issued in November of 2017. Thus, engineering for mine design, mine planning, process design and infrastructure is now on hold while the company carries out exploration to better define and expand current resources and make new discoveries.

Environmental work continues, including studies to improve the short and long term water management on site. We are also conducting work required under the reclamation plan and to potentially permit for a larger operation.

In the first quarter of 2018, about half of the planned drill program was completed. The Bralorne geological team is currently evaluating the results.

The Bralorne Gold Mine, located in southwestern British Columbia, has operated under trial production status since 2010 and remains in the exploration and evaluation stage.

In December 2017, the Company announced that plans were finalized for an 8,000 metre drill program to commence early January 2018.

THE BRALORNE RESOURCE

Measured			Indicated			Measured & Indicated			Inferred		
Tons	Au opt	Au Ounces	Tons	Au opt	Au Ounces	Tons	Au opt	Au Ounces	Tons	Au opt	Au Ounces
45,922	0.36	16,643	227,201	0.32	74,855	273,123	0.33	91,528	363,527	0.22	83,900

Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues. The quantity and grade of reported Inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred resources as an Indicated or Measured mineral resource and it is uncertain if further exploration will result in upgrading them to the Indicated or Measured mineral resource category. Figures in the table may not add to the totals shown due to rounding. 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 "Standards of Disclosure for Mineral Projects". Mineral Resources are reported at cut-off grades 0.1 ounces per ton gold.

Avino's Bralorne Mine project is under the supervision of Fred Sveinson, B.A., B.Sc., P.Eng, a qualified person ("QP") within the context of National Instrument 43-101. Mr. Sveinson has reviewed and approved all the applicable technical data in this report. The resource estimates were prepared by Garth Kirkham, P. Geo., who is a "qualified person" within the meaning of National Instrument 43-101, and who is an employee of Kirkham Geosystems Ltd. and independent of Avino, as defined by Section 1.5 of NI 43-101.

Corporate Social Responsibility

An Open Door. A Helping Hand.

We recently established a Community and Sustainability department that provides an open door, especially to the local communities of Panuco de Coronado, San Jose de Avino, Zaragoza and Francisco I Madero.

The Community and Sustainability office provides an open, simple and welcoming means of interacting with the company. Here residents and community representatives can voice concerns, make requests, meet staff or simply gain a better understanding of our operations.

Our CSR Mandate in Mexico centers currently on six key initiatives:

- Improving water infrastructure
- Regional power capacity improvements
- Road improvements
- School and activities funding
- Garbage site cleanup
- First aid, fire safety and earthquake preparedness courses

We have helped deliver water to farmers, provided medical services, improved sports facilities and provided funding to schools.

Most recently we helped clean up a municipal garbage site and conducted first aid, fire safety and earthquake preparedness training for nearby communities.

We take great pride in the important role that Avino plays in this district, which is home to approximately 11,000 people and from which we draw 80 percent of our work force. As we grow and employ more local residents, we will play a key role in community and regional improvement.

AVINO SILVER & GOLD MINES LTD

50 YEARS 1968–2018

Having operated in the same community in Mexico for more than 40 years, Avino has benefited from longstanding relationships that continue to aid the company's ongoing development. Our goal is to make meaningful contributions to the communities in which we operate by engaging the local workforce, providing new opportunities and continually looking for ways to better the lives of our employees and their families.

Corporate Social Responsibility

Improving Communities, Infrastructure and Futures.

As we explore and develop our Bralorne holdings, Avino works closely with government representatives at local, provincial and federal levels to maintain an open dialogue with stakeholders while adhering to regulations. We use our resources to build better communities, infrastructure and futures for local residents.

Our CSR Mandate in British Columbia focuses on the following key initiatives:

- Community engagement
- Economic development
- Water quality treatment
- Local hiring and education initiatives
- First Nations education and training
- Mine closure and reclamation
- Infrastructure improvements

The Bralorne property is located in the heart of the St'át'imc First Nation's traditional territory, over which the St'át'imc maintain title and rights. Since acquiring Bralorne, we have focused on building trusting and mutually beneficial relationships with the St'át'imc Chiefs council, the Lillooet Tribal Council and the four St'át'imc communities (Xwisten, N'Quatqua, T'it'q'et and Tsalalh) directly affected by our activities.

Education and Training

In conjunction with North Island College, the BC Provincial Government, St'át'imc First Nations Communities and Sandvik, Avino has delivered three underground mining fundamentals cohorts for members of the St'át'imc communities in 2016 and 2017 and 2018. This unique, three-month program, with 30 graduates to date, offers support and access to the mine site for hands-on training in addition to classroom instruction.

Avino is working with the Center for Training Excellence in Mining, Thompson Rivers University and other mining companies and educational institutions within the province to develop an accredited underground mining training program aligned with the Mining Industry Human Resources Council's Canadian Mining Certification Program.

Community Engagement

Recognizing the need for improved infrastructure and more amenities to make the Bralorne area an attractive location for future employees, Avino has begun working with the Squamish-Lillooet Regional District, St'át'imc Eco-Resources, Bralorne Community Advisory Committee, Bridge River Economic Development Committee, and Thompson Rivers University to develop a plan to rejuvenate the surrounding communities. These improvements are expected to include more housing options for employees and their families while protecting existing facilities crucial to the community's future growth.

For more details on our Bralorne area environmental and economic initiatives, please visit the CSR pages of our website at www.avino.com

AVINO SILVER & GOLD MINES LTD 50 YEARS 1968–2018

Over the years, to support nearby communities in British Columbia, Avino has forged a unique alliance with communities, universities, government and industry to hire and empower local First Nations youth.

Management's Discussion and Analysis

For the year ended December 31, 2017

Management's Discussion and Analysis

FOR THE YEAR ENDED DECEMBER 31, 2017

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 December 31, 2017 and 2016, and for the years ended December 31, 2017, 2016, and 2015, and the notes thereto.

This Management's Discussion and Analysis ("MD&A") is dated April 2, 2018, and discloses specified information up to that date. The condensed consolidated interim 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 April 2, 2018, 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 and on SEDAR at www.sedar.com.

Effective January 1, 2017, the Company changed its presentation currency to US dollars from Canadian dollars. As a result, all dollar amounts in this MD&A are expressed in US dollars, unless otherwise noted. Please refer to the section "Changes in Accounting Standards" for further details regarding the change in presentation currency.

Business Description

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

Overall Performance and Highlights

HIGHLIGHTS *(Expressed in US$)*	Fourth Quarter 2017	Fourth Quarter 2016	Change	Year 2017	Year 2016	Change
Operating						
Tonnes Milled	129,555	134,668	-4%	541,935	544,336	0%
Silver Ounces Produced	319,678	419,355	-24%	1,394,203	1,612,060	-14%
Gold Ounces Produced	1,472	2,581	-43%	7,935	7,119	11%
Copper Pounds Produced	1,108,800	755,645	47%	4,373,166	4,206,585	4%
Silver Equivalent Ounces[1] Produced	637,012	707,775	-10%	2,700,585	2,679,334	1%
Concentrate Sales and Cash Costs						
Silver Equivalent Ounces Sold[2]	597,285	644,479	-7%	2,245,946	2,035,618	10%
Cash Cost per Silver Equivalent Ounce[2,3]	$ 7.90	$ 8.62	-8%	$ 8.65	$ 8.48	2%
All-in Sustaining Cost per Silver Equivalent Ounce[2,3]	$ 9.23	$ 10.01	-8%	$ 10.11	$ 10.34	-2%
Average Realized Silver Price per Ounce	$ 16.65	$ 16.69	0%	$ 17.05	$ 17.71	-4%
Average Realized Gold Price per Ounce	$ 1,278	$ 1,194	7%	$ 1,268	$ 1,258	1%
Average Realized Copper Price per Tonne	$ 6,784	$ 5,313	28%	$ 6,251	$ 4,850	29%
Financial						
Revenues	$ 8,883,647	$ 9,048,747	-2%	$ 33,358,641	$ 30,105,336	11%
Mine Operating Income	$ 3,363,245	$ 2,692,056	25%	$ 11,383,511	$ 10,944,536	4%
Net Income (Loss)	$ 1,496,381	$ 950,770	57%	$ 2,653,461	$ 1,503,531	76%
Cash	$ 3,419,532	$ 11,779,718	-71%	$ 3,419,532	$ 11,779,718	-71%
Working Capital	$ 16,402,359	$ 23,306,043	-30%	$ 16,402,359	$ 23,306,043	-30%
Per Share Amounts						
Earnings (Loss) per Share ("EPS") – Basic	$ 0.03	$ 0.02	50%	$ 0.05	$ 0.04	25%
Cash Flow per Share (YTD)[3] – Basic	$ 0.05	$ 0.02	150%	$ 0.13	$ 0.11	18%

1. *In 2017, AgEq was calculated using metals prices of $17.05 oz Ag, $1,258 oz Au and $2.80 lb Cu. In 2016, AgEq was calculated using $17.10 oz Ag, $1,248 oz Au and $2.21 lb Cu*
2. *"Silver equivalent ounces sold" for the purposes of cash costs and all-in sustaining costs consists of the sum of silver ounces, gold ounces and copper tonnes sold 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 ounce, all-in sustaining cash cost per ounce, and cash flow per share. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and the calculation methods may differ from methods used by other companies with similar reported measures.*

During the year ended December 31, 2017, the Company produced 9,782 tonnes of bulk copper/silver/gold concentrate from its Avino Mine, and 3,167 tonnes of bulk silver/gold concentrate from its San Gonzalo Mine, and recognized revenues of $24,845,362 on the sale of 9,140 tonnes of Avino Mine bulk copper/silver/gold concentrate and $8,513,279 on the sale of 2,895 tonnes of San Gonzalo bulk silver/gold concentrate, net of penalties, treatment costs and refining charges, for a mine operating income of $11,383,511. Metal prices for revenues recognized during the twelve months ended December 31, 2017, averaged $17.05 per ounce of silver, $1,268 per ounce of gold, and $6,251 per tonne of copper. In 2017, the Company produced and sold 73,460 silver equivalent ("AgEq") ounces of low grade zinc concentrate.

Consolidated cash cost per silver equivalent AgEq ounce for the year ended December 31, 2017, was $8.65, while consolidated all-in sustaining cash cost per AgEq ounce was $10.11.

The Company's cash balance at December 31, 2017, totaled $3,419,532 compared to $11,779,718 at December 31, 2016. Working capital totaled $16,544,762 at December 31, 2017, compared to $23,306,043 at December 31, 2016.

Discussion of Operations

The Company's production, exploration, and evaluation activities during the year ended December 31, 2017, have been conducted on its Avino Property and its Bralorne Mine property.

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

The Company also holds a 100% interest in the Bralorne Mine property through its ownership of Bralorne Gold Mines Ltd. The Bralorne Mine property consists of a comprehensive package of mineral claims, land parcels, and equipment and infrastructure assembled during historic mining operations in the Bridge River mining camp of southwest British Columbia.

Consolidated 2017 Production Highlights

Comparative production results from the Avino Mine and San Gonzalo Mine for the year 2017 and the year 2016 are presented below:

	2017	2016	% Change
Total Silver Produced (oz) *calculated*	1,394,203	1,612,060	-14%
Total Gold Produced (oz) *calculated*	7,935	7,119	11%
Total Copper Produced (lbs) *calculated*	4,373,166	4,206,585	4%
Total Silver Eq. Produced (oz) *calculated*[1]	2,700,585	2,679,334	1%

1. *1 In 2017, AgEq was calculated using metals prices of $17.05 oz Ag, $1,258 oz Au and $2.80 lb Cu. In 2016, AgEq was calculated using $17.10 oz Ag, $1,248 oz Au and $2.21 lb Cu*

Consolidated Fourth Quarter 2017 Production Highlights

Comparative production results from the Avino Mine and San Gonzalo Mine for the fourth quarter of 2017 and the fourth quarter of 2016 are presented below:

	Q4 2017	Q4 2016	% Change
Total Silver Produced (oz) *calculated*	319,678	419,355	-24%
Total Gold Produced (oz) *calculated*	1,472	2,581	-43%
Total Copper Produced (Lbs) *calculated*	1,108,800	755,645	47%
Total Silver Eq. Produced (oz) *calculated*[1]	637,012	707,775	-10%

1. *In 2017, AgEq was calculated using metals prices of $17.05 oz Ag, $1,258 oz Au and $2.80 lb Cu. In 2016, AgEq was calculated using $17.10 oz Ag, $1,248 oz Au and $2.21 lb Cu*

Avino Mine Production Highlights

Comparative figures for the years ended December 31, 2017, and December 31, 2016, as well as the fourth quarter 2017 and the fourth quarter of 2016 for the Avino Mine are as follows:

	Q4 2017	Q4 2016	% Change	Year 2017	Year 2016	% Change	Notes
Tonnes Mined	111,040	103,266	8%	462,279	450,281	3%	1,7
Underground Development (m)	648	756	-14%	2,898	4,005	-28%	1,7
Mill Availability (%)	90.3	95.6	-6%	95.5	94.0	2%	2
Total Mill Feed (dry tonnes)	109,088	101,157	8%	460,890	429,289	7%	3,8
Feed Grade Silver (g/t)	50	65	-23%	64	67	-4%	4,9
Feed Grade Gold (g/t)	0.322	0.69	-53%	0.516	0.42	23%	4,9
Feed Grade Copper (%)	0.523	0.37	41%	0.484	0.50	-3%	4,9
Recovery Silver (%)	87%	85%	2%	85%	85%	0%	5
Recovery Gold (%)	69%	69%	0%	69%	64%	8%	5
Recovery Copper (%)	88%	91%	-3%	89%	90%	-1%	5
Copper Concentrate (dry tonnes)	2,281	2,094	9%	9,782	9,390	4%	6,10
Copper Concentrate Grade Silver (kg/t)	2.09	2.67	-22%	2.56	2.62	-2%	6,10
Copper Concentrate Grade Gold (g/t)	10.59	22.87	-54%	16.72	12.23	37%	6,10
Copper Concentrate Grade Copper (%)	22.05	16.37	35%	20.28	20.32	0%	6,11
Total Silver Produced (kg)	4,756	5,584	-15%	24,990	24,552	2%	6,11
Total Gold Produced (g)	24,161	47,891	-50%	163,582	114,812	42%	6,11
Total Copper Produced (kg)	502,944	342,755	47%	1,983,637	1,908,077	4%	6,11
Total Silver Produced (oz) *calculated*	152,908	179,536	-15%	803,438	789,372	2%	6,11
Total Gold Produced (oz) *calculated*	777	1,540	-50%	5,259	3,691	42%	6,11
Total Copper Produced (Lbs) *calculated*	1,108,800	755,645	47%	4,373,166	4,206,585	4%	6,11
Total Silver Equivalent Produced (oz) *calculated*	417,182	394,149	6%	1,911,428	1,606,272	19%	6,11

** In 2017, AgEq was calculated using metals prices of $17.05 oz Ag, $1,258 oz Au and $2.80 lb Cu. In 2016, AgEq was calculated using $17.10 oz Ag, $1,248 oz Au and $2.21 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 Fourth Quarter 2017 Production Highlights

1. Tonnage mined increased by 8%, whereas the underground development decreased by 14% as we transitioned to production mining on the levels that have already been developed to provide mill feed on a sustained basis.
2. Mill availability was down 6% for the quarter due to the downtime associated with the commissioning of the new HP5 crusher in October.
3. Tonnage processed increased by 8% as Mill Circuit 2 was dedicated to processing Avino material rather than the San Gonzalo for the entire quarter.
4. Feed material for the quarter primarily came from the main Avino vein, resulting in higher copper, and lower gold and silver, and therefore reflective of the changes of 41%, -53%, and -23%, respectively.
5. With the change in feed and mineralogy, copper recovery was down 3%, no change in gold recovery and silver recovery increased by 2%.
6. The changes in the quality of the mill feed resulted in 9% more concentrate produced and the grade of copper increased by 35%, whereas the gold and silver grades decreased by 54% and 22%, respectively. In addition, copper production increased by 47%, gold decreased by 50% and silver decreased by 15%, resulting in an increase of 6% in silver equivalent ounces for the quarter.

Avino Mine 2017 Year-End Production Highlights

7. The year over year change in mined tonnes and development is attributed primarily to the transition from development to production mining.
8. Tonnage processed increased by 7% as Mill Circuit 2 was used exclusively to process Avino material.
9. Gold feed grade increased by 23%, whereas copper and silver decreased by 3% and 4%, respectively; the changes in grades are due to the mineralisation in the areas being mined.
10. Concentrate production increased by 4% with little to no change in the copper and silver grades; however, the gold grade increased by 37% due to the higher mill feed.
11. Gold production increased by 42%, copper by 4%, and silver by 2%, resulting in 19% more silver equivalent ounces of production.

San Gonzalo Mine Production Highlights

Comparative figures for the years ended December 31, 2017, and December 31, 2016, as well as the fourth quarter 2017 and the fourth quarter of 2016 for the San Gonzalo Mine are as follows:

	Q4 2017	Q4 2016	% Change	2017	2016	% Change	Notes
Tonnes Mined	17,640	29,678	-41%	80,587	108,943	-26%	1
Underground Advancement (m)	712	1,062	-33%	3,379	4,433	-24%	1
Mill Availability (%)	95.3	94.1	1%	95.4	94.4	1%	
Total Mill Feed (dry tonnes)	20,467	33,511	-39%	81,045	115,047	-30%	2,6
Feed Grade Silver (g/t)	290	262	11%	269	267	1%	4,7
Feed Grade Gold (g/t)	1.36	1.16	17%	1.32	1.25	6%	4,7
Recovery Silver (%)	87%	85%	2%	84%	83%	1%	4
Recovery Gold (%)	77%	83%	-7%	78%	74%	5%	4
Bulk Concentrate (dry tonnes)	891	1,130	-21%	3,167	4,115	-23%	3,8
Bulk Concentrate Grade Silver (kg/t)	5.82	6.60	-12%	5.80	6.22	-7%	3
Bulk Concentrate Grade Gold (g/t)	24.26	28.6	-15%	26.27	25.90	1%	3
Total Silver Produced (kg)	5,187	7,459	-30%	18,375	25,588	-28%	5,9
Total Gold Produced (g)	21,612	32,379	-33%	83,215	106,599	-22%	5,9
Total Silver Produced (oz) *calculated*	166,770	239,819	-30%	590,765	822,689	-28%	5,9
Total Gold Produced (oz) *calculated*	695	1,041	-33%	2,675	3,427	-22%	5,9
Total Silver Equivalent Produced (oz) *calculated*	219,830	313,626	-30%	789,157	1,073,062	-26%	3,9

** In 2017, AgEq was calculated using metals prices of $17.05 oz Ag, $1,258 oz Au and $2.80 lb Cu. In 2016, AgEq was calculated using $17.10 oz Ag, $1,248 oz Au and $2.21 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.

San Gonzalo Mine Fourth Quarter 2017 Production Highlights

1. Tonnage mined and underground advancement decreased by 41% and 33%, respectively, as there were fewer blocks available for mining and development work.

2. Tonnage processed decreased by 39% as Mill Circuit 2 was used entirely for Avino material.

3. The lower tonnage throughput resulted in 30% fewer silver equivalent ounces produced and 21% less concentrate tonnage.

4. Silver and gold feed grades increased by 11% and 17%, respectively, and the recovery for silver was up 3% whereas gold decreased by 7%.

5. As a result of the above factors the silver and gold production decreased by 30% and 33%, respectively.

San Gonzalo Mine 2017 Year-End Production Highlights

6. Tonnage processed for the year decreased by 30% as Circuit 2 was used for processing Avino Mine Material, whereas in 2016, there were some months when this circuit was used for San Gonzalo material.

7. Silver and gold feed grades increased slightly by 1% and 6%, respectively, as less marginal material was processed.

8. The lower tonnage throughput resulted in 23% lower concentrate tonnage.

9. Silver and gold production decreased by 28% and 22%, respectively, resulting in an overall decrease of 26% in silver equivalent ounces produced in 2017.

Plant and Mine Expansion Updates

Mill Expansion – Mill Circuit 4

In January 2017, Avino announced plans to further expand the mill to an overall throughput capacity of 2,800 tonnes per day. The addition of Mill Circuit 4, which will be an exact duplication of Mill Circuit 3, commenced in January 2017, and was expected to take approximately one year to complete. As at the end of December 31, 2017, Mill Circuit 4 was approximately 90% complete. The outstanding items at year end were the installation of the filter press for the concentrate and the flotation cells. Mill Circuit 4 is expected to be completed by the first quarter of 2018 with commissioning to take place using mill feed from the historic Avino Mine stockpiles. It is planned that Mill Circuit 4 will be used to process material from the Avino Mine.

Zinc Circuit

The Company continued its testing program for the recovery of zinc from the San Gonzalo tailings throughout the fourth quarter. The results are currently being evaluated, as the production of silver and gold by-products indicates positive returns on this program. The product has been, and continues to be marketable, with zinc grades between 20 and 25%, silver grades of approximately 1200 g/t silver and gold grades of between 4 and 6 g/t gold. On a monthly basis, about 50 to 70 tonnes of zinc concentrate are produced. In 2017, the Company produced and sold 73,460 AgEq ounces of low grade zinc concentrate.

Alternative Tailings Disposal

Management retained the services of SRK Consulting (Canada) Inc. and MPL Mine Paste Ltd. to review the mine operating plan and alternatives for tailings disposal. Additionally, an optimization review of our internal operating plan was carried out, resulting in discussions on alternatives to conventional tailings storage and a recommendation to use tailings as backfill. Their recommendation is contingent on a revised internal operating plan, which is underway. This is based on using the thickened tails as backfill for ground support underground for the mined out stopes and tailings disposal into the existing open pit as preferred alternatives to the conventional tailings storage facility ("TSF"). A revised internal operating plan will be submitted for our consideration; however, in the meantime management felt it prudent to temporarily defer construction of the new TSF to further understand this alternative, and, if the plan is agreed to by the Company, a follow up site visit will be planned for implementation.

The advantages of this alternative method of tailings disposal include, but are not limited to:

- Limited ground disturbance and capital expenditures
- Reduced footprint on surface from future mining
- Increased tailings storage capacity with minimal permitting requirements
- Lowered risk of social and community issues

Exploration

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 was focused on the El Chirumbo and San Juventino areas. The historic El Chirumbo area is located at the east end of the Avino vein. It was previously mined prior to 1940, and is characterized by gold-rich mineralization in narrow veins. In 2017, ten (10) diamond drill holes were completed totalling approximately 2,000 metres. An additional five holes totaling 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.

New Drill Programs Targeting Three Areas of Potential Mineralization

The Company has commenced new drill programs on the Avino property, which are targeting three areas of mineralization.

The first area of drilling is located on surface at the west end of the San Gonzalo Mine, and comprises six (6) holes for a total of 1,200 metres of NQ drilling. The second area is situated where the Avino-San Juventino and the Footwall Breccia intersect, and consists of five (5) holes for a total of 1,300 metres.

The third area is located in the historical El Chirumbo mining area, which is located at the east end of the Avino Vein System, and comprises ten (10) holes for a total of 2,000 metres of NQ drilling. This area was previously mined between 1930 and 1940, is characterized by gold-rich mineralization in a narrow vein (1 metre in width); therefore, the Company believes there is potential to extend the mineralisation.

These three areas are all outside of the existing active mining areas, and have the potential to extend resources.

Assay Methods

Following detailed geological and geotechnical logging, drill core samples are sawed in half. One half of the core is submitted for assaying, and the other half is retained on-site for verification and reference. Samples from diamond drill holes were submitted to the SGS Laboratory facility in Durango, Mexico. The gold is assayed by fire assay with an AA finish. Any samples exceeding 3.0 grams/tonne gold are re-assayed and followed by a gravimetric finish. Multi-element analyses are also completed for each sample by SGS ICP14B methods. Any copper values over 10,000 ppm (1%) are re-assayed using ICP 90Q. Silver is fire assayed with a gravimetric finish for samples assaying over 100 grams/tonne.

Avino uses a series of standard reference materials (SRMs), blank reference materials (blanks), and duplicates as part of their QA/QC program during analysis of assays.

Bralorne Mine

The Bralorne Mine, located approximately 240 km north-east of Vancouver, British Columbia, is in the exploration, evaluation, and planning stage.

During the year, the Company completed its review of potential scenarios for developing a long term mine operating plan. The original phased plan was for the future start-up of a small tonnage operation, and during the course of work being completed, our site management identified ground and safety issues in the existing 800 level tunnel. It was determined that the 800 level needed rehabilitative work, and consultants were engaged to review and develop a plan for the repairs. In view of the proposed repairs, which would have restricted mine throughput, the consultant's recommendations were to construct a new tunnel on the 800 level, due to the age and limiting size of the original main access tunnel. The future construction of a new 800 tunnel should allow earlier access to the resources below the 800 level.

The recommended new 800 level tunnel would be sized for mechanized equipment (4.5 metres x 4.5 metres) for the long term development of the mine to depth. The portal entrance would be near the mill, and replace the old 800 tunnel (2.5 metres x 2.5 metres) which was only accessible by small track equipment. The old tunnel would be made safe, and would still be used for ventilation, secondary egress, and mine water drainage.

The proposed new mine plan also contemplates testing a different mining method, sub level long hole retreat mining on veins where the hanging wall, foot wall, and mineralization are conducive to this method, which should be safer and more productive than the shrinkage and cut & fill mining methods used in the past. Combined with the larger new tunnel, the mining operation should be more mechanized and efficient than in the past and enable operating at a higher mining rate.

Drilling Program

In December 2017, the Company announced that plans have been finalised for an 8,000 metre drill program to commence early January 2018. This drill program will be aimed at both identifying additional resources and increasing the confidence in existing resources, in advance of a revised resource update.

The program will consist of 8,000 metres of drilling, and will focus on 9 gold-bearing veins containing existing resources as defined in the NI 43-101 Updated Resource Estimate completed in October 2016. This program is designed to delineate additional resources above the 800 level in the vicinity of previously reported gold resources. The program has been designed by Bralorne's independent consultant with the assistance of Bralorne geologists. This program will also include two geotechnical holes to provide information for the engineering design of the proposed new tunnel on the 800 level.

Environmental & Permitting Progress

In November, the Company received an approved Permit Amendment from the Ministry of Energy, Mines and Petroleum Resources ("MEM"). The Permit Amendment provides a comprehensive and responsible permit, which is updated to modern environmental and permitting standards, and is an important step in the Company's strategic plan to re-open the Bralorne Gold Mine. With the receipt of this modern permit, the Company anticipates an easier and quicker transition to an amended permit that will allow for future expansion. A surface drilling program is underway, and an underground drill program is being planned to update and increase the confidence in the resource base.

Processing Plant and Infrastructure

During the year, an independent consulting engineering firm has reviewed the processing plant and infrastructure to determine which buildings and equipment should be replaced. Most of the equipment was configured for a 100 tonnes per day ('tpd') operation and will need to be updated for the anticipated higher processing plant operating rate. Accordingly, new or refurbished equipment is being proposed for the processing plant. A separate crushing building is being considered for the plant, with separate fine ore storage, which will provide more space in the current mill building for the larger equipment being considered. Other buildings and surface infrastructure will either be upgraded to meet the current required capacity, or they will be removed / demolished, and replaced.

During 2017 work in progress or completed is as follows:

- Completed a review of potential scenarios for developing a long term mine operating plan
- Since it was determined that the 800 level needed rehabilitative work, consultants were engaged to review and develop a plan for the repairs, and their recommendations included the construction of a new tunnel on the 800 level, which would allow earlier access to the resources below the 800 level. Geotechnical engineering has been completed and approved by the Ministry of Energy, Mines and Petroleum Resources for rehabilitation of the 800 level tunnel
- Received an approved Permit Amendment to the Mines Act Permit M207 from the Ministry of Energy, Mines, and Petroleum Resources
- All equipment for the 100 tpd plant was removed from the mill building, and the building is now being modified and prepared for the next phase of expansion
- Initial engineering was completed for the crushing circuit, which includes a larger jaw and secondary cone crusher
- A test passive water treatment plant was designed and constructed, ready for commissioning in the first quarter of 2018

First Nations Education, Training & Engagement, and Collaboration

In 2017, Avino continued with the underground mining training for members of the St'at'imc communities, and the third training program with North Island College began in November in Pemberton, B.C. In addition to the training program through North Island College, Avino has been working with the Center for Training Excellence in Mining, the BC government, Thompson Rivers University, New Gold, Seabridge Gold and Sandvik, amongst others, on the development of the curriculum for a new accredited underground mining training program aligned with the Mining Industry Human Resources Council's Canadian Mining Certification Program.

During 2017, Avino announced the signing of a non-binding Letter of Intent ("LOI") to recognize the opportunity for collaboration and the establishment of joint ventures to allow the St'át'imc First Nations (the "St'át'imc") to economically participate in the development and ongoing operations of the Bralorne Gold Mine project. St'át'imc Eco-Resources Ltd. is owned by 9 of the 11 St'át'imc Communities.

Eagle Property

During the year ended December 31, 2017, an option agreement was signed between Avino and Alexco Resource Corp. ("Alexco"), granting Alexco the right to acquire a 65% interest in 14 quartz mining leases located in the Mayo District, Yukon Territory, Canada, known as the "Eagle Property". To exercise the option, Alexco must pay Avino a total of $70,000 in instalments over 4 years, issue Avino a total of 70,000 Alexco common shares in instalments over 4 years, incur $550,000 in exploration work by the second anniversary of the option agreement date, and a further $2.2 million in exploration work on the Eagle Property by the fourth anniversary of the option agreement date.

In the event that Alexco earns its 65% interest in the Eagle Property, Alexco and Avino will form a joint venture for the future exploration and development of the Eagle Property, and may contribute towards expenditures in proportion to their interests (65% Alexco / 35% Avino). If either company elects to not contribute its share of costs, then its interest will be diluted. If either company's joint venture interest is diluted to less than 10%, its interest will convert to a 5.0% net smelter returns royalty, subject to the other's right to buy-down the royalty to 2.0% for $2.5 million. The Eagle Property was previously inactive and held by Avino as a non-essential asset to its current operations.

Qualified Person(s)

Avino's Mexican projects are under the supervision of Jasman Yee, P.Eng, Avino Director, and the Bralorne project is under the supervision of Fred Sveinson, B.A., B.Sc., P. Eng., both of whom are qualified persons within the context of National Instrument 43-101, and have reviewed and approved the technical data in this annual report.

Objectives

Avino's mission is to create shareholder value through profitable organic growth at the Avino Property and the strategic acquisition and advancement of mineral exploration and mining properties. We are committed to expanding our operations and managing all business activities in an environmentally responsible and cost-effective manner while contributing to the well-being of the communities, in which we operate.

The Company remains focused on the following key objectives:

1. Maintain and improve profitable mining operations while managing operating costs and achieving efficiencies;
2. Complete the Mill Circuit 4 expansion to increase Avino Mine production;
3. Conduct a successful drill program in 2018 to increase and improve confidence in our resource base at Bralorne;
4. Continue mine expansion drilling and explore regional targets on the Avino property; and,
5. Follow the recommendations made in the 2017 PEA on the oxide tailings resource at the Avino Mine and assess the potential for processing the oxide tailings resource.

Non – IFRS Measures

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

Cash cost per ounce, all-in sustaining cash cost per 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 ounce, all-in sustaining cash cost per 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 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 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 ounce. Further, the Company believes that this measure allows investors of the Company to better understand its cost of producing silver equivalent 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, marketing and treatment charges, and financing costs. In addition, the calculation of all-in sustaining cash costs does not include depreciation and depletion expense as it does not reflect the impact of expenditures incurred in prior periods. The Company's calculation of all-in sustaining cash costs includes sustaining capital expenditures of $nil for the year ended December 31, 2017 and 2016, as substantially all of the mining equipment used at San Gonzalo and Avino has been newly purchased or refurbished. The Company has planned for sustaining capital expenditures in future years in accordance with mine operating plans and expected equipment utilization levels. Although this measure is not representative of all of the Company's cash expenditures, management believes that it is a useful measure in allowing it to analyze the efficiency of its mining operations.

The Company also presents cash flow per share, as it believes it assists investors and other stakeholders in evaluating the Company's overall performance and its ability to generate cash flow from current operations.

To facilitate a better understanding of these measures as calculated by the Company, detailed reconciliations between the non-IFRS measures and the Company's consolidated financial statements are provided below. The measures presented are intended to provide additional information, and should not be considered in isolation nor should they be considered substitutes for IFRS measures. Calculated figures may not add up due to rounding.

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

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

San Gonzalo

Expressed in US$

	2017					2016				
	Year	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
Cost of sales	6,017,735	2,019,296	$ 1,828,122	$ 1,401,522	$ 768,795	$ 7,076,211	$ 2,815,546	$ 1,291,445	$ 2,258,381	$ 710,839
Depletion and depreciation	(1,160,319)	(485,247)	(316,808)	(260,911)	(97,353)	(977,862)	(485,733)	(148,105)	(271,971)	(72,053)
Cash production cost	4,857,416	1,534,049	1,511,314	1,140,611	671,442	6,098,349	2,329,813	1,143,340	1,986,410	638,786
Silver equivalent ounces sold	604,132	193,510	132,509	134,559	143,554	835,246	289,961	179,823	209,955	155,507
Cash cost per silver equivalent ounce	$ 8.04	$ 7.93	$ 11.41	$ 8.48	$ 4.68	$ 7.30	$ 8.03	$ 6.36	$ 9.46	$ 4.11
General and administrative expenses	1,378,167	314,941	507,688	262,442	293,096	2,190,313	604,003	643,270	300,628	642,412
Share-based payments and G&A depreciation	(496,709)	(56,702)	(308,302)	(59,193)	(72,512)	(435,010)	(200,859)	(230,087)	(1,032)	(3,032)
Cash operating cost	5,738,874	1,792,288	1,710,700	1,343,860	892,026	7,853,652	2,732,957	1,556,523	2,286,006	1,278,166
All-in sustaining cash cost per silver equivalent ounce	$ 9.50	$ 9.26	$ 12.91	$ 9.99	$ 6.21	$ 9.40	$ 9.43	$ 8.66	$ 10.89	$ 8.22

During the fourth quarter of 2017, the cash cost and all-in sustaining cash cost per silver equivalent ounce at the San Gonzalo Mine was consistent with the overall cash cost for 2017. Overall, costs at San Gonzalo have increased in 2017 compared to 2016, due to changes in grade and increases in production costs.

Avino Mine

Expressed in US$

	2017					2016				
	Year	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
Cost of sales	15,957,395	3,501,106	$ 4,529,977	$ 4,028,087	$ 3,898,225	$ 12,084,589	$ 3,541,145	$ 4,243,372	$ 4,300,072	$ —
Depletion and depreciation	(1,396,967)	(317,964)	(369,082)	(342,263)	(367,658)	(919,756)	(301,385)	(354,349)	(264,022)	—
Cash production cost	14,560,428	3,183,142	4,160,895	3,685,824	3,530,567	11,164,833	3,239,760	3,889,023	4,036,050	—
Silver equivalent ounces sold	1,641,814	403,775	449,794	407,443	380,802	1,200,372	354,518	428,972	416,882	—
Cash cost per silver equivalent ounce	$ 8.87	$ 7.88	$ 9.25	$ 9.05	$ 9.27	$ 9.30	$ 9.14	$ 9.07	$ 9.68	
General and administrative expenses	3,952,628	657,146	1,723,320	794,675	777,487	2,817,257	738,178	1,523,264	555,815	—
Share-based payments and G&A depreciation	(1,536,415)	(118,313)	(1,046,513)	(179,238)	(192,351)	(795,698)	(245,018)	(548,825)	(1,855)	—
Cash operating cost	16,976,641	3,721,975	4,837,702	4,301,261	4,115,703	13,186,392	3,732,920	4,863,462	4,590,010	—
All-in sustaining cash cost per silver equivalent ounce	$ 10.34	$ 9.22	$ 10.76	$ 10.56	$ 10.81	$ 10.99	$ 10.53	$ 11.34	$ 11.01	$ —

Cash cost and all-in sustaining cash cost per silver equivalent ounce at the Avino Mine has decreased in the fourth quarter of 2017 as the Company continues to move towards a lower cost mining method. During the second quarter of 2016, the Company commenced production at the Avino Mine.

Consolidated

Expressed in US$

	2017					2016				
	Year	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
Cost of sales	21,975,130	5,520,402	$ 6,358,099	$ 5,429,609	$ 4,667,020	$ 19,160,800	$ 6,356,691	$ 5,534,817	$ 6,558,453	$ 710,839
Depletion and depreciation	(2,557,286)	(803,211)	(685,890)	(603,174)	(465,011)	(1,897,618)	(787,118)	(502,454)	(535,993)	(72,053)
Cash production cost	19,417,844	4,717,191	5,672,209	4,826,435	4,202,009	17,263,182	5,569,573	5,032,363	6,022,460	638,786
Silver equivalent ounces sold	2,245,946	597,285	582,303	542,002	524,356	2,035,618	644,479	608,795	626,837	155,507
Cash cost per silver equivalent ounce	$ 8.65	$ 7.90	$ 9.74	$ 8.90	$ 8.01	$ 8.48	$ 8.64	$ 8.27	$ 9.61	$ 4.11
General and administrative expenses	5,330,795	972,087	2,231,008	1,057,117	1,070,583	5,007,570	1,342,181	2,166,534	856,443	642,412
Share-based payments and G&A depreciation	(2,033,124)	(175,015)	(1,354,815)	(238,431)	(264,863)	(1,230,708)	(445,877)	(778,912)	(2,887)	(3,032)
Cash operating cost	22,715,515	5,514,263	6,548,402	5,645,121	5,007,729	21,040,044	6,465,877	6,419,985	6,876,016	1,278,166
All-in sustaining cash cost per silver equivalent ounce	$ 10.11	$ 9.23	$ 11.25	$ 10.42	$ 9.55	$ 10.34	$ 10.03	$ 10.55	$ 10.97	$ 8.22

The Company continues to review its expenditures, and has been successful in the pursuit to achieve lower costs. Ongoing cost reduction activities include negotiating more favourable terms with vendors, while maintenance costs are expected to decrease as a result of utilizing newer mining equipment.

Cash Flow per Share

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

	Year ended December 31,	
	2017	2016
Operating cash flows before movements in working capital	$ 6,910,165	$ 4,837,012
Weighted average number of shares outstanding		
Basic	$ 52,523,454	$ 42,695,999
Diluted	$ 53,320,009	$ 43,791,451
Cash Flow per Share – basic and diluted	**$ 0.13**	**$ 0.11**

Working Capital

	December 31, 2017	December 31, 2016
Current assets	$ 26,590,784	$ 35,128,333
Current liabilities	(10,188,425)	(11,822,290)
Working Capital	$ 16,402,359	$ 23,306,043

Review of Financial Results

Selected Annual Information

The following financial data is derived from the Company's financial statements for the three most recently completed financial years:

	December 31, 2017	December 31, 2016	December 31, 2015	Note
Revenues	$ 33,358,641	$ 30,105,336	$ 14,924,798	1
Cost of sales	21,975,130	19,160,800	8,573,200	2
Mine operating income	11,383,511	10,944,536	6,351,598	
Operating expenses	5,330,795	5,007,570	3,329,166	3
Net income	2,653,461	1,503,531	378,087	4
Earnings per share – basic	$ 0.05	$ 0.04	$ 0.01	4
Earnings per share – diluted	$ 0.05	$ 0.03	$ 0.01	4
Total assets	102,627,862	93,793,897	63,108,377	5
Total non-current financial liabilities	7,458,366	8,864,131	7,528,029	6
Working capital	16,402,359	23,306,043	4,337,827	7

1. Revenues were higher in 2017 and 2016, compared to 2015, as the Avino Mine commenced production effective April 1, 2016. The increase in 2017 compared to 2016, due to only nine months of sales for the Avino Mine in 2016 compared to the full year in 2017, was offset by lower realized metal prices for silver.
2. Costs of sales reflect the costs of the production for the Avino and San Gonzalo mines. The gross margin on the sales of Avino Mine concentrates has been consistent from period to period, since production commenced on April 1, 2016, while the gross margin on sales of San Gonzalo Mine concentrates decreased slightly throughout 2017.
3. Operating expenses in 2017 remained relatively consistent with those of 2016, but increased from those of 2015. This reflects the expanding operations and corporate activity that took place in 2016, and is expected to remain constant going forward. Although the Company's operations are expanding, management continues to monitor operating expenses carefully to maintain efficient and effective operations. Operating expenses can fluctuate due to infrequent events, such as share-based payments.
4. Net income was higher in 2017 compared to 2016 and 2015, primarily due to profits generated from the commencement of production at the Avino Mine effective April 1, 2016. As the Company transitioned to lower cost methods of mining, the increase was expected.
5. Total assets have increased year over year, primarily due to additions of new equipment at the Avino Mine and San Gonzalo Mine, continued exploration and evaluation activities at the Bralorne Mine, and cash received from share and unit offerings. The Company remains committed to expanding through investments in existing capital projects, as well as exploring new potential projects.
6. Total non-current financial liabilities remained constant at December 31, 2017, 2016, and 2015. The fluctuations are related the timing of payments due to Samsung C&T U.K. Limited, as well as the timing of finance lease and equipment loan repayments.
7. Working capital at December 31, 2017, decreased compared to 2016, as the Company has been investing in capital projects at both its Mexican operations, as well as at the Bralorne Mine. Working capital increased significantly at December 31, 2016, compared to 2015, primarily due to cash provided by operating and financing activities, as well as the recognition of inventory at the Avino Mine following the commencement of production effective April 1, 2016.

Results of Operations

Summary of Quarterly Results

	2017				2016			
Quarter ended	Dec 31 Q4	Sep 30 Q3	Jun 30 Q2	Mar 31 Q1	Dec 31 Q4	Sep 30 Q3	Jun 30 Q2	Mar 31 Q1
Revenue	$ 8,883,647	$ 8,435,743	$ 7,911,388	$ 8,127,863	$ 9,048,747	$ 10,035,932	$ 9,017,929	$ 2,002,728
Earnings (Loss) for the quarter	1,496,381	(715,774)	1,151,549	721,305	950,770	847,263	(336,748)	42,246
Earnings (Loss) per share - basic	$0.03	$(0.01)	$0.02	$0.01	0.02	0.02	(0.01)	0.00
Earnings (Loss) per share - diluted	$0.03	$(0.01)	$0.02	$0.01	0.02	0.02	(0.01)	0.00
Total Assets	**$ 102,627,862**	**$ 101,207,430**	**$ 98,719,613**	**$ 97,445,910**	**$ 93,793,897**	**$ 79,791,805**	**$ 72,703,682**	**$ 65,976,061**

- Revenue in the quarters following the first quarter of 2016 were higher than that of previous quarters as the Company commenced production at the Avino Mine as of April 1, 2016. The Company's consolidated statement of operations will reflect the revenues and related production costs from the Avino Mine going forward; this activity was reflected within exploration and evaluation assets on the Company's consolidated statement of financial position prior to April 1, 2016. Since the commencement of production at levels intended by management at the Avino Mine, revenues have been relatively consistent.
- Earnings in the third quarter of 2017 were lower than those of other quarters due to lower tonnes of concentrate produced and sold from San Gonzalo, as well as non-cash expenses such as share-based payment expenses. Earnings in the fourth quarter of 2017 were higher than those of preceding quarters due to lower mining costs and reduced general and administrative expenses.
- Total assets have steadily increased throughout the quarters, as the Company continues to grow through debt and equity financings to advance its projects and acquire equipment.

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. Effective January 1, 2017, the Company changed its presentation currency to US dollars from Canadian dollars. Refer to the section "Changes in Accounting Standards" for further details regarding the change in presentation currency.

Three months ended December 31, 2017, compared to the three months ended December 31, 2016:

	2017	2016	Note
Revenue from Mining Operations	$ 8,883,647	$ 9,048,747	1
Cost of Sales	5,520,402	6,356,691	2
Mine Operating Income	3,363,245	2,692,056	2
Operating Expenses			
General and administrative expenses	802,537	899,442	
Share-based payments	169,550	442,739	3
Income before other items	2,391,158	1,349,875	
Other Items			
Fair value adjustment on warrant liability	516,476	262,335	4
Interest and other income	67,081	42,291	
Foreign exchange loss	(402,272)	(55,058)	5
Accretion of reclamation provision	(59,952)	(147,465)	
Finance cost	(35,509)	(142,574)	
Interest expense	(19,400)	(27,146)	
Unrealized loss on long-term investments	(849)	(12,280)	
Net Income Before Income Taxes	2,456,733	1,269,978	
Income Taxes			
Current income tax expense	(573,352)	(678,094)	6
Deferred income tax recovery	(387,000)	358,886	6
	(960,352)	(319,208)	
Net Income	1,496,381	950,770	7
Earnings per Share			
Basic	$ 0.03	$ 0.02	7
Diluted	$ 0.03	$ 0.02	7

1. Revenues for the three months ended December 31, 2017, were $8,883,647 compared to $9,048,747 for the three months ended December 31, 2016. The decrease of $165,100 reflects a decrease in realised silver prices by 4%, offset by an increase in realized gold and copper prices by 1% and 29%, respectively.
2. Cost of Sales for the three months ended December 31, 2017, were $5,520,402 compared to $6,356,691 for the three months ended December 31, 2016. The decrease of $836,289 reflects the sale of by-products in the three months ended December 31, 2017. As a result, Mine Operating Income increased for the three months ended December 31, 2017, compared to December 31, 2016.
3. Share-based payments for the three months ended December 31, 2017, totalled $169,550 compared to $442,739 for the three months ended December 31, 2016. Share-based payments are comprised of the issuance of stock options, as well as restricted share units ("RSUs") to directors, officers, employees, and consultants of the Company during the periods. RSUs vest over the following three years upon issuance.
4. The fair value adjustment on the Company's warrant liability relates to the issuance of US dollar denominated warrants, which are re-valued each reporting period, and the value fluctuates with changes in the US-Canadian dollar exchange rate, and in the variables used in the valuation model, such as the Company's US share price, and expected share price volatility.
5. Foreign exchange gains or losses result from transactions in currencies other than the Canadian dollar functional currency. During the three months ended December 31, 2017, the US dollar depreciated in relation to the Canadian dollar and the Mexican peso, resulting in a foreign exchange loss, as the Company incurred an increased amount of capital expenditures, such as the construction of Mill Circuit 4. During the three months ended December 31, 2016, the US dollar was relatively consistent in relation to the Canadian dollar and the Mexican peso.
6. Current income tax expense was $573,352 for the three months ended December 31, 2017, compared to $678,094 in the three months ended December 31, 2016. Deferred income tax expense was $387,000 for the three months ended December 31, 2017, compared to a recovery of $358,886 in the comparative quarter. Deferred income tax fluctuates due to movements in taxable and deductible temporary differences related to the special mining duty in Mexico and to changes in inventory, plant, equipment and mining properties, and exploration and evaluation assets, amongst other factors. The changes in current income taxes and deferred income taxes for the three months ended December 31, 2017, primarily relate to movements in the tax bases and increased mining profits at the Avino Mine property.
7. As a result of the foregoing, net income for the three months ended December 31, 2017, was $1,496,381, an increase of $545,611 compared to net income of $950,770 for the three months ended December 31, 2016. The increase had an impact on basic and diluted earnings per share, increasing to $0.03 for the quarter ended December 31, 2017, from $0.02 for the quarter ended December 31, 2016.

Year ended December 31, 2017, compared to the year ended December 31, 2016:

	2017	2016	Note
Revenue from Mining Operations	$ 33,358,641	$ 30,105,336	1
Cost of Sales	21,975,130	19,160,800	2
Mine Operating Income	11,383,511	10,944,536	2
Operating Expenses			
General and administrative expenses	3,312,432	3,788,867	3
Share-based payments	2,018,363	1,218,703	4
Income before other items	6,052,716	5,936,966	
Other Items			
Fair value adjustment on warrant liability	563,466	8,197	5
Interest and other income	245,810	52,122	
Unrealized gain on long-term investments	5,002	(2,142)	
Foreign exchange gain (loss)	(935,048)	156,260	6
Accretion of reclamation provision	(248,267)	(214,787)	
Finance cost	(157,078)	(142,574)	
Interest expense	(102,541)	(125,744)	
Net Income Before Income Taxes	5,424,050	5,668,298	
Income Taxes			
Current income tax expense	(2,910,904)	(3,159,559)	7
Deferred income tax recovery (expense)	140,315	(1,005,208)	7
	(2,770,589)	(4,164,767)	
Net Income	2,653,461	1,503,531	8
Earnings per Share			
Basic	$ 0.05	$ 0.04	8
Diluted	$ 0.05	$ 0.03	8

1. Revenues for the year ended December 31, 2017, were $33,358,641 compared to $30,105,336 for the year ended December 31, 2016. The increase of $3,253,305 reflects the commencement of production at the Avino Mine effective April 1, 2016.

2. Mine operating income remained relatively constant, increasing slightly as a result of the commencement of production at the Avino Mine effective April 1, 2016, as the Avino Mine has a higher operating cost per silver-equivalent ounce. This was offset by the increased sales as a result of this commencement of production. As well, the Company's gross margin on the sale of San Gonzalo concentrates decreased compared with previous periods, as the non-cash costs, such as depletion and depreciation, increased as the San Gonzalo Mine reaches the latter stages of its life.

3. General and administrative expenses include management, consulting, and director fees, salaries, office expenses, investor relations, regulatory and compliance fees, travel, and promotion. For the year ended December 31, 2017, general and administrative expenses were $3,312,432 compared to $3,788,867 for the year ended December 31, 2016. The decrease of $476,435 reflects cost savings achieved while further expanding operations and increasing corporate activity. Although the Company's operations are expanding, management continues to monitor general and administrative expenses carefully to maintain efficient operations.

4. Share-based payments for the year ended December 31, 2017, totalled $2,018,363 compared to $1,218,703 for the year ended December 31, 2016. Share-based payments are comprised of the issuance of stock options, as well as restricted share units ("RSUs") to directors, officers, employees, and consultants of the Company during the periods. RSUs vest over the following three years upon issuance.

5. 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 share price and expected share price volatility.

6. Foreign exchange gains or losses result from transactions in currencies other than the Canadian dollar. During the year ended December 31, 2017, the US dollar depreciated in relation to the Canadian dollar and the Mexican peso, resulting in a foreign exchange loss. During the year ended December 31, 2016, the US dollar was relatively consistent in relation to the Canadian dollar and appreciated compared to the Mexican peso, resulting in a foreign exchange gain.

7. Current income tax expense was $2,910,904 for the year ended December 31, 2017, compared to $3,159,559 in the year ended December 31, 2016. Deferred income tax recovery was $140,315 for the year ended December 31, 2017, compared to deferred income tax

expense of $1,005,208 in the comparative period. Deferred income tax fluctuates due to movements in taxable and deductible temporary differences related to the special mining duty in Mexico and to changes in inventory, plant, equipment and mining properties, and exploration and evaluation assets, amongst other factors. The changes in current income taxes and deferred income taxes for the year ended December 31, 2017, primarily relate to movements in the tax bases and mining profits at the Avino Mine and San Gonzalo Mine properties.

8. As a result of the foregoing, net income for the year ended December 31, 2017, was $2,653,461, an increase of $1,149,930 compared to $1,503,531 for the year ended December 31, 2016. The increase resulted in basic and diluted earnings per share of $0.05 for the year ended December 31, 2017, compared to basic earnings per share of $0.04, and diluted earnings per share of $0.03, in the comparative period.

Liquidity and Capital Resources

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

On July 31, 2017, the Company and Samsung C&T U.K. Limited ("Samsung") agreed to amend the Company's existing term facility by further extending the repayment period. Repayments of the remaining balance will be made in 13 equal monthly instalments commencing in July 2018 and ending in July 2019. The Company will sell the Avino Mine concentrates on an exclusive basis to Samsung until December 31, 2021.

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
In November 2016, the Company received gross proceeds of $11,185,355 in connection with a bought-deal offering issued under a prospectus supplement. The Company intends to use the proceeds to advance the exploration and development of the Company's Avino Mine and Bralorne Mine and for general working capital. Since July 2014, the Company received gross proceeds of $13,346,561 in connection with a brokered at-the-market offering issued under prospectus supplements. The Company intends to use the proceeds to advance the exploration of the Bralorne Mine property and the Avino property, and for working capital. In July 2015, the Company entered into a term facility agreement with Samsung C&T U.K. Limited for $10,000,000. The facility is being used for mining equipment, to optimize the advancement of the Company's projects for increased productivity, for improvements to its tailings impoundment facilities, and for general working capital requirements.	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. In advancing the Avino Mine, and in supporting mining operations in Mexico, the Company incurred expenditures of $500,421 for exploration and evaluation activities (net of foreign exchange movement of $554,843), acquired property and equipment of $7,164,125 (net of depreciation of $3,206,196), and made lease and loan repayments of $1,557,365 during the year ended December 31, 2017. In advancing the Bralorne Mine, the Company incurred expenditures of $5,026,516 for exploration and evaluation activities (excluding depreciation of $715,796, share-based payments of $244,206, foreign exchange movement of $1,603,903 and change in reclamation provision of $3,900,447), acquired property and equipment of $243,291 (excluding depreciation of $716,246 and foreign exchange movement of $331,664), and made lease and loan repayments of $870,780 during the year ended December 31, 2017. The Company intends to continue to explore its properties, 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 $5,000,000. 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 $3,938,077 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.
In December 2014, the Company's master credit facility with Caterpillar Finance was renewed for $5,375,400. The facility is being used to acquire equipment necessary for advancing operations at the San Gonzalo Mine and for operations and continuing exploration activities at the Avino Mine.	As of the date of this MD&A, the Company had used, and was continuing to use, the facility as intended, and there was $3,619,268 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, 2017 and December 31, 2016, is as follows:

Statement of Financial Position

	December 31, 2017	December 31, 2016
Cash	$ 3,419,532	$ 11,779,718
Working capital	16,402,359	23,306,043
Accumulated Deficit	(19,083,196)	(21,875,469)

Cash Flow

	December 31, 2017	December 31, 2016
Cash generated by (used in) operating activities	$ (2,166,938)	$ 3,738,942
Cash generated by (used in) financing activities	(3,054,986)	20,005,636
Cash used in investing activities	(3,135,105)	(17,408,867)
Change in cash	(8,357,029)	6,335,711
Effect of exchange rate changes on cash	(3,157)	42,898
Cash, beginning of period	11,779,718	5,401,109
Cash, end of year	$ 3,419,532	$ 11,779,718

Operating Activities:

Cash used in operating activities for the year ended December 31, 2017, was $2,166,938 compared to cash generated of $3,738,942 for the year ended December 31, 2016. Cash generated by or used in 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 used in financing activities was $3,054,986 for the year ended December 31, 2017, compared to cash generated by financing activities of $20,005,636 for the year ended December 31, 2016, a decrease of $23,060,622. Cash used in financing activities for the year ended December 31, 2017, relates to the repayments of equipment loans, finance leases for mining equipment totalling $2,428,231 (December 31, 2016 - $2,118,883), and repayment of concentrate prepayments of $666,667 (December 31, 2016 - $666,666). During the year ended December 31, 2017, the Company issued common shares in brokered offerings generating net cash flows of $15,076 (December 31, 2016 – $21,842,496), and employees, consultants, and directors exercised stock options generating cash flows of $24,836 (December 31, 2016 – $948,689).

Investing Activities:

Cash used in investing activities for the year ended December 31, 2017, was $3,135,105 compared to $17,408,867 for the year ended December 31, 2016. Cash used in investing activities during the year ended December 31, 2017, includes cash expenditures of $6,608,168 (December 31, 2016 - $3,682,938) on the acquisition of property and equipment. Equipment purchases included new mining, milling/processing, and transportation equipment for the Company's San Gonzalo Mine and Avino Mine, and exploration and mining equipment for the Bralorne Mine. During the year ended December 31, 2017, the Company also incurred cash expenditures of $5,526,937 (December 31, 2016 - $8,312,934) on exploration and evaluation activities. The cash expenditures on exploration and evaluation activities for the year ended December 31, 2016, were reduced by concentrate sales of $4,587,005 from the Avino Mine. During the year ended December 31, 2017, the Company also redeemed $9,000,000 of the $10,000,000 in short-term investments purchased in the year ended December 31, 2016.

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, were as follows:

	2017	2016	2015
Salaries, benefits, and consulting fees	$ 860,280	$ 1,276,684	$ 1,329,864
Share-based payments	1,717,592	890,669	–
	$ 2,577,872	$ 2,167,353	$ 1,329,864

(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 $232,076 (December 31, 2016 - $110,905, January 1, 2016 - $102,765) 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, 2017. The following table summarizes the amounts due to related parties:

	December 31, 2017	December 31, 2016	January 1, 2016
Oniva International Services Corp.	$ 139,047	$ 126,819	$ 118,703
Directors	41,660	44,919	34,495
Jasman Yee & Associates, Inc.	5,856	4,195	4,188
Intermark Capital Corp.	—	19,550	—
Wear Wolfin Designs Ltd.	—	3,910	—
	$ 186,563	$ 199,393	$ 157,386

(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. 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:

	2017	2016	2015
Salaries and benefits	$ 450,382	$ 296,798	$ 242,134
Office and miscellaneous	566,664	506,534	392,687
Exploration and evaluation assets	351,545	248,304	243,236
	$ 1,368,591	$ 1,051,636	$ 878,057

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, for consulting services. For the years ended December 31, 2017, 2016, and 2015, the Company paid $231,018, $503,741, and $620,366, respectively to ICC.

The Company pays Jasman Yee & Associates, Inc. ("JYAI") for operational, managerial, metallurgical, engineering, and consulting services related to the Company's activities. JYAI's managing director is a director of the Company. For the years ended December 31, 2017, 2016, and 2015, the Company paid $80,163, $140,145, and $163,178, respectively to JYAI.

The Company pays Wear Wolfin Designs Ltd. ("WWD"), a company whose director is the brother-in-law of David Wolfin, for financial consulting services related to ongoing consultation with stakeholders and license holders. For the years ended December 31, 2017, 2016, and 2015, the Company paid $23,102, $22,638, and $23,463, respectively to WWD.

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, short and 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, short-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 three (December 31, 2016 – three, January 1, 2016 - three) 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 December 31, 2017, 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, 2017, in the amount of $3,419,532 and working capital of $16,402,359 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, 2017 are summarized as follows:

	Total	Less Than 1 year	1-5 years	More Than 5 Years
Accounts payable and accrued liabilities	$ 3,511,720	$ 3,511,720	$ —	$ —
Due to related parties	186,563	186,563	—	—
Minimum rental and lease payments	566,288	300,285	251,435	14,568
Term facility	9,141,679	4,396,312	4,745,367	—
Equipment loans	1,296,044	886,145	409,899	—
Finance lease obligations	2,499,543	1,203,882	1,295,661	—
Total	$ 17,201,837	$ 10,484,907	$ 6,702,362	$ 14,568

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 term facility, equipment loans, and finance lease obligations 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 Canadian dollars ("C$"):

	December 31, 2017		December 31, 2016	
	MXN	C$	MXN	C$
Cash	$ 9,504,034	$ 320,751	$ 15,997,014	$ 270,562
Long-term investments	—	42,368	—	35,873
Reclamation bonds	—	895,500	—	145,500
Amounts receivable	—	131,961	—	52,779
Accounts payable and accrued liabilities	(27,482,356)	(603,463)	(21,006,749)	(1,249,038)
Due to related parties	—	(224,664)	—	(267,726)
Equipment loans	—	(781,675)	—	(1,423,042)
Finance lease obligations	(750,795)	(1,002,470)	(865,526)	(1,465,333)
Net exposure	(18,729,117)	(1,221,692)	(5,875,261)	(3,900,425)
US dollar equivalent	$ (949,465)	$ (973,847)	$ (284,363)	$ (2,904,910)

Based on the net Canadian dollar denominated asset and liability exposures as at December 31, 2017, a 10% fluctuation in the Canadian/Mexican and Canadian/US exchange rates would impact the Company's earnings for the year ended December 31, 2017 by approximately $326,558 (2016 - $350,284, 2015 - $35,342). 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 December 31, 2017, based on outstanding accounts receivable that were subject to pricing adjustments, a 10% change in metals prices would have an impact on net earnings (loss) of approximately $223,625 (2016 - $581,031, 2015 - $376,543).

The Company is exposed to price risk with respect to its long-term investments, 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 December 31, 2017, a 10% change in market prices would have an impact on net earnings of approximately $3,377 (2016 - $2,672, 2015 – $2,797).

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, 2017:

	Level 1	Level 2	Level 3
Financial Assets			
Cash	$ 3,419,532	$ —	$ —
Short-term investments	1,000,000	—	—
Amounts receivable	—	4,634,997	—
Long-term investments	33,773	—	—
Financial liabilities			
Warrant liability	—	—	(1,161,109)
Total financial assets and liabilities, net	$ 4,453,305	$ 4,634,997	$ (1,161,109)

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 "Transactions with Related Parties".

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, 2017	December 31, 2016	January 1, 2016
Not later than one year	$ 300,285	$ 1,540,386	$ 151,057
Later than one year and not later than five years	251,435	556,955	541,360
Later than five years	14,568	19,972	31,757
	$ 566,288	$ 2,117,313	$ 724,174

Office lease payments recognized as an expense during the year ended December 31, 2017, totalled $81,073 (2016 - $82,704; 2015 - $86,975).

Changes in Accounting Standards

The Company's consolidated financial statements are presented in US dollars. The Company changed its presentation currency to US dollars from Canadian dollars effective January 1, 2017. The functional currency of the Company and its Canadian subsidiary is the Canadian dollar, while the functional currency of the Company's Mexican subsidiaries is the US dollar. The Company believes that the change in presentation currency will provide shareholders with a better reflection of the Company's business activities and enhance the comparability of the Company's financial information to peers. The change in presentation currency represents a voluntary change in accounting policy which is accounted for retrospectively. The consolidated financial statements for all periods presented have been translated into the new presentation currency in accordance with IAS 21 - The Effects of Changes in Foreign Exchange Rates.

Application of new and revised accounting standards:

Annual Improvements to IFRSs 2014-2016 Cycle

In December 2016, the IASB issued the Annual Improvements 2014-2016 cycle, effective for annual periods beginning on or after January 1, 2017. The amendments did not have an impact on the Company's consolidated financial statements.

Changes in accounting standards not yet effective:

The Company has not early adopted any amendment, standard or interpretation that has been issued by the IASB but is not yet effective. The following accounting standards were issued but not yet effective as of December 31, 2017:

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 model framework for the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Either a modified retrospective application or full retrospective application is required for IFRS 15. The Company has not committed to either application, but it is expected that the Company will apply the full retrospective approach upon transition on January 1, 2018.

Under IFRS 15, revenue related to the transfer of promised goods or services should be recognized when the control of the goods or services passes to the customers. The Company has evaluated the impact of applying IFRS 15, by analyzing its concentrate sales agreements, and concluded that there is no material change in the timing of revenue recognized under the new standard, and based on the facts and circumstances at December 31, 2017, there will be no material impact to the timing of the Company's recognition of revenues.

IFRS 15 also requires entities to apportion revenue earned from contracts to distinct performance obligations on a relative standalone selling price basis. Under the terms of a number of the Company's concentrate agreements, the seller must contract for and pay the shipping and insurance costs necessary to bring the goods to the named destination. Under IFRS 15, the obligation to fulfill the shipping and insurance services, will be deferred and recognized over time, as the obligations are fulfilled. Based on the facts and circumstances at December 31, 2017, the Company has determined that the impact of this change is insignificant, and there will be no material impact to the Company's recognition of revenues.

IFRS 15 contains presentation and disclosure requirements which are currently more detailed than current standards, with many requirements being new. Under IFRS 15, the Company will present disclosure relating to the timing of completion of the Company's performance obligations, and the portion of revenue related to provisional pricing adjustments on its concentrate sales will also be separately disclosed.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments ("IFRS 9") to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected-loss' impairment model, as well as a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company will apply IFRS 9 at the date it becomes effective. Except for hedge accounting, retrospective application is required, but the provision of comparative information is not required. For hedge accounting, the requirements are generally applied prospectively.

The classification of financial assets and liabilities is expected to remain consistent under IFRS 9 with the possible exception of equity securities. Under IFRS 9, the Company will have the option to designate equity securities as financial assets at fair value through other comprehensive income. If the Company does not make this election, changes in the fair value of equity securities will continue to be recognized in profit or loss in accordance with the Company's current policy.

The introduction of the new 'expected credit loss' impairment model is not expected to have an impact on the Company, given the Company sells its concentrate to large international organizations with a negligible historical level of customer default, and the corresponding receivables from these sales are short-term in nature.

The Company expects the above potential changes to be the only impacts, as the Company currently has no financial instruments designated as hedging arrangements under IAS 39.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – Leases ("IFRS 16") which replaces IAS 17 – Leases and its associated interpretative guidance, and will be effective for accounting periods beginning on or after January 1, 2019. Early adoption is permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting. A lessee can choose to apply IFRS 16 using either a full retrospective approach or a modified retrospective approach. The Company plans to apply IFRS 16 at the date it becomes effective and has not yet selected a transition approach.

The Company is in the process of identifying and collecting data relating to existing agreements that may contain right-of-use assets. At this time it is not possible for the Company to make reasonable quantitative estimates of the effects of the new standard, and is currently evaluating its expected impact on the consolidated financial statements.

Outstanding Share Data

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

As at April 2, 2018, the following common shares, warrants, and stock options were outstanding:

	Number of shares	Exercise price	Remaining life (years)
Share capital	52,778,153	—	—
Warrants	3,602,215	$1.00 - $2.00	0.95 – 1.66
RSUs	592,172	—	1.42 – 2.47
Stock options	3,153,500	C$1.62 - C$2.95	0.44 – 4.52
Fully diluted	60,126,040		

The following are details of outstanding stock options as at December 31, 2017, and April 2, 2018:

Expiry Date	Exercise Price Per Share	Number of Shares Remaining Subject to Options (December 31, 2017)	Number of Shares Remaining Subject to Options (April 2, 2018)
February 18, 2018	C$ 1.60	147,500	—
September 9, 2018	C$ 1.62	276,000	276,000
September 19, 2019	C$ 1.90	622,500	620,000
December 22, 2019	C$ 1.90	105,000	105,000
September 2, 2021	C$ 2.95	707,500	682,500
September 20, 2022	C$ 1.98	1,435,000	1,430,000
October 6, 2022	C$ 1.98	40,000	40,000
Total:		**3,333,500**	**3,153,500**

The following are details of outstanding warrants as at December 31, 2017, and April 2, 2018:

Expiry Date	Exercise Price Per Share	Number of Underlying Shares (December 31, 2017)	Number of Underlying Shares (April 2, 2018)
March 14, 2019	$ 1.00	40,000	40,000
November 28, 2019	$ 2.00	3,562,215	3,562,215
Total:		**3,602,215**	**3,602,215**

The following are details of outstanding RSUs as at December 31, 2017, and April 2, 2018:

Expiry Date	Number of Shares Remaining Subject to RSUs (December 31, 2017)	Number of Shares Remaining Subject to RSUs (April 2, 2018)
September 2, 2019	511,672	511,672
September 20, 2020	80,500	80,500
Total:	**592,172**	**592,172**

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, 2017, 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, 2017, 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.

Unresolved Staff Comments with the SEC

In late December 2017, Avino received written comments from the Staff of the SEC regarding our financial statements contained in our Annual Report on Form 20-F for the year ended December 31, 2016. We have responded to those comments and have received follow-up letters from the Staff in which the Company has responded to such follow-up letters.

The substance of the principal unresolved comments involve providing further information regarding (i) development-type costs that were included in our exploration and evaluation assets; (ii) mine and camp costs, and milling, processing and labor costs incurred during our evaluation phase of mine operations; (iii) exploration and evaluation activities as they relate to reclamation provisions; (iv) methodology of classifying development-type costs as capitalized assets; and (v) factors considered to determine that we had entered into commercial production.

While we believe that we have addressed the Staff's comments raised in their various letters, as of the date of the filing of this Annual Report, there remains the above unresolved, outstanding staff comments including our responses to such outstanding comments.

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 April 2, 2018. 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.

Consolidated Financial Statements

For the years ended December 31, 2017, 2016, and 2015

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, 2017, December 31, 2016, and January 1, 2016, and for the years ended December 31, 2017, 2016 and 2015, 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
April 2, 2018

"Malcolm Davidson"

Malcolm Davidson, CPA, CA
Chief Financial Officer
April 2, 2018

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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Report of Independent Registered Public Accounting Firm

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. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2017, December 31, 2016 and January 1, 2016, 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, 2017, 2016 and 2015, 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, 2017, December 31, 2016 and January 1, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and 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. Those standards also require that we comply with ethical requirements. 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. Further, we are required to be independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada and to fulfill our other ethical responsibilities in accordance with these requirements.

An audit includes 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. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies and principles used and the reasonableness of accounting 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.

Emphasis of Matter

As discussed in Note 5 to the consolidated financial statements, the Company has elected to change its presentation currency during the year ended December 31, 2017.

/s/ Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
April 2, 2018
We have served as the Company's auditor since 2007

Consolidated Statements of Financial Position

(Expressed in US dollars, except where otherwise noted)

	Note	December 31, 2017	December 31, 2016	January 1, 2016
ASSETS			(Notes 2 & 5)	(Notes 2 & 5)
Current assets				
Cash		$ 3,419,532	$ 11,779,718	$ 5,401,109
Short-term investments	6	1,000,000	10,000,000	—
Amounts receivable		4,634,997	3,050,012	2,695,315
Taxes recoverable	7	6,368,775	3,529,415	2,205,950
Prepaid expenses and other assets		2,065,223	965,176	850,473
Inventory	8	9,102,257	5,804,012	3,332,539
Total current assets		26,590,784	35,128,333	14,485,386
Exploration and evaluation assets	9	43,337,870	30,791,736	29,896,658
Plant, equipment and mining properties	11	31,951,605	27,738,747	18,593,232
Long-term investments		33,773	26,717	27,971
Reclamation bonds	12	713,830	108,364	105,130
Total assets		**$ 102,627,862**	**$ 93,793,897**	**$ 63,108,377**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		$ 3,511,720	$ 3,727,253	$ 3,019,198
Amounts due to related parties	13(b)	186,563	199,393	157,386
Current portion of term facility	14	4,000,000	4,666,667	4,666,667
Current portion of equipment loans	15	848,387	976,951	160,543
Current portion of finance lease obligations	16	1,116,377	1,434,741	1,311,956
Taxes payable		525,378	817,285	831,809
Total current liabilities		10,188,425	11,822,290	10,147,559
Term facility	14	4,666,667	4,666,667	5,333,333
Equipment loans	15	397,817	1,190,734	528,843
Finance lease obligations	16	1,232,773	1,376,933	1,665,848
Warrant liability	17	1,161,109	1,629,797	—
Reclamation provision	18	11,638,157	6,962,911	4,369,486
Deferred income tax liabilities	27	4,548,000	4,688,315	3,535,344
Total liabilities		**33,832,948**	**32,337,647**	**25,580,413**
EQUITY				
Share capital	19	81,467,603	80,784,973	58,240,661
Equity reserves		10,581,073	9,100,033	9,330,107
Treasury shares (14,180 shares, at cost)		(97,100)	(97,100)	(97,100)
Accumulated other comprehensive loss		(4,073,466)	(6,456,187)	(6,360,914)
Accumulated deficit		(19,083,196)	(21,875,469)	(23,584,790)
Total equity		**68,794,914**	**61,456,250**	**37,527,964**
Total liabilities and equity		**$ 102,627,862**	**$ 93,793,897**	**$ 63,108,377**

Commitments – Note 22

Approved and authorized for issuance by the Board of Directors on April 2, 2018:

"Gary Robertson" Director "David Wolfin" Director

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

Consolidated Statements of Operations and Comprehensive Income (Loss)

For the years ended December 31, 2017, 2016, and 2015 (Expressed in US dollars, except where otherwise noted)

	Note	2017	2016	2015
			(Notes 2 & 5)	(Notes 2 & 5)
Revenue from mining operations	**20**	$ 33,358,641	$ 30,105,336	$ 14,924,798
Cost of sales	**20**	21,975,130	19,160,800	8,573,200
Mine operating income		11,383,511	10,944,536	6,351,598
Operating expenses				
General and administrative expenses	**21**	3,312,432	3,788,867	3,297,240
Share-based payments	**19**	2,018,363	1,218,703	31,926
Income before other items		6,052,716	5,936,966	3,022,432
Other items				
Fair value adjustment on warrant liability	**17**	563,466	8,197	187,463
Interest and other income		245,810	52,122	46,221
Unrealized gain (loss) on long-term investments		5,002	(2,142)	(43,154)
Foreign exchange gain (loss)		(935,058)	156,260	(652,137)
Accretion of reclamation provision	**18**	(248,267)	(214,787)	(107,090)
Finance cost		(157,078)	(142,574)	(11,136)
Interest expense		(102,541)	(125,744)	(140,842)
Net income before income taxes		5,424,050	5,668,298	2,301,757
Income taxes				
Current income tax expense	**27**	(2,910,904)	(3,159,559)	(2,806,035)
Deferred income tax (expense) recovery	**27**	140,315	(1,005,208)	882,365
		(2,770,589)	(4,164,767)	(1,923,670)
Net income		2,653,461	1,503,531	378,087
Other comprehensive income (loss) Items that may be reclassified subsequently to income or loss:				
Currency translation differences of foreign operations		2,382,721	(95,273)	(3,583,669)
Total comprehensive income (loss)		$ 5,036,182	$ 1,408,258	$ (3,205,582)
Earnings per share	**19(e)**			
Basic		$ 0.05	$ 0.04	$ 0.01
Diluted		$ 0.05	$ 0.03	$ 0.01
Weighted average number of common shares outstanding	**19(e)**			
Basic		52,523,454	42,695,999	36,229,424
Diluted		53,320,009	43,791,451	36,723,725

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

Consolidated Statements of Changes in Equity

For the years ended December 31, 2017, 2016, and 2015 (Expressed in US dollars, except where otherwise noted)

	Note	Number of Common Shares	Share Capital Amount	Equity Reserves	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Equity
Balance, January 1, 2015	**2, 5**	**35,374,813**	**$ 55,381,240**	**$ 10,320,406**	**$ (97,100)**	**$ (2,777,245)**	**$ (23,994,105)**	**$ 38,833,196**
Common shares issued for cash:								
Brokered public offerings	**19**	1,001,196	1,213,120	—	—	—	—	1,213,120
Less share issuance costs	**19**	—	(82,353)	—	—	—	—	(82,353)
Exercise of stock options	**19**	922,000	733,412	—	—	—	—	733,412
Carrying value of stock options exercised		—	995,242	(995,242)	—	—	—	—
Options and warrants cancelled or expired		—	—	(31,228)	—	—	31,228	—
Share-based payments	**19**	—	—	36,171	—	—	—	36,171
Net income for the year		—	—	—	—	—	378,087	378,087
Currency translation differences of foreign operations		—	—	—	—	(3,583,669)	—	(3,583,669)
Balance, December 31, 2015	**2, 5**	**37,298,009**	**$ 58,240,661**	**$ 9,330,107**	**$ (97,100)**	**$ (6,360,914)**	**$ (23,584,790)**	**$ 37,527,964**
Common shares issued for cash:								
Brokered public offerings	**19**	14,043,992	21,663,101	—	—	—	—	21,663,101
Less share issuance costs	**19**	—	(1,458,599)	—	—	—	—	(1,458,599)
Exercise of stock options	**19**	1,079,000	948,690	—	—	—	—	948,690
Carrying value of stock options exercised		—	1,368,773	(1,368,773)	—	—	—	—
Options and warrants cancelled or expired		—	—	(205,790)	—	—	205,790	—
Shares issued for exploration and evaluation assets	**9(b)**	10,000	22,347	—	—	—	—	22,347
Share-based payments (net of costs of $4,539)	**19**	—	—	1,344,489	—	—	—	1,344,489
Net income for the year		—	—	—	—	—	1,503,531	1,503,531
Currency translation differences of foreign operations		—	—	—	—	(95,273)	—	(95,273)
Balance, December 31, 2016	**2, 5**	**52,431,001**	**$ 80,784,973**	**$ 9,100,033**	**$ (97,100)**	**$ (6,456,187)**	**$ (21,875,469)**	**$ 61,456,250**
Common shares issued for cash:								
Brokered public offerings	**19**	10,000	16,737	—	—	—	—	16,737
Exercise of stock options	**19**	20,000	24,836	—	—	—	—	24,836
Carrying value of stock options exercised		—	19,998	(19,998)	—	—	—	—
Options and warrants cancelled or expired		—	—	(138,812)	—	—	138,812	—
Carrying value of RSUs exercised		257,152	622,719	(622,719)	—	—	—	—
Total share issuance costs		—	(1,660)	—	—	—	—	(1,660)
Share-based payments	**19**	—	—	2,262,569	—	—	—	2,262,569
Net income for the year		—	—	—	—	—	2,653,461	2,653,461
Currency translation differences of foreign operations		—	—	—	—	2,382,721	—	2,382,721
Balance, December 31, 2017		**52,718,153**	**$ 81,467,603**	**$ 10,581,073**	**$ (97,100)**	**$ (4,073,466)**	**$ (19,083,196)**	**$ 68,794,914**

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2017, 2016, and 2015 (Expressed in US dollars, except where otherwise noted)

	Note	2017	2016	2015
Cash Provided By (Used In):			(Notes 2 & 5)	(Notes 2 & 5)
Operating Activities				
Net income		$ 2,653,461	$ 1,503,531	$ 378,087
Adjustments for non-cash items:				
Depreciation and depletion		2,572,047	1,341,577	1,049,255
Deferred income tax expense (recovery)		(140,315)	1,005,208	(882,365)
Share-based payments		2,018,363	1,218,703	31,926
Accretion of reclamation provision		248,267	214,787	107,090
Unrealized gain on long-term investments		(5,002)	2,142	43,154
Foreign exchange loss (gain)		126,810	(440,739)	(605,955)
Fair value adjustment on warrant liability		(563,466)	(8,197)	(187,463)
		6,910,165	4,837,012	(66,271)
Net change in non-cash working capital items	**23**	(9,077,103)	(1,098,070)	(2,101,273)
		(2,166,938)	3,738,942	(2,167,544)
Financing Activities				
Shares and units issued for cash, net of issuance costs		39,912	22,791,185	1,864,179
Finance lease payments		(1,581,264)	(1,531,708)	(1,216,497)
Equipment loan payments		(846,967)	(587,175)	(75,120)
Term facility proceeds (payments)		(666,667)	(666,666)	10,000,000
		(3,054,986)	20,005,636	10,572,562
Investing Activities				
Exploration and evaluation expenditures		(5,526,937)	(8,312,934)	(19,628,309)
Additions to plant, equipment and mining properties		(6,608,168)	(3,682,938)	(3,375,181)
Redemption (purchase) of short-term investments		9,000,000	(10,000,000)	—
Recovery of exploration costs from concentrate proceeds		—	4,587,005	16,094,867
		(3,135,105)	(17,408,867)	(6,908,623)
Change in cash		(8,357,029)	6,335,711	1,496,395
Effect of exchange rate changes on cash		(3,157)	42,898	241,414
Cash, Beginning of the year		11,779,718	5,401,109	3,663,300
Cash, End of the year		$ 3,419,532	$ 11,779,718	$ 5,401,109

Supplementary Cash Flow Information (Note 23)

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

1. NATURE OF OPERATIONS

Avino Silver & Gold Mines Ltd. (the "Company" or "Avino") was incorporated in 1968 under the laws of the Province of British Columbia, Canada. The Company is engaged in the production and sale of silver, 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. Avino is a reporting issuer in all of the provinces of Canada, except for Quebec, and a foreign private issuer with the Securities and Exchange Commission in the United States. The Company's shares trade on the Toronto Stock Exchange ("TSX"), under the symbol "ASM" (the Company graduated from the TSX Venture Exchange on January 8, 2018), on the NYSE American under the symbol "ASM", and on the Berlin and Frankfurt Stock Exchanges under the symbol "GV6".

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, and on April 1, 2016, the Company commenced production of copper, silver, and gold at levels intended by management at its Avino Mine. Both mines are located on the historic Avino property in the state of Durango, Mexico.

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 certain 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 years 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 and its Canadian subsidiary 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.

Effective January 1, 2017, the Company changed its presentation currency from the Canadian dollar to the US dollar. The Company believes that the change in presentation currency will provide shareholders with a better reflection of the Company's business activities and enhance the comparability of the Company's financial information to its peers. For more details, see Note 5 of these consolidated financial statements.

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 sales to US dollars at spot rates on the date of the transactions and remaining 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.

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.

2. BASIS OF PRESENTATION (continued)

Significant Accounting Judgements and Estimates (continued)

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 results of operations of the Company during the periods presented in these consolidated financial statements have been impacted by management's determination that the San Gonzalo Mine and Avino Mine had achieved production levels intended by management as of October 1, 2012 and April 1, 2016, respectively, and that none of the Company's exploration and evaluation assets had achieved production levels intended by management as at December 31, 2017.

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 and its Canadian subsidiary 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.

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, San Gonzalo, and Bralorne 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.

2. BASIS OF PRESENTATION (continued)

Significant Accounting Judgements and Estimates (continued)

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 net loss and its equity reserves. Warrant liabilities are accounting for as derivate liabilities (see Note 17).

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, 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.

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 profit and loss.

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.

2. BASIS OF PRESENTATION (continued)

Basis of Consolidation

The consolidated 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 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
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 consolidated financial statements.

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%.

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, amounts receivable, short- and long-term investments, reclamation bonds, accounts payable, amounts due to related parties, warrant liability, term facility, equipment loans, and finance lease obligations.

The Company has classified its cash, amounts receivable, investments (short- and long-term), and warrant liability as FVTPL. Reclamation bonds are classified as loans and receivables. Accounts payable, amounts due to related parties, term facility, equipment loans, and finance lease obligations are classified as other financial liabilities.

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

i. Financial assets classified as FVTPL are measured at fair value. All gains and losses resulting from changes in their fair value are included in net income in the period in which they arise.

ii. Held-to-maturity investments 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, using the effective interest method, less any impairment.

iii. 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, using the effective interest method, less any impairment.

iv. 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. Other than temporary impairments on available-for-sale financial assets are recorded in net income.

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. At December 31, 2017 and 2016, the Company classified share purchase warrants with an exercise price in US dollars (see Note 17) 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.

2. BASIS OF PRESENTATION (continued)

Cash

Cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

3. SIGNIFICANT ACCOUNTING POLICIES

Exploration and evaluation assets

The Company capitalizes all costs relating to the acquisition, exploration, and evaluation of mineral claims, and recognizes any proceeds received as a reduction of the cost of the related claims. The Company's capitalized exploration and evaluation are classified as intangible assets. Such costs include, but are not limited to, ramp advancement, camp costs, geophysical studies, exploratory drilling, and geological and sampling expenditures. Concentrate sales and costs thereof are included in exploration and evaluation costs prior to demonstrating the technical feasibility and commercial viability of extracting mineral resources. When the technical feasibility and commercial viability of extracting mineral resources have been demonstrated, these costs are assessed for impairment and are reclassified to mining properties and become subject to depletion. All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditures are not expected to be recovered, the expenditures for the area of interest are written down and charged to operations. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment. An impairment charge relating to a mineral claim may be subsequently reversed if new exploration results or actual or potential proceeds on sale or farm out of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

Borrowing costs incurred that are attributable to qualifying exploration and evaluation assets are capitalized and included in the carrying amounts of qualifying assets until those qualifying assets are ready for their intended use, which would generally occur upon the advancement of the project past the exploration and evaluation and development stages to production at levels intended by management. Borrowing costs are capitalized as incurred while activities and expenditures necessary to prepare the qualifying assets for intended use are in progress. All other borrowing costs are expensed in the period in which they are incurred. In the case of funds borrowed that are directly attributable to qualifying assets, the amount capitalized represents the actual borrowing costs incurred on the specific borrowings.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves or resources, the ability of the Company to obtain financing to establish a sustainable mining operation, and on future production or proceeds of disposition.

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, 2017, December 31, 2016, and January 1, 2016, the Company estimated a remaining mine life for San Gonzalo of 0.8 years, 1.8 years, and 2.8 years, respectively.

As at December 31, 2017 and 2016, the Company estimated a remaining mine life for the Avino Mine of 10.3 and 11.3 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Plant, equipment, and mining properties (continued)

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

Office equipment, furniture, and fixtures	20% declining balance
Computer equipment	30% declining balance
Mine machinery and transportation equipment	20% declining balance
Mill machinery and processing equipment	20 years straight line
Buildings	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.

Inventories are valued at the lower of cost and net realizable value. 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.

Net realizable value ("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 recognition

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.

Revenue from the sale of concentrate is recognized upon delivery when the risks and rewards of ownership are transferred to the customer and neither continuing managerial involvement nor effective control remains over the goods sold. Revenue is based on quoted market prices of the London Bullion Market Association and the London Metal Exchange during the quotation period less treatment, refining and smelting charges, and penalties.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Metals contained in bulk concentrate sold to third parties are provisionally invoiced, and the price is not settled until a predetermined contractual future date, typically one to three months after delivery to the customer, based on the market price of metals at that time. The Company enters into contracts that provide a provisional payment based upon provisional assays and quoted metal prices at the time of delivery.

Revenues are recorded when title passes from the Company to the buyer based on spot prices at the time of delivery, and subsequently adjusted to market prices based on final settlement terms. Prior to the date that management's intended production levels have been achieved, concentrate sales of material drawn from exploration and evaluation properties are recorded as a reduction of capitalized exploration and evaluation costs.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

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.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Application of new and revised accounting standards:

Annual Improvements to IFRSs 2014-2016 Cycle

In December 2016, the IASB issued the Annual Improvements 2014-2016 cycle, effective for annual periods beginning on or after January 1, 2017. The amendments did not have an impact on the Company's consolidated financial statements.

Changes in accounting standards not yet effective:

The Company has not early adopted any amendment, standard, or interpretation that has been issued by the IASB, but is not yet effective. The following accounting standards were issued, but not yet effective as of December 31, 2017:

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 model framework for the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Either a modified retrospective application or full retrospective application is required for IFRS 15. The Company has not committed to either application, but it is expected that the Company will apply the full retrospective approach upon transition on January 1, 2018.

Under IFRS 15, revenue related to the transfer of promised goods or services should be recognized when the control of the goods or services passes to the customers. The Company has evaluated the impact of applying IFRS 15, by analyzing its concentrate sales agreements, and concluded that there is no material change in the timing of revenue recognized under the new standard, and based on the facts and circumstances at December 31, 2017, there will be no material impact to the timing of the Company's recognition of revenues.

IFRS 15 also requires entities to apportion revenue earned from contracts to distinct performance obligations on a relative standalone selling price basis. Under the terms of a number of the Company's concentrate agreements, the seller must contract for and pay the shipping and insurance costs necessary to bring the goods to the named destination. Under IFRS 15, the obligation to fulfill the shipping and insurance services, will be deferred and recognized over time, as the obligations are fulfilled. Based on the facts and circumstances at December 31, 2017, the Company has determined that the impact of this change is insignificant, and there will be no material impact to the Company's recognition of revenues.

IFRS 15 contains presentation and disclosure requirements which are currently more detailed than current standards, with many requirements being new. Under IFRS 15, the Company will present disclosure relating to the timing of completion of the Company's performance obligations, and the portion of revenue related to provisional pricing adjustments on its concentrate sales will also be separately disclosed.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments ("IFRS 9") to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected-loss' impairment model, as well as a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company will apply IFRS 9 at the date it becomes effective. Except for hedge accounting, retrospective application is required, but the provision of comparative information is not required. For hedge accounting, the requirements are generally applied prospectively.

The classification of financial assets and liabilities is expected to remain consistent under IFRS 9, with the possible exception of equity securities. Under IFRS 9, the Company will have the option to designate equity securities as financial assets at fair value through other comprehensive income or loss. If the Company does not make this election, changes in the fair value of equity securities will continue to be recognized in profit or loss in accordance with the Company's current policy.

The introduction of the new 'expected credit loss' impairment model is not expected to have an impact on the Company, given the Company sells its concentrate to large international organizations with a negligible historical level of customer default, and the corresponding receivables from these sales are short term in nature.

The Company expects the above potential changes to be the only impacts, as the Company currently has no hedging arrangements.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – Leases ("IFRS 16") which replaces IAS 17 – Leases and its associated interpretative guidance, and will be effective for accounting periods beginning on or after January 1, 2019. Early adoption is permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting. A lessee can choose to apply IFRS 16 using either a full retrospective approach or a modified retrospective approach. The Company plans to apply IFRS 16 at the date it becomes effective and has not yet selected a transition approach.

The Company is in the process of identifying and collecting data relating to existing agreements that may contain right-of-use assets. At this time it is not possible for the Company to make reasonable quantitative estimates of the effects of the new standard, and is currently evaluating its expected impact on the consolidated financial statements.

5. CHANGE IN PRESENTATION 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 enhance the comparability of the Company's financial information to peers. The change in presentation currency represents a voluntary change in accounting policy, which is accounted for retrospectively. The consolidated financial statements for all periods presented have been translated into the new presentation currency in accordance with IAS 21 – The Effects of Changes in Foreign Exchange Rates.

The consolidated statements of operations and comprehensive income (loss) and the consolidated statements of cash flows have been translated into the presentation currency using the average exchange rates prevailing during each reporting period. In the consolidated statements of financial position, all assets and liabilities have been translated using the period-end exchange rates, and all resulting exchange differences have been recognized in accumulated other comprehensive loss. Asset and liability amounts previously reported in Canadian dollars have been translated into US dollars as at January 1, 2016, and December 31, 2016, using the period-end exchange rates of 1.3840 CAD/USD and 1.3427 CAD/USD, respectively, and shareholders' equity balances have been translated using historical rates in effect on the date of the transactions.

The change in presentation currency resulted in the following impact on the January 1, 2016, opening statement of financial position:

	Reported at January 1, 2016 in CAD	Presentation currency change	Restated January 1, 2016 in USD
Total assets	$ 87,341,992	$ 24,233,615	$ 63,108,377
Total liabilities	35,403,293	9,822,880	25,580,413
Equity	51,938,699	14,410,735	37,527,964

The change in presentation currency resulted in the following impact on the December 31, 2016, statement of financial position:

	Reported at December 31, 2016 in CAD	Presentation currency change	Restated December 31, 2016 in USD
Total assets	$ 125,937,065	$ 32,143,168	$ 93,793,897
Total liabilities	43,419,758	11,082,111	32,337,647
Equity	82,517,307	21,061,057	61,456,250

6. SHORT-TERM INVESTMENTS

The Company's short-term investments consist of term deposits maturing within one year, with an interest rate of 0.8%. All term deposits are redeemable at any time without penalty.

At December 31, 2017, the Company's short-term investments totalled $1,000,000 (December 31, 2016 - $10,000,000, January 1, 2016 - $Nil).

7. TAXES RECOVERABLE

The Company's taxes recoverable consist of the Mexican I.V.A. ("VAT") and income taxes recoverable and Canadian sales taxes ("GST") recoverable.

	December 31, 2017	December 31, 2016	January 1, 2016
VAT recoverable	$ 5,778,823	$ 3,375,948	1,185,710
GST recoverable	105,190	153,467	123,791
Income taxes recoverable	484,762	—	896,449
Total taxes recoverable	$ 6,368,775	$ 3,529,415	2,205,950

8. INVENTORY

	December 31, 2017	December 31, 2016	January 1, 2016
Process material stockpiles	$ 3,565,892	$ 2,604,720	$ 2,434,943
Concentrate inventory	3,436,879	1,895,808	159,998
Materials and supplies	2,099,486	1,303,484	737,598
	$ 9,102,257	$ 5,804,012	$ 3,332,539

The amount of inventory recognized as an expense for the year ended December 31, 2017, totalled $21,975,130 (2016 – $19,160,800; 2015 - $8,573,200), and includes production costs and depreciation and depletion directly attributable to the inventory production process.

For the years ended December 31, 2017, 2016 and 2015 (Expressed in US dollars except where otherwise noted)

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, Canada	Yukon, Canada	Total
Balance, January 1, 2016	$ 15,241,740	$ 14,654,917	$ 1	$ 29,896,658
Costs incurred during 2016:				
Mine and camp costs	3,379,702	2,831,997	—	6,211,699
Provision for reclamation	—	2,656,790	—	2,656,790
Water treatment and tailing storage facility costs	—	1,249,064	—	1,249,064
Effect of movement in exchange rates	254,153	450,767	—	704,920
Depreciation of plant and equipment	203,350	467,944	—	671,294
Interest and financing costs	101,383	363,218	—	464,601
Drilling and exploration	305,065	59,488	—	364,553
Geological and related services	11,721	237,861	—	249,582
Acquisition costs	—	156,845	—	156,845
Assessments and taxes	80,722	20,938	—	101,660
Assays	—	1,006	—	1,006
Transfers	(7,011,990)	—	—	(7,011,990)
Sale of concentrate	(4,587,005)	—	—	(4,587,005)
Mineral exploration tax credit	—	(337,941)	—	(337,941)
Balance, December 31, 2016	$ 7,978,841	$ 22,812,894	$ 1	$ 30,791,736
Costs incurred during 2017:				
Mine and camp costs	—	4,300,669	—	4,300,669
Provision for reclamation	—	3,761,597	—	3,761,597
Effect of movements in exchange rates	554,843	1,603,903	—	2,158,746
Drilling and exploration	418,123	348,226	—	766,349
Depreciation of plant and equipment	—	715,796	—	715,796
Interest and financing costs	—	377,350	—	377,350
Geological and related services	—	264,584	—	264,584
Water treatment and tailing storage facility costs	—	223,837	—	223,837
Assessments and taxes	82,298	97,118	—	179,416
Mineral exploration tax credit	—	(202,210)	—	(202,210)
Balance, December 31, 2017	$ 9,034,105	$ 34,303,764	$ 1	$ 43,337,870

9. EXPLORATION AND EVALUATION ASSETS (continued)

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.

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 Santiago 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 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 April 1, 2016.

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$250,100 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.

The Company commenced production at levels intended by management at the Avino Mine on April 1, 2016. In connection with the transition to production at levels intended by management, the Company assessed the $7,011,990 estimated carrying value of Avino Mine exploration and evaluation assets for impairment and determined that the recoverable amount exceeded the carrying value of the CGU. The Company subsequently transferred the carrying value to inventory in the amount of $2,538,740 and to mining properties in the amount of $4,473,250.

In the periods before production at levels intended by management had been achieved, the Company recorded in its statement of financial position the costs of extracting and processing mineralized material from the Avino Mine as exploration and evaluation costs, and recorded a reduction to the carrying value of those costs for any proceeds from sales of Avino Mine concentrate. During the year ended December 31, 2016, the Company reduced its exploration and evaluation costs in the consolidated statement of financial position by $4,587,005 for sales of 2,603 tonnes of Avino Mine copper/silver/gold concentrate, prior to commencing production at levels intended by management on April 1, 2016.

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 Canadian (C$0.50) per ton of ore produced from these claims if the ore grade exceeds 0.75 ounces per ton gold.

During the year ended December 31, 2016, the Company acquired land and mineral claims for the Bralorne Mine project in connection with ongoing plans for exploration and potential expansion. The acquisitions included nine mineral claims covering approximately 2,114 hectares in the Lillooet Mining Division of British Columbia (the "BRX Property"), for which the Company paid $48,410 and issued 10,000 common shares at their TSX-V market value of $22,347. The BRX Property carries a 1% net smelter returns royalty to a maximum of C$250,000, and a 2.5% net smelter returns royalty.

9. EXPLORATION AND EVALUATION ASSETS (continued)

ii. 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.

During the year ended December 31, 2017, an option agreement was signed between Avino and Alexco Resource Corp. ("Alexco"), granting Alexco the right to acquire a 65% interest in all 14 quartz mining leases. To exercise the option, Alexco must pay Avino a total of $70,000 in instalments over 4 years, issue Avino a total of 70,000 Alexco common shares in instalments over 4 years, incur $550,000 in exploration work by the second anniversary of the option agreement date, and a further $2.2 million in exploration work on the Eagle Property by the fourth anniversary of the option agreement date.

In the event that Alexco earns its 65% interest in the Eagle Property, Alexco and Avino will form a joint venture for the future exploration and development of the Eagle Property, and may contribute towards expenditures in proportion to their interests (65% Alexco / 35% Avino). If either company elects to not contribute its share of costs, then its interest will be diluted. If either company's joint venture interest is diluted to less than 10%, its interest will convert to a 5.0% net smelter returns royalty, subject to the other's right to buy-down the royalty to 2.0% for $2.5 million.

The Eagle Property was previously inactive and held by Avino as a non-essential asset to its current operations.

10 NON-CONTROLLING INTEREST

At December 31, 2017, the Company had an effective 99.67% (2016 - 99.67%) interest in its subsidiary Avino Mexico and the remaining 0.33% (2016 - 0.33%) interest represents a non-controlling interest. The accumulated deficit and current year income attributable to the non-controlling interest are insignificant and accordingly have not been recognized in the consolidated financial statements.

11. 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, 2016	4,427,701	66,651	224,545	10,175,329	7,342,421	1,462,197	23,698,844
Additions and transfers	5,748,689	15,873	27,487	4,720,276	272,911	1,177,935	11,963,171
Effect of movements in exchange rates	13,681	206	694	31,440	22,687	4,518	73,226
Balance at December 31, 2016	10,190,071	82,730	252,726	14,927,045	7,638,019	2,644,650	35,735,241
Additions	1,370,176	49,357	27,072	1,271,265	2,137,015	2,948,752	7,803,637
Effect of movements in exchange rates	121,839	989	3,022	178,478	91,325	31,621	427,274
Balance at December 31, 2017	11,682,086	133,076	282,820	16,376,788	9,866,359	5,625,023	43,966,152
ACCUMULATED DEPLETION AND DEPRECIATION							
Balance at January 1, 2016	1,170,392	27,220	88,778	2,761,840	618,128	439,254	5,105,612
Additions	1,109,914	9,089	26,524	1,435,813	226,434	67,332	2,875,106
Effect of movements in exchange rates	3,616	85	274	8,534	1,910	1,357	15,776
Balance at December 31, 2016	2,283,922	36,394	115,576	4,206,187	846,472	507,943	7,996,494
Additions	1,686,830	11,898	26,667	1,827,225	282,535	87,287	3,922,442
Effect of movements in exchange rates	27,307	435	1,382	50,292	10,121	6,074	95,611
Balance at December 31, 2017	3,998,059	48,727	143,625	6,083,704	1,139,128	601,304	12,014,547
NET BOOK VALUE							
At December 31, 2017	**7,684,027**	**84,349**	**139,195**	**10,293,084**	**8,727,231**	**5,023,719**	**31,951,605**
At December 31, 2016	7,906,149	46,336	137,150	10,720,858	6,791,547	2,136,707	27,738,747
At January 1, 2016	3,257,309	39,431	135,767	7,413,489	6,724,293	1,022,943	18,593,232

Plant, equipment and mining properties includes assets under construction of $3,283,076 as at December 31, 2017 (December 31, 2016 - $1,001,211, January 1, 2016 - $380,082), on which no depreciation was charged in the years then ended.

For the years ended December 31, 2017, 2016 and 2015 (Expressed in US dollars except where otherwise noted)

12. RECLAMATION BONDS

Under the Ministry of Energy, Mines and Petroleum Resources ("MEM"), the Company is required to hold reclamation bonds that cover the estimated future cost to reclaim the ground disturbed.

At December 31, 2017, the Company has secured $713,830 (December 31, 2016 - $108,364, January 1, 2016 - $105,130) to cover estimated future costs related to the future ground disturbance at the Company's Canadian operations.

13. 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, were as follows:

	2017	2016	2015
Salaries, benefits, and consulting fees	$ 860,280	$ 1,276,684	$ 1,329,864
Share-based payments	1,717,592	890,669	—
	$ 2,577,872	$ 2,167,353	$ 1,329,864

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 $232,076 (December 31, 2016 - $110,905, January 1, 2016 - $102,765) 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, 2017. The following table summarizes the amounts due to related parties:

	December 31, 2017	December 31, 2016	January 1, 2016
Oniva International Services Corp.	$ 139,047	$ 126,819	$ 118,703
Directors	41,660	44,919	34,495
Jasman Yee & Associates, Inc.	5,856	4,195	4,188
Intermark Capital Corp.	—	19,550	—
Wear Wolfin Designs Ltd.	—	3,910	—
	$ 186,563	$ 199,393	$ 157,386

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. 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:

	2017	2016	2015
Salaries and benefits	$ 450,382	$ 296,798	$ 242,134
Office and miscellaneous	566,664	506,534	392,687
Exploration and evaluation assets	351,545	248,304	243,236
	$ 1,368,591	$ 1,051,636	$ 878,057

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. For the years ended December 31, 2017, 2016, and 2015, the Company paid $231,018, $503,741, and $620,366, respectively, to ICC.

The Company pays Jasman Yee & Associates, Inc. ("JYAI") for operational, managerial, metallurgical, engineering and consulting services related to the Company's activities. JYAI's managing director is a director of the Company. For the years ended December 31, 2017, 2016, and 2015, the Company paid $80,163, $140,145, and $163,178, respectively, to JYAI.

The Company pays Wear Wolfin Designs Ltd. ("WWD"), a company whose director is the brother-in-law of David Wolfin, for financial consulting services related to ongoing consultation with stakeholders and license holders. For the years ended December 31, 2017, 2016, and 2015, the Company paid $23,102, $22,638, and $23,463, respectively, to WWD.

14. TERM FACILITY

In July 2015, the Company entered into a $10,000,000 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%, and the facility was to be repaid in 15 consecutive equal monthly instalments starting in June 2016. Pursuant to the agreement, in August 2015, Avino commenced selling concentrates produced during ramp advancement and ongoing evaluation and extraction at the Avino Mine on an exclusive basis to Samsung. Samsung pays for the concentrates at the prevailing metal prices for their silver, copper, and gold content at or about the time of delivery, less interest, treatment, refining, shipping, and insurance charges.

During the year ended December 31, 2017, the Company and Samsung agreed to amend the Company's existing term facility by extending the repayment period. Repayments of the remaining balance will be made in 13 equal monthly instalments commencing in July 2018 and ending July 2019. The Company will sell the Avino Mine concentrates on an exclusive basis to Samsung until December 31, 2021.

14. TERM FACILITY (continued)

The facility is secured by the concentrates produced under the agreement and by the common shares of the Company's wholly-owned subsidiary Bralorne Gold Mines Ltd. The facility with Samsung relates to the sale of concentrates produced from the Avino Mine only and does not include concentrates produced from the San Gonzalo Mine that are sold to Samsung.

The continuity of the term facility with Samsung is as follows:

	December 31, 2017	December 31, 2016	January 1, 2016
Balance at beginning of the period	$ 9,333,334	$ 10,000,000	$ —
Proceeds	—	—	10,000,000
Repayments	(666,667)	(666,666)	—
Balance at end of the period	8,666,667	9,333,334	10,000,000
Less: Current portion	(4,000,000)	(4,666,667)	(4,666,667)
Non-current portion	$ 4,666,667	$ 4,666,667	$ 5,333,333

15. EQUIPMENT LOANS

The Company has entered into loans for mining equipment maturing in between 2018 and 2020 with fixed interest rates of 4.35% to 5.26% per annum. The Company's obligations under the loans are secured by the mining equipment. As at December 31, 2017, plant, equipment, and mining properties includes a net carrying amount of $2,065,332 (December 31, 2016 - $2,507,549, January 1, 2016 - $706,345) for this mining equipment.

The contractual maturities and interest charges in respect of the Company's obligations under the equipment loans are as follows:

	December 31, 2017	December 31, 2016	January 1, 2016
Not later than one year	$ 886,145	$ 1,060,091	$ 188,863
Later than one year and not later than five years	409,899	1,237,700	566,904
Less: Future interest charges	(49,840)	(130,106)	(66,381)
Present value of loan payments	1,246,204	2,167,685	689,386
Less: Current portion	(848,387)	(976,951)	(160,543)
Non-current portion	$ 397,817	$ 1,190,734	$ 528,843

The equipment loan credit facilities are a component of the master credit facilities described in Note 16.

16. FINANCE LEASE OBLIGATIONS

The Company has entered into mining equipment leases expiring between 2018 and 2020, with interest rates ranging from 2% to 11.99% 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 December 31, 2017, plant, equipment and mining properties includes a net carrying amount of $3,950,846 (December 31, 2016 - $4,801,047, January 1, 2016 - $5,897,535) for this leased mining equipment.

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

	December 31, 2017	December 31, 2016	January 1, 2016
Not later than one year	$ 1,203,882	$ 1,527,031	$ 1,416,795
Later than one year and not later than five years	1,295,661	1,482,284	1,780,423
Less: Future interest charges	(150,393)	(197,641)	(219,414)
Present value of lease payments	2,349,150	2,811,674	2,977,804
Less: Current portion	(1,116,377)	(1,434,741)	(1,311,956)
Non-current portion	$ 1,232,773	$ 1,376,933	$ 1,665,848

The Company has two master credit facilities with equipment suppliers for a total of $10,375,400. The facilities are used to acquire equipment necessary for maintaining operations at the San Gonzalo Mine and the Avino Mine, and for continuing exploration activity at the Bralorne Mine. As of December 31, 2017, the Company had $7,270,423 in available credit remaining under these facilities.

17. 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.

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

	December 31, 2017	December 31, 2016
Balance at beginning of the year	$ 1,629,797	$ —
Warrants issued during the year	—	1,637,887
Fair value adjustment	(563,466)	(8,197)
Effect of movement in exchange rates	94,778	107
Balance at end of the year	$ 1,161,109	$ 1,629,797

For the years ended December 31, 2017, 2016 and 2015 (Expressed in US dollars except where otherwise noted)

17. WARRANT LIABILITY (continued)

Continuity of derivative warrants during the year is as follows:

	Underlying Shares	Weighted Average Exercise Price
Warrants outstanding and exercisable, January 1, 2016	1,033,059	$ 2.87
Issued	3,602,215	$ 1.99
Warrants outstanding and exercisable, December 31, 2016	4,635,274	$ 2.19
Expired	(1,033,059)	$ 2.87
Warrants outstanding and exercisable, December 31, 2017	3,602,215	$ 1.99

Derivative warrants outstanding and exercisable are as follows:

		Warrants Outstanding and Exercisable		
Expiry Date	Exercise Price per Share	December 31, 2017	December 31, 2016	January 1, 2016
February 25, 2017	$ 2.87	—	1,033,059	1,033,059
March 14, 2019	$ 1.00	40,000	40,000	—
November 28, 2019	$ 2.00	3,562,215	3,562,215	—
		3,602,215	4,635,274	1,033,059

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, 2017	December 31, 2016	January 1, 2016
Weighted average assumptions:			
Risk-free interest rate	1.66%	0.67%	0.48%
Expected dividend yield	0%	0%	0%
Expected option life (years)	1.90	2.29	1.14
Expected stock price volatility	65.69%	72.66%	46.02%
Weighted average fair value	$ 0.32	$ 0.35	$ 0.00

18. RECLAMATION PROVISION

Management's estimate of the reclamation provision at December 31, 2017, is $11,638,157 (December 31, 2016 – $6,962,911, January 1, 2016 – $4,369,486), and the undiscounted value of the obligation is $17,529,198 (December 31, 2016 – $7,634,138, January 1, 2016 – $4,906,656).

The present value of the obligation in Mexico of $1,584,420 (December 31, 2016 – $1,232,626; January 1, 2016 – $1,509,344) was calculated using a risk-free interest rate of 7.68% (December 31, 2016 – 7.00%; January 1, 2016 – 7.00%) and an inflation rate of 6.77% (December 31, 2016 – 4.25%; January 1, 2016 – 4.25%). Reclamation activities are estimated to begin in 2019 for the San Gonzalo Mine and in 2028 for the Avino Mine.

The present value of the obligation for Bralorne of $10,053,737 (December 31, 2016 – $5,730,285; January 1, 2016 – $2,860,142) was calculated using a weighted average risk-free interest rate of 3.46% (December 31, 2016 – 4.39%; January 1, 2016 – 3.00%) and a weighted average inflation rate of 1.67% (December 31, 2016 – 1.79%; January 1, 2016 – 2.45%). Reclamation activities are estimated to begin in 2021.

A reconciliation of the changes in the reclamation provision during the years ended December 31, 2017 and 2016, is as follows:

	December 31, 2017	December 31, 2016
Balance at beginning of the year	$ 6,962,911	$ 4,369,486
Changes in estimates	3,900,447	2,517,928
Unwinding of discount	248,267	214,787
Effect of movements in exchange rates	526,532	(139,290)
Balance at end of the year	$ 11,638,157	$ 6,962,911

19. SHARE CAPITAL AND SHARE-BASED PAYMENT

a) Authorized

Unlimited common shares without par value.

b) Issued

i. During the year ended December 31, 2017, the Company issued shares in an at-the-market offering under prospectus supplements for an aggregate of 10,000 common shares at an average price of $1.67 for gross proceeds of $16,737. The Company paid cash commission on the gross proceeds in the amount of $605.

During the year ended December 31, 2017, the Company issued 20,000 common shares upon the exercise of stock options for gross proceeds of $24,836.

During the year ended December 31, 2017, the Company issued 257,152 common shares upon the vesting of restricted share units.

ii. During the year ended December 31, 2016, the Company closed a bought-deal financing, issuing 7,124,430 units of the Company at the price of $1.57 per unit for gross proceeds of $11,185,355. Each unit consisted of one common share and one-half of a share purchase warrant, with each whole warrant exercisable to purchase one additional common share at an exercise price of $2.00 until expiry on November 28, 2019. The financing was made by way of a prospectus supplement dated November 21, 2016, to the short form base shelf prospectus dated November 10, 2016, for up to $50,000,000.

19. SHARE CAPITAL AND SHARE-BASED PAYMENT (continued)

b) Issued (continued)

Of the $11,185,355 total aggregate proceeds raised in this financing, the $1,637,887 estimated fair value of the warrants was attributed to warrant liability (Note 17), and the residual amount of was attributed to common shares. The Company paid a 7% cash commission on the gross proceeds in the amount of $782,875, and incurred additional legal costs of $335,134.

During the year ended December 31, 2016, the Company continued to issue shares in an at-the-market offering under prospectus supplements, the latest of which was filed on June 14, 2016, for up to $15,000,000. The Company sold an aggregate of 6,119,562 common shares at an average price of $1.85 per common share for gross proceeds of $11,315,633 during the year ended December 31, 2016. The Company paid a 3% cash commission on the gross proceeds in the amount of $339,074 and incurred additional accounting, legal and regulatory costs of $63,687.

During the year ended December 31, 2016, the Company also issued shares in a brokered public offering issued under a separate $800,000 prospectus supplement filed on March 10, 2016. In connection with this offering, the Company sold an aggregate of 800,000 common shares at a price of $1.00 per common share for gross proceeds of $800,000. The Company paid a 7% cash commission on the gross proceeds in the amount of $56,000, incurred additional accounting, legal and regulatory costs of $22,509 and issued 40,000 agent's warrants exercisable at $1.00 until March 14, 2019.

During the year ended December 31, 2016, the Company issued 1,079,000 common shares upon the exercise of stock options for gross proceeds of $948,690.

iii. During the year ended December 31, 2015, the Company continued to issue shares in an at-the-market offering under prospectus supplements, the latest of which (as at December 31, 2015) was filed on May 27, 2015, for up to $6,000,000. The Company sold an aggregate of 1,001,196 common shares at an average price of $1.21 per common share for gross proceeds of $1,213,120 during the year ended December 31, 2015. The Company paid a 3% cash commission on the gross proceeds in the amount of $36,394 and incurred additional accounting, legal and regulatory costs of $45,959.

During the year ended December 31, 2015, the Company issued 922,000 common shares upon the exercise of stock options for gross proceeds of $733,412.

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 (up to a limit of 5% per individual), and to persons providing investor relations or consulting services (up to a limit of 2% per individual), 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 years ended December 31, 2017 and 2016, is as follows:

	Underlying Shares		Weighted Average Exercise Price (C$)
Stock options outstanding and exercisable, January 1, 2016	2,439,500	$	1.52
Granted	802,500	$	2.95
Forfeited	(165,000)	$	1.44
Expired	(19,500)	$	1.02
Exercised	(1,079,000)	$	1.17
Stock options outstanding and exercisable, December 31, 2016	1,978,500	$	2.24
Granted	1,475,000	$	1.98
Forfeited	(122,500)	$	2.54
Exercised	(20,000)	$	1.62
Stock options outstanding and exercisable, December 31, 2017	3,311,000	$	2.12

As at December 31, 2017, the weighted average remaining contractual life of stock options outstanding was 3.32 years (December 31, 2016 – 3.21 years; January 1, 2016 – 2.38 years).

Details of stock options outstanding and exercisable are as follows:

			Stock Options Outstanding		
Expiry Date		Exercise Price (C$)	December 31, 2017	December 31, 2016	January 1, 2016
January 18, 2016	$	1.02	—	—	204,500
September 30, 2016	$	1.02	—	—	645,000
February 18, 2018	$	1.60	147,500	147,500	195,000
September 9, 2018	$	1.62	276,000	296,000	360,000
September 19, 2019	$	1.90	620,000	667,500	855,000
December 22, 2019	$	1.90	105,000	105,000	130,000
September 29, 2020	$	1.32	—	—	50,000
September 2, 2021	$	2.95	687,500	762,500	—
September 20, 2022	$	1.98	1,435,000	—	—
October 6, 2022	$	1.98	40,000	—	—
			3,311,000	1,978,500	2,439,500

Option pricing requires the use of highly subjective estimates and assumptions including the expected stock price volatility. The expected volatility used in valuing stock options is based on volatility observed in historical periods. Changes in the underlying assumptions can materially affect the fair value estimates.

For the years ended December 31, 2017, 2016 and 2015 (Expressed in US dollars except where otherwise noted)

19. SHARE CAPITAL AND SHARE-BASED PAYMENT (continued)

c) *Stock options (continued):*

The fair value of the options granted during the years ended December 31, 2017, 2016 and 2015 were calculated using the Black-Scholes model with the following weighted average assumptions:

	2017	2016	2015
Weighted average assumptions:			
Risk-free interest rate	1.80%	0.69%	0.78%
Expected dividend yield	0%	0%	0%
Expected option life (years)	5.00	5.00	5.00
Expected stock price volatility	68.23%	65.13%	65.10%
Weighted average fair value at grant date	C$ 1.14	C$ 1.60	C$ 0.65

During the year ended December 31, 2017, the Company charged $1,177,156 (2016 – $875,399, 2015 – $31,926) to operations as share-based payments and capitalized $127,222 (2016 – $95,684, 2015 – $Nil) to exploration and evaluation assets.

d) *Restricted Share Units:*

On May 27, 2016, 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.

During the year ended December 31, 2017, 80,500 RSUs (2016 – 790,000, 2015 – Nil) were granted, vesting one-third annually from the date of the grant until fully vested at the end of the three-year term. The weighted average fair value at the measurement date was C$1.98 (2016 – C$2.95, 2015 – Nil), based on the TSX-V market price of the Company's shares on the date the RSUs were granted. At December 31, 2017, 60 RSUs (December 31, 2016 – 83,060, January 1, 2016 – Nil) are available for issuance under the plan.

At December 31, 2017, there were 592,172 RSUs outstanding (December 31, 2016 – 787,500, January 1, 2016 – Nil).

During the year ended December 31, 2017, the Company charged $841,207 (2016 – $343,304, 2015 - $Nil) to operations as share-based payments and capitalized $116,984 (December 31, 2016 - $34,641, January 1, 2016 - $Nil) to exploration and evaluation assets for the fair value of the RSUs issued. 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 per share:*

The calculations for basic earnings per share and diluted earnings per share are as follows:

	2017	2016	2015
Net income for the year	$ 2,653,461	$ 1,503,531	$ 378,087
Basic weighted average number of shares outstanding	52,523,454	42,695,999	36,229,424
Effect of dilutive share options, warrants, and RSUs	796,555	1,095,452	494,301
Diluted weighted average number of shares outstanding	53,320,009	43,791,451	36,723,725
Basic earnings per share	$ 0.05	$ 0.04	$ 0.01
Diluted earnings per share	$ 0.05	$ 0.03	$ 0.01

20. REVENUE AND COST OF SALES

Revenue and the related cost of sales reflect the sale of silver, gold, and copper concentrate from the Avino Mine during the year ended December 31, 2017, and nine months ended December 31, 2016, the sale of silver and gold concentrate from the San Gonzalo Mine during the years ended December 31, 2017, 2016, and 2015, and the sale of silver and gold concentrate from the historic Avino stockpiles during the year ended December 31, 2015.

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 years. Direct costs include the costs of extracting co-products. Cost of sales is based on the weighted average cost of inventory sold for the years and consists of the following:

	2017	2016	2015
Production costs	$ 19,417,844	$ 17,263,182	$ 7,538,147
Depreciation and depletion	2,557,286	1,897,618	1,035,053
	$ 21,975,130	$ 19,160,800	$ 8,573,200

21. GENERAL AND ADMINISTRATIVE EXPENSES

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

	2017	2016	2015
Salaries and benefits	$ 1,196,044	$ 1,159,264	$ 1,058,543
Management and consulting fees	464,122	924,561	973,499
Office and miscellaneous	443,043	495,465	282,382
Investor relations	365,609	257,973	179,252
Professional fees	323,293	359,053	413,977
Travel and promotion	246,453	171,877	195,605
Directors fees	157,862	166,013	127,874
Regulatory and compliance fees	101,245	242,656	51,907
Depreciation	14,761	12,005	14,201
	$ 3,312,432	$ 3,788,867	$ 3,297,240

22. 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 13(c).

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, 2017	December 31, 2016	January 1, 2016
Not later than one year	$ 300,285	$ 1,540,386	$ 151,057
Later than one year and not later than five years	251,435	556,955	541,360
Later than five years	14,568	19,972	31,757
	$ 566,288	$ 2,117,313	$ 724,174

Office lease payments recognized as an expense during the year ended December 31, 2017, totalled $81,073 (2016 - $82,704; 2015 - $86,975).

23. SUPPLEMENTARY CASH FLOW INFORMATION

	2017	2016	2015
Net change in non-cash working capital items:			
Accounts payable and accrued liabilities	$ (136,244)	$ 708,055	$ (401,754)
Inventory	(2,564,647)	(40,743)	(234,031)
Amounts due to related parties	1,189	42,007	(34,034)
Current taxes recoverable	(2,828,570)	(1,323,465)	(776,231)
Amounts receivable	(1,584,985)	(354,697)	(480,960)
Prepaid expenses and other assets	(1,671,939)	(114,703)	(150,016)
Current taxes payable	(291,907)	(14,524)	(24,247)
	$ (9,077,103)	$ (1,098,070)	$ (2,101,273)

	2017	2016	2015
Interest paid	$ 444,947	$ 470,736	$ 126,449
Taxes paid	$ 5,764,634	$ 3,135,626	$ 4,574,614
Equipment acquired under finance leases and equipment loans	$ 1,227,901	$ 3,452,257	$ 2,289,128

24. 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, short- and 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, short-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.

24. FINANCIAL INSTRUMENTS (continued)

a) *Credit Risk (continued):*

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 three (December 31, 2016 – three, January 1, 2016 - three) counterparties (Note 26). 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 December 31, 2017, 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, 2017, in the amount of $3,419,532 and working capital of $16,402,359 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, 2017 are summarized as follows:

	Total	Less Than 1 Year	1-5 years	More Than 5 Years
Accounts payable and accrued liabilities	$ 3,511,720	$ 3,511,720	$ —	$ —
Due to related parties	186,563	186,563	—	—
Minimum rental and lease payments	566,288	300,285	251,435	14,568
Term facility	9,141,679	4,396,312	4,745,367	—
Equipment loans	1,296,044	886,145	409,899	—
Finance lease obligations	2,499,543	1,203,882	1,295,661	—
Total	$ 17,201,837	$ 10,484,907	$ 6,702,362	$ 14,568

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 term facility, equipment loans, and finance lease obligations 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 Canadian dollars:

24. FINANCIAL INSTRUMENTS (continued)

c) Market Risk (continued)

	December 31, 2017		December 31, 2016	
	MXN	C$	MXN	C$
Cash	$ 9,504,034	$ 320,751	$ 15,997,014	$ 270,562
Long-term investments	—	42,368	—	35,873
Reclamation bonds	—	895,500	—	145,500
Amounts receivable	—	131,961	—	52,779
Accounts payable and accrued liabilities	(27,482,356)	(603,463)	(21,006,749)	(1,249,038)
Due to related parties	—	(224,664)	—	(267,726)
Equipment loans	—	(781,675)	—	(1,423,042)
Finance lease obligations	(750,795)	(1,002,470)	(865,526)	(1,465,333)
Net exposure	(18,729,117)	(1,221,692)	(5,875,261)	(3,900,425)
US dollar equivalent	$ (949,465)	$ (973,847)	$ (284,363)	$ (2,904,910)

Based on the net US dollar denominated asset and liability exposures as at December 31, 2017, a 10% fluctuation in the US/Mexican and US/Canadian exchange rates would impact the Company's earnings for the year ended December 31, 2017 by approximately $326,558 (2016 - $350,284, 2015 - $35,342). 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 December 31, 2017, based on outstanding accounts receivable that were subject to pricing adjustments, a 10% change in metals prices would have an impact on net earnings (loss) of approximately $223,625 (2016 - $581,031, 2015 - $376,543).

The Company is exposed to price risk with respect to its long-term investments, 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 December 31, 2017, a 10% change in market prices would have an impact on net earnings of approximately $3,377 (2016 - $2,672, 2015 – $2,797).

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, 2017:

For the years ended December 31, 2017, 2016 and 2015 (Expressed in US dollars except where otherwise noted)

24. FINANCIAL INSTRUMENTS (continued)

d) *Classification of Financial Instruments (continued)*

	Level 1	Level 2	Level 3
Financial assets			
Cash	$ 3,419,532	$ —	$ —
Short-term investments	1,000,000	—	—
Amounts receivable	—	4,634,997	—
Long-term investments	33,773	—	—
Financial liabilities			
Warrant liability	—	—	(1,161,109)
	$ 4,453,305	$ 4,634,997	$ (1,161,109)

25. 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), the term facility, equipment loan obligations, and finance lease, are listed as follows:

	December 31, 2017	December 31, 2016	January 1, 2016
Equity	$ 68,794,914	$ 61,456,250	$ 37,527,964
Term Facility	8,666,667	9,333,334	10,000,000
Finance Lease Obligations	2,349,150	2,811,674	2,977,804
Equipment Loans	1,246,204	2,167,685	689,386
	$ 81,056,935	$ 75,768,943	$ 51,195,154

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, 2017, 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, 2017, there was no externally imposed capital requirement to which the Company was subject and with which the Company did not comply.

26. SEGMENTED INFORMATION

The Company's revenues for the year ended December 31, 2017, of $33,358,641 (2016 - $30,105,336; 2015 - $14,924,798) are all attributable to Mexico, from shipments of concentrate produced by the Avino Mine, the San Gonzalo Mine, and the historic Avino stockpiles.

For the years ended December 31, 2017, 2016, and 2015, the Company had revenue from the following product mixes:

	2017	2016	2015
Silver	$ 20,158,591	$ 20,979,097	$ 13,251,865
Gold	8,226,824	6,837,729	4,763,903
Copper	10,131,051	7,000,145	44,308
Penalties, treatment costs and refining charges	(5,157,825)	(4,711,635)	(3,135,278)
Total revenue from mining operations	$ 33,358,641	$ 30,105,336	$ 14,924,798

For each of the years ended December 31, 2017, 2016, and 2015, the Company had three customers that accounted for total revenues as follows:

	2017	2016	2015
Customer #1	$ 24,845,362	$ 19,245,936	$ —
Customer #2	7,451,519	6,318,713	—
Customer #3	1,061,760	4,540,687	6,705,786
Customer #4	—	—	5,619,686
Customer #5	—	—	2,599,326
Total revenue from mining operations	$ 33,358,641	$ 30,105,336	$ 14,924,798

26. SEGMENTED INFORMATION (continued)

Geographical information relating to the Company's non-current assets (other than financial instruments) is as follows:

	December 31, 2017	December 31, 2016	January 1, 2016
Exploration and evaluation assets - Mexico	$ 9,034,105	$ 7,978,841	$ 15,241,740
Exploration and evaluation assets - Canada	34,303,765	22,812,895	14,654,918
Total exploration and evaluation assets	$ 43,337,870	$ 30,791,736	$ 29,896,658

	December 31, 2017	December 31, 2016	January 1, 2016
Plant, equipment and mining properties - Mexico	$ 28,627,706	$ 24,240,545	$ 17,583,469
Plant, equipment and mining properties - Canada	3,323,899	3,498,202	1,009,763
Total plant, equipment and mining properties	$ 31,951,605	$ 27,738,747	$ 18,593,232

27. INCOME TAXES

a) Income tax expense

Income tax expense included in the consolidated statements of operations and comprehensive income (loss) is as follows:

	2017	2016	2015
Current income tax expense	$ 2,910,904	$ 3,159,559	$ 2,806,035
Deferred income tax expense (recovery)	(140,315)	1,005,208	(882,365)
Total income tax expense	$ 2,770,589	$ 4,164,767	$ 1,923,670

The reconciliation of income taxes calculated at the Canadian statutory tax rate to the income tax expense recognized in the year is as follows:

	2017	2016	2015
Net income before income taxes	$ 5,424,050	$ 5,668,298	$ 2,301,757
Combined statutory tax rate	26.00%	26.00%	26.00%
Income tax expense at the Canadian statutory rate	1,410,252	1,473,757	598,457
Reconciling items:			
Effect of difference in foreign tax rates	285,045	306,927	123,437
Non-deductible/non-taxable items	601,485	700,143	14,510
Change in unrecognized deductible temporary differences	1,085,984	1,408,398	(95,120)
Impact of foreign exchange	(491,641)	777,498	801,804
Special mining duties	511,271	780,243	213,889
Expiry of tax losses	—	—	320,133
Impact of change of tax rates	(321,670)	—	—
Revisions to estimates	(248,421)	(1,094,616)	(39,224)
Share issue costs and other items	(61,716)	(187,583)	(14,216)
Income tax expense recognized in the year	$ 2,770,589	$ 4,164,767	$ 1,923,670

For the years ended December 31, 2017, 2016 and 2015 (Expressed in US dollars except where otherwise noted)

27. INCOME TAXES (continued)

a) Income tax expense (continued)

The Company recognized a non-cash expense of $51,312 for the year ended December 31, 2017 (2016 - $315,912; 2015 - $360,706) 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.

b) Deferred income tax assets and liabilities

	December 31, 2017	December 31, 2016	January 1, 2016
Deferred income tax assets	$ 4,887,594	$ 2,830,687	$ 1,323,091
Deferred income tax liabilities	(9,435,594)	(7,519,002)	(4,858,435)
	$ (4,548,000)	$ (4,688,315)	$ (3,535,344)

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, 2017	December 31, 2016	January 1, 2016
Reclamation provision	$ 594,158	$ 502,586	$ 566,004
Non-capital losses	3,196,459	—	—
Other deductible temporary differences	1,096,977	2,328,101	757,087
Inventory	(229,615)	(100,669)	(132,901)
Exploration and evaluation assets	(6,463,733)	(4,265,292)	(2,519,341)
Plant, equipment and mining properties	(2,742,246)	(3,153,041)	(2,206,193)
Net deferred income tax liabilities	$ (4,548,000)	$ (4,688,315)	$ (3,535,344)

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.

c) 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, 2017	December 31, 2016	January 1, 2016
Tax losses carried forward	$ 13,972,696	$ 17,350,158	$ 18,964,478
Share issue costs	1,100,308	1,466,423	41,040
Plant, equipment and mining properties	6,198,014	3,872,794	721,282
Exploration and evaluation assets	1,330,085	1,257,512	10,530,316
Investments	197,978	189,056	191,474
Reclamation provision and other	10,053,737	5,602,790	369,329
Unrecognized deductible temporary differences	$ 32,852,818	$29,738,733	$ 30,817,919

The Company has capital losses of $1,173,541 carried forward and $12,799,155 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 2022 to 2037. As at December 31, 2017, the Company had no Mexican tax losses available to offset future Mexican taxable income.

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TSX: Symbol **ASM**
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50 YEARS
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