

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

FORM 20-F

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

or

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

For the fiscal year ended December 31, 2019

or

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

or

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

Date of event requiring this shell company report _____

For the transition period from _____ to _____

Commission File Number 001-35254

AVINO SILVER & GOLD MINES LTD.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

British Columbia, Canada

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

David Wolfen, Chief Executive Officer 570 Granville Street, Suite 900 Vancouver, British Columbia V6C 3P1, Canada,

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

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

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

Common Shares, without Par Value

Title of Each Class

NYSE American, LLC

Name of Each Exchange on Which Registered

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

Not Applicable

(Title of Class)

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

Not Applicable

(Title of Class)

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

There were 76,592,388 common shares, without par value, issued and outstanding as of December 31, 2019.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Nomenclature

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

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

Forward-looking Statements

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

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

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

Status as an Emerging Growth Company

We are an “emerging growth company” as defined in Section 3(a) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) by the Jumpstart Our Business Startups Act of 2012 (the “**JOBS Act**”), and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. We will continue to qualify as an “emerging growth company” until the earliest to occur of: (a) the last day of the fiscal year during which we had total annual gross revenues of US\$1,000,000,000 (as such amount is indexed for inflation every 5 years by the SEC) or more; (b) the last day of our fiscal year following the fifth anniversary of the date of the first sale of common equity securities pursuant to an effective registration statement under the Securities Act; (c) the date on which we have, during the previous 3-year period, issued more than US\$1,000,000,000 in non-convertible debt; or (d) the date on which we are deemed to be a “large accelerated filer”, as defined in Exchange Act Rule 12b-2. After fiscal year 2019, we will no longer be deemed an emerging growth company.

Currency

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

Foreign Private Issuer Filings

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

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

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

Cautionary Note to United States Investors Concerning Estimates of Measured and Indicated Mineral Resources

In Canada, an issuer is required to provide technical information with respect to mineralization, including reserves and resources, if any, on its mineral exploration properties in accordance with Canadian requirements, which differ significantly from the requirements of the Securities and Exchange Commission (the "SEC") applicable to registration statements and reports filed by United States companies pursuant to the United States Securities Act of 1933, as amended (the "Securities Act"), or the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"). As such, information contained in this Annual Report concerning descriptions of mineralization under Canadian standards may not be comparable to similar information made public by United States companies subject to the reporting and disclosure requirements of the SEC. In particular this Annual Report on Form 20-F includes the terms "mineral resource," "measured mineral resource," "indicated mineral resource" and "inferred mineral resource". Investors are advised that these terms are defined in and required to be disclosed under Canadian rules by National Instrument 43-101 ("NI 43-101"). **U.S. investors are cautioned not to assume that any part of the mineral deposits in these categories will ever be converted into reserves.** However, these terms are not defined terms under SEC Industry Guide 7 and are not permitted to be used in reports and registration statements filed with the SEC by U.S. domestic issuers. In addition, NI 43-101 permits disclosure of "contained ounces" of mineralization. In contrast, the SEC only permits issuers to report mineralization as in place tonnage and grade without reference to unit measures.

The definitions of proven and probable reserves used in NI 43-101 differ from the definitions in SEC Industry Guide 7. Under SEC Industry Guide 7 (under the Exchange Act), as interpreted by the staff of the SEC, mineralization may not be classified as a "reserve" for United States reporting purposes unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Among other things, all necessary permits would be required to be in hand or issuance imminent to classify mineralized material as reserves under the SEC standards.

United States investors are cautioned not to assume that any part or all of the mineral deposits identified as an "indicated mineral resource," "measured mineral resource" or "inferred mineral resource" will ever be converted to mineral reserves as defined in NI 43-101 or SEC Industry Guide 7. Further, "inferred mineral resources" have a great amount of uncertainty as to their existence and economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian securities legislation, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, or economic studies except as may be permitted under NI 43-101. **U.S. investors are cautioned not to assume that part or all of an inferred mineral resource exists, or is economically or legally mineable.**

Glossary of Mining Terms

agglomeration	<i>Cementing crushed or ground rock particles together into larger pieces, usually to make them easier to handle; used frequently in heap-leaching operations.</i>
anomalous	<i>A value, or values, in which the amplitude is statistically between that of a low contrast anomaly and a high contrast anomaly in a given data set.</i>
anomaly	<i>Any concentration of metal noticeably above or below the average background concentration.</i>
assay	<i>An analysis to determine the presence, absence or quantity of one or more components.</i>
Breccia	<i>A rock in which angular fragments are surrounded by a mass of finer-grained material.</i>
cretaceous	<i>The geologic period extending from 135 million to 65 million years ago.</i>
cubic meters or m³	<i>A metric measurement of volume, being a cube one meter in length on each side.</i>
cyanidation	<i>A method of extracting exposed silver or gold grains from crushed or ground ore by dissolving it in a weak cyanide solution.</i>
diamond drill	<i>A rotary type of rock drill that cuts a core of rock that is recovered in long cylindrical sections, two centimeters or more in diameter.</i>
fault	<i>A fracture in a rock where there has been displacement of the two sides.</i>
grade	<i>The concentration of each ore metal in a rock sample, usually given as weight percent. Where extremely low concentrations are involved, the concentration may be given in grams per tonne (g/t or gpt) or ounces per ton (oz/t). The grade of an ore deposit is calculated, often using sophisticated statistical procedures, as an average of the grades of a very large number of samples collected from throughout the deposit.</i>
hectare or ha	<i>An area totaling 10,000 square meters.</i>
highly anomalous	<i>An anomaly which is 50 to 100 times average background, i.e. it is statistically much greater in amplitude.</i>
induced polarization (IP)	<i>A method of ground geophysics surveying employing an electrical current to determine indications of mineralization.</i>
Inferred Mineral Resource	<p><i>That part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.</i></p> <p><i>Confidence in the estimate is insufficient to allow the meaningful application of technical and economic parameters or to enable an evaluation of economic viability worthy of public disclosure.</i></p>

<p>Indicated Mineral Resource</p>	<p><i>That part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply, but not verify, geological and grade or quality continuity. An inferred mineral resource has a lower level of confidence than that applying to an indicated mineral resource and must not be converted to a mineral reserve. It is reasonable to expect that the majority of inferred mineral resources could be updated to indicated mineral resources with continued exploration.</i></p> <p><i>An inferred mineral resource is based on limited information and sampling gathered through appropriate sampling techniques from locations such as outcrops, trenches, pits, workings, and drill holes. Inferred mineral resources must not be included in the economic analysis, production schedules, or estimated mine life in publicly disclosed pre-feasibility or feasibility studies, or in the life of mine plans and cash flow models of developed mines. Inferred mineral resources can only be used in economic studies as provided under NI 43-101.</i></p>
<p>Measured Mineral Resource</p>	<p><i>A Measured Mineral Resource is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit.</i></p> <p><i>Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation.</i></p> <p><i>A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proven Mineral Reserve or to a Probable Mineral Reserve</i></p>
<p>mineral reserve</p>	<p><i>A Mineral Reserve is the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction could reasonably be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.</i></p> <p><i>Mineral resources are sub-divided in order of increasing confidence into Probable Mineral Reserves and Proven Mineral Reserves. A Probable Mineral Reserve has a lower level of confidence than a Proven Mineral Reserve. The term “mineral reserve” need not necessarily signify that extraction facilities are in place or operative or that all governmental approvals have been received. It does signify that there are reasonable expectations of such approvals.</i></p>
<p>mineral resource</p>	<p><i>A concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth’s crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.</i></p> <p><i>A Mineral Resource is an inventory of mineralization that under realistically assumed and justifiable technical and economic conditions might become economically extractable.</i></p>
<p>mineralization</p>	<p><i>Usually implies minerals of value occurring in rocks.</i></p>
<p>Modifying Factors</p>	<p><i>Modifying Factors are considerations used to convert mineral resources to mineral reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors.</i></p>

net smelter returns (NSR) royalty	<i>Payment of a percentage of net mining revenue after deducting applicable smelter charges.</i>
NI 43-101	<i>National Instrument 43-101, Standards of Disclosure for Mineral Projects, adopted by the Canadian Securities Administrators in Canada.</i>
Oxide	<i>A compound of oxygen and some other element.</i>
ore	<i>A natural aggregate of one or more minerals which may be mined and sold at a profit, or from which some part may be profitably separated.</i>
Preliminary economic assessment or PEA	<i>A preliminary economic assessment, or PEA, means a study, other than a pre-feasibility or feasibility study, that includes an economic analysis of the potential viability of mineral resources.</i>
prefeasibility study and preliminary feasibility study	<i>Each means a comprehensive study of the viability of a mineral project that has advanced to a stage where mining method, in the case of underground mining, or the pit configuration, in the case of open pit mining, has been established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering, operating and economic factors, and the evaluation of other relevant factors which are sufficient for a qualified person, acting reasonably, to determine if all or part of the mineral resource may be classified as a mineral reserve.</i>
probable mineral reserve	<i>Is the economically mineable part of an Indicated and, in some circumstances, a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.</i>
proven mineral reserve	<i>Is the economically mineable part of a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.</i> <i>The term should be restricted to that part of the deposit where production planning is taking place and for which any variation in the estimate would not significantly affect potential economic viability.</i>
quartz	<i>Silica or SiO₂, a common constituent of veins, especially those containing silver and gold mineralization.</i>
Tailings	<i>Material rejected from a mill after most of the recoverable valuable minerals have been extracted.</i>
ton	<i>Imperial measurement of weight equivalent to 2,000 pounds.</i>
Tonne	<i>Metric measurement of weight equivalent to 2,205 pounds (1,000 kg)</i>
Tpd	<i>Tonnes per day.</i>
Trench	<i>A long, narrow excavation dug through overburden, or blasted out of rock, to expose a vein or ore structure.</i>
veins	<i>The mineral deposits that are found filling openings in rocks created by faults or replacing rocks on either side of faults.</i>

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected financial data

The selected historical consolidated financial information set forth below has been derived from our annual audited consolidated financial statements for the year ended December 31, 2019. For the years ended December 31, 2016, and 2015, the Company's consolidated financial information was presented in Canadian dollars and has been translated in this Form 20-F into United States dollars using the applicable exchange rates.

For the years ended December 31, 2019, 2018, 2017, 2016, and 2015, we have prepared our consolidated financial statements in accordance with IFRS, as issued by the IASB. We adopted IFRS with a transition date of January 1, 2010.

On December 13, 2019, the Company completed the sale of its 100% wholly-owned subsidiary Bralorne Gold Mines Ltd. ("Bralorne") to Talisker Resources Ltd. ("Talisker"). The sale includes the Bralorne Gold Mine and is part of the Company's plan to focus on its core mining operations in Mexico. For more information regarding the sale, please see Item 4.D. Property, plant and equipment, Bralorne Property – British Columbia

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

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

The selected historical consolidated financial information presented below is condensed and may not contain all of the information that you should consider. This selected financial data should be read in conjunction with our annual audited consolidated financial statements, the notes thereto and the section entitled "Item 5 — Operating and Financial Review and Prospects."

In accordance with IFRS

The tables below set forth selected consolidated financial data under IFRS for the years ended, and as at, December 31, 2019, 2018, 2017, 2016, and 2015. Subject to the comments above, the information has been derived from our annual audited consolidated financial statements set forth in “Item 18 — Financial Statements.”

	Years Ended December 31,				
	2019	2018	2017⁽¹⁾	2016⁽¹⁾	2015⁽¹⁾
Summary of Operations:					
Revenue	\$ 31,746,000	\$ 34,116,000	\$ 33,359,000	\$ 34,692,000	\$ 30,460,000
Cost of sales	32,016,000	27,850,000	22,106,000	22,961,000	23,918,000
Mine operating income (loss)	(270,000)	6,266,000	11,253,000	11,731,000	6,168,000
Operating expenses	4,130,000	4,240,000	5,345,000	5,007,000	3,329,000
Income (loss) before other items and income taxes	(4,400,000)	2,026,000	5,908,000	6,724,000	2,839,000
Other items	1,432,000	38,000	(472,000)	(269,000)	(722,000)
Income (loss) before income taxes	(2,968,000)	2,064,000	5,436,000	6,455,000	2,117,000
Incomes taxes	633,000	(407,000)	(2,771,000)	(4,439,000)	(1,924,000)
Net income (loss) from continuing operations	(2,335,000)	1,657,000	2,665,000	2,016,000	193,000
Net loss from discontinued operations	(29,126,000)	(31,000)	(143,000)	-	-
Net income (loss)	(31,461,000)	1,626,000	2,522,000	2,016,000	193,000
Earnings (Loss) per share from continuing operations					
Basic	\$ (0.03)	\$ 0.03	\$ 0.05	\$ 0.05	\$ 0.01
Diluted	\$ (0.03)	\$ 0.03	\$ 0.05	\$ 0.05	\$ 0.01
Earnings (Loss) per share					
Basic	\$ (0.45)	\$ 0.03	\$ 0.05	\$ 0.05	\$ 0.01
Diluted	\$ (0.45)	\$ 0.03	\$ 0.05	\$ 0.05	\$ 0.01
Weighted average number of shares outstanding					
Basic	69,980,178	56,851,626	52,523,454	42,695,999	36,229,424
Diluted	69,980,178	60,000,637	53,320,009	43,791,451	36,723,725
	2019	2018	2017⁽¹⁾	2016⁽¹⁾	2015⁽¹⁾
Balance Sheet Data:					
Total assets	\$ 72,571,000	\$ 108,588,000	\$ 102,835,000	\$ 94,131,000	\$ 62,925,000
Cash	9,625,000	3,252,000	3,420,000	11,780,000	5,401,000
Total liabilities	18,648,000	33,420,000	33,833,000	32,337,000	25,580,000
Shareholders' equity	53,923,000	75,168,000	69,002,000	61,794,000	37,344,000
Share capital	96,396,000	88,045,000	81,468,000	80,785,000	58,241,000
Shares outstanding	76,592,388	63,337,769	52,718,153	52,431,001	37,298,009

⁽¹⁾Financial results for 2017, 2016 and 2015 are reflective of the change in retrospective change in accounting policy outlined at the beginning of Item 4-B, and disclosed in the Company's audited consolidated financial statements.

B. Capitalization and indebtedness

Not Applicable.

C. Reasons for the offer and use of proceeds

Not Applicable.

D. Risk factors

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

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

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

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

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

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

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

No assurances can be given that our continuing operations will be profitable in the future

We began extracting and processing resources at levels intended by management at the San Gonzalo Mine during the fourth quarter of 2012 and at the Avino Mine in the third quarter of 2015. For the year ended December 31, 2019, we incurred net losses from continuing operations of \$2,335,000. For the years ended December 31, 2018, and 2017, we earned net income from continuing operations of \$1,657,000 and \$2,665,000, respectively. Prior to the 2013 fiscal year, we had not been profitable. There is no assurance that our operations will continue to be profitable in the future.

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

We have not established the presence of any proven or probable mineral reserves, as defined by the SEC, at any of our properties. Under Guide 7, the SEC has defined a “reserve” as that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Any mineralized material discovered or produced by us should not be considered proven or probable reserves.

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

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

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

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

Exploration and development.

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

The mining industry is highly speculative and involves substantial risks.

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

The commercial quantities of ore cannot be accurately predicted.

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

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

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

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

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

Mining activities are inherently risky.

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

Mining operations and uninsured risks.

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

Market forces.

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

Foreign corrupt practices legislation.

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

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

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

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

Dividend policy

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

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

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

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

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

Competition.

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

Uncertainty of exploration and evaluation programs.

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

Permitting.

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

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

Political or economic instability or unexpected regulatory change.

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

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

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

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

Land reclamation requirements.

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

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

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

Current global financial conditions.

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

Dilution.

There are a number of outstanding convertible securities and agreements pursuant to which Common Shares of the Company may be issued in the future. If these Common Shares are issued, this will result in further dilution to the Company's shareholders. An investor's equity interest in the Company may also be diluted by future equity financings of the Company.

Conflicts of interest.

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

Dependence on management.

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

Competition for recruitment and retention of qualified personnel.

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

Limited and volatile trading volume.

Although the Company's common shares are listed on the NYSE American, the Toronto Stock Exchange, referred to herein as the "TSX" (the Company graduated from the TSX Venture Exchange on January 8, 2018), the Frankfurt Stock Exchange, referred to herein as the "FSE", and the Berlin Stock Exchange, the volume of trading has been limited and volatile in the past and is likely to continue to be so in the future, reducing the liquidity of an investment in the Company's common shares and making it difficult for investors to readily sell their common shares in the open market. Without a liquid market for the Company's common shares, investors may be unable to sell their shares at favorable times and prices and may be required to hold their shares in declining markets or to sell them at unfavorable prices.

Volatility of share price.

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

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

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

We may face business disruption and related risks resulting from the recent outbreak of the novel coronavirus 2019 (COVID-19), which could have a material adverse effect on our operations.

Our business and production operations could be disrupted and materially adversely affected by the recent outbreak of COVID-19. As a result of measures imposed by the governments in affected regions, businesses and schools have been suspended due to quarantines intended to contain this outbreak. The spread of COVID-19 from China to other countries has resulted in the Director General of the World Health Organization declaring the outbreak of COVID-19 as a Public Health Emergency of International Concern (PHEIC), based on the advice of the Emergency Committee under the International Health Regulations (2005). While the COVID-19 outbreak is still in very early stages, international stock markets have begun to reflect the uncertainty associated with the slow-down in the Chinese economy and the reduced levels of international travel experienced since the beginning of January and the significant declines in the Dow Industrial Average at the end of February and beginning of March 2020 was largely attributed to the effects of COVID-19. We are still assessing our business plans and the impact COVID-19 may have on our business and production operations, but there can be no assurance that this analysis will enable us to avoid part or all of any impact from the spread of COVID-19 or its consequences, including ceasing our mining and production operations.

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

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

Item 4. Information on the Company

A. History and development of the Company

The Company was incorporated by Memorandum of Association under the laws of the Province of British Columbia on May 15, 1968, and on August 22, 1969, by virtue of an amalgamation with Ace Mining Company Ltd., became a public company whose common shares are registered under the Exchange Act, changing its name to Avino Mines & Resources Limited. On April 12, 1995, the Company changed its corporate name to International Avino Mines Ltd. and effected a reverse stock split of one common share for every five common shares outstanding. On August 29, 1997, the Company changed its corporate name to Avino Silver & Gold Mines Ltd., its current name, to better reflect the business of the Company of exploring for and mining silver and gold. In January 2008, the Company announced the change of its financial year end from January 31 to December 31. The change was completed in order to align the Company's financial statement reporting requirements with its Mexico subsidiaries which operate on a calendar fiscal year.

The Company is a reporting issuer in all of the Provinces of Canada, except for Quebec, a foreign private issuer in the United States, and is listed on the Toronto Stock Exchange (the Company graduated from the TSX Venture Exchange on January 8, 2018), under the symbol "ASM", on the NYSE-American under the symbol "ASM", and on the Berlin and Frankfurt Stock Exchanges under the symbol "GV6". The principal executive office of the Company is located at Suite 900, 570 Granville Street, Vancouver, British Columbia V6C 3P1, and its telephone number is 604-682-3701.

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

B. Business overview

Operations and Principal Activities

The Company is a Canadian-based resource firm focused on silver, gold, and copper exploration, extraction and processing. The Company has a long prior history of operation, beginning in 1968 with the development of the Avino Silver Mine, located in the state of Durango, Mexico (the "Avino Mine"). From 1974 to 2001, the Avino Mine produced silver, gold, copper and lead and provided hundreds of jobs for the Durango region before closing due to depressed metal prices and closing of a smelter. Beginning in 2002, the Company re-directed its corporate strategy to focus almost entirely on silver, and the Company began acquiring silver properties in North America. The Company acquired the Eagle Property in Canada's Yukon, and the Aumax silver and gold property in British Columbia. Each property produced encouraging assays for silver through drilling and sampling, however, in late April 2012, the Company relinquished its interest in the Aumax silver and gold property to focus on its property in Mexico. In October 2014, Avino acquired Bralorne Gold Mines Ltd. ("Bralorne"), a British Columbia company, which owns the past producing Bralorne Gold Mine in British Columbia, as a wholly-owned subsidiary. The Avino Mine in Mexico, the Bralorne Mine in British Columbia, and surrounding mineral leases continue to hold silver and gold potential. On December 13, 2019, the Company completed the sale of Bralorne to Talisker. The sale includes the Bralorne Gold Mine and is part of the Company's plan to focus on its core mining operations in Mexico. For more information regarding the sale, please see below. The Company also had an option agreement with Alexco Resources Corp. on its wholly-owned Eagle Property located in the Yukon. This option agreement was terminated on January 31, 2019. These properties, along with other silver and gold projects, will remain the Company's principal focus for the foreseeable future. The Eagle Property is currently inactive.

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

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

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

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

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

- (i) A cash consideration of C\$8.7 million;
- (ii) The issuance of 12,580,000 common shares of Talisker (the "**Talisker Shares**") which had a trading price of C\$0.235 per Talisker Share on the Canadian Securities Exchange as of the date of close;
- (iii) The issuance of 6,290,000 share purchase warrants (the "**Talisker Warrants**") exercisable at C\$0.25 per share for a period of three years after the Closing Date, subject to acceleration in the event the closing price of Talisker's common shares is greater than C\$0.35 per share for 20 or more consecutive trading days at any time following April 14, 2020.

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

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

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

Competition

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

Seasonality

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

Governmental Regulation

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

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

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

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

Governmental Regulation - Mexico

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

Governmental Regulation - British Columbia

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

C. Organizational structure

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

D. Property, plant and equipment

The Company is extracting resources and processing it to yield a bulk silver/gold concentrate at the San Gonzalo Mine and a copper concentrate from the Avino Mine, both of which are located on the Avino property in Durango, Mexico. The Company is also exploring options to re-process a large tailings resource left from past mining on the Avino property. In addition, we have optioned the Eagle Claims in the Yukon to Alexco Resource Corp. and are exploring our remaining gold and silver projects in Canada. The Alexco option agreement was terminated on January 31, 2019.

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

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

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

Avino Property, Durango, Mexico

Location

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

The property is situated as illustrated in the figures below:

General Property Location Map



Regional Property Location Map



Accessibility and Local Resources

The property is accessible by road and is an important part of the local community from which skilled workers are available. Access is provided by Highway 40, a four-lane highway leading from Durango, past the airport and on to the city of Torreón in Coahuila. Successive turn-offs for the property are at Francisco I Madero, Ignacio Zaragoza, and San José de Avino (Slim 2005d). The Avino mineral concessions are covered by a network of dirt roads which provide easy transport access between all areas of interest on the Property and the mill at the main Avino Mine (Gunning 2009).

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

Geology and Mineralization

The property is located within the Sierra de Gamon, on the east flank of the Sierra Madre Occidental. The area is a geological window into the Lower Volcanic series and consists mainly of volcanic flows, sills, and tuffaceous layers of andesite, rhyolite, and trachyte. Individual rock units vary from 300 to 800 m in thickness. Andesitic rocks outcrop over most of the region with other rock types occurring more sparsely to the north (Slim, 2005d).

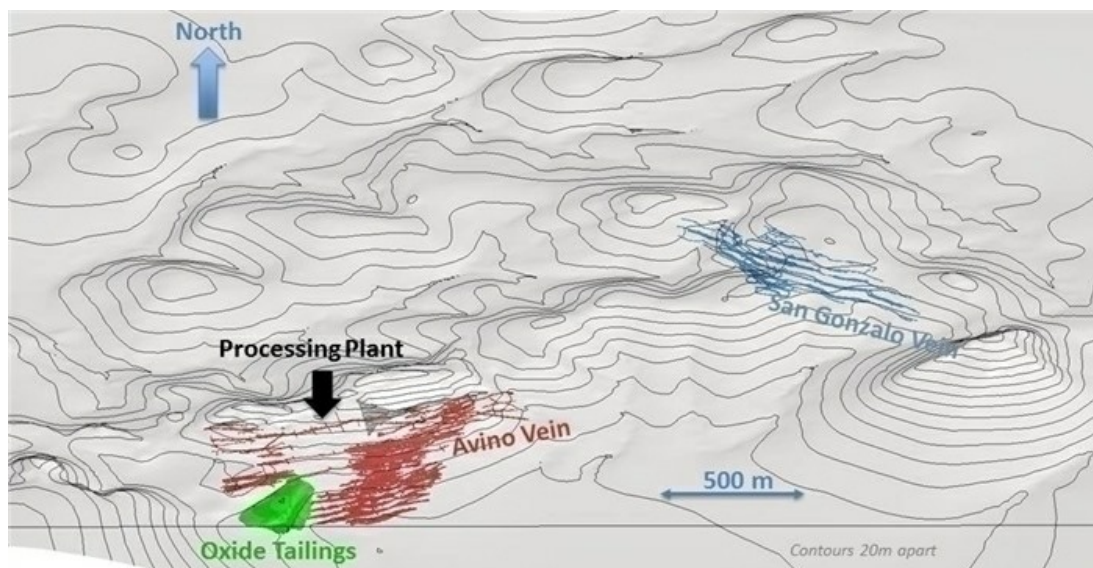
A large monzonitic intrusion is observed in the region in the form of dykes and small stocks, which appear to be linked to the onset of the Avino vein mineralization. Other post-mineralization dykes of intermediate to felsic composition outcrop in various areas and appear to cause minor structural displacements.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

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

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

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

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



Property Ownership

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

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

In early 1970, Avino Mines and Resources Ltd. signed a letter of intent with Denison Mines Ltd. for the future development of the Avino Mine. However, a formal agreement was never signed.

In May 1970, Avino Mines and Resources Ltd. signed a formal agreement with Selco Mining and Development (Selco), a division of Selection Trust Company. Due to other commitments, Selco abandoned its interest in the Project in 1973 (VSE 1979).

In October 1973, Avino Mines and Resources Ltd. signed a new agreement with S.G.L. Ltd. and Sheridan Geophysics Ltd. Under the terms of the agreement, S.G.L. Ltd. was to provide up to \$500,000 plus the management to erect a resource processing plant. The agreement provided for the return of the capital from first cash flow, plus a management fee and interest payment together with an option to convert a portion of the advanced funds to common shares. The agreement with S.G.L. Ltd. was terminated in mid-1976.

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

The July 17, 2006, acquisition was accomplished by a share exchange by which the Company issued 3,164,702 shares as consideration, which we refer to as the "Payment Shares", for the purchase of the additional 39.25% interest in Avino Mexico. The Payment Shares were valued based on the July 17, 2006 closing market price of the Company's shares on the TSX-V.

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

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

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

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

Summary of Property Ownership

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

Mineral Concessions and Agreements

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

Claim Staking and Mineral Tenure in Mexico

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

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

Owners of mining concessions are obliged to:

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

Mineral Concessions – Avino Property

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

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

Pursuant to the Agreement, Avino has the exclusive right to explore and mine the concession for an initial period of 15 years, with the option to extend the agreement for another 5 years. In consideration of the grant of these rights, Avino must pay to Minerales the sum of \$250,000, by the issuance of common shares of Avino. Avino will have a period of 24 months for the development of mining facilities.

Avino has agreed to pay to Minerales a royalty equal to 3.5% of NSRs. If at the commencement of commercial production from the property the monthly processing rate of the mine facilities is less than 15,000 tonnes, then Avino must pay to Minerales in any event a minimum royalty equal to the applicable NSR royalty based on processing at a minimum monthly rate of 15,000 tonnes. In the event of a force majeure, Avino shall pay the minimum royalty as follows:

- first quarter: payment of 100% of the minimum royalty;
- second quarter: payment of 75% of the minimum royalty;
- third quarter: payment of 50% of the minimum royalty;
- fourth quarter: payment of 25% of the minimum royalty; and
- in the case of force majeure still in place after one year of payments, payment shall recommence at a rate of 100% of the minimum royalty and shall continue being made as per the quarterly schedule.

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

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

Consistent with the mining regulations of Mexico, cadastral surveys have been carried out for all the listed mineral concessions as part of the field staking prior to recording (Slim 2005d). It is believed that all concessions are current and up to date. Mineral concessions in Mexico do not include surface rights. Avino has entered into agreements with communal land owners (Ejidotes) of San José de Avino, for the temporary occupation and surface rights of the concessions.

Based on a review of documents, issued title certificates and the unhindered residence on the Property, Tetra Tech has verified that Avino owns the concessions through its Mexican subsidiary company, Avino Mexico, and that there is no indication of any encumbrances at the site. Furthermore, the legal document prepared by Jesús Bermúdez Fernández, dated February 18, 2012, delineating the terms of the agreement on the La Platosa concession has been sourced for information.

History

Avino Mine

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

In 1880, the mines were taken over by Avino Mines Ltd., a company controlled by American and English interests. With aid of new industrial technology the Avino Mine developed into a more efficient mining operation. By 1908, the Avino Mine was considered one of the largest open pit mines in the world and equipped with one of the largest smelters (Gallegos 1960; Bannon 1970; VSE 1977; Slim 2005d).

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

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

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

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

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

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

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

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

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

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

San Gonzalo Mine

The history of the San Gonzalo deposit is not well known. Shallow workings from an old mine are present in the San Gonzalo vein, and they consist of small underground workings which were originally accessed by a five-level vertical shaft. These workings were sampled by M. Evans in 1954. The workings are accessible through a raise that was driven in 2012 which is being used for ventilation. No attempts have been made to duplicate the results of the 1954 sampling. The limits of past workings have been taken from old maps but are assumed to be reasonably accurate (Gunning 2009).

Current Condition

San Gonzalo Mine

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The San Gonzalo Mine has been the subject of three mineral resource estimates, the most recent of which was published on February 21, 2018, as amended on December 19, 2018; please see the section below on *Mineral Resource Estimates* for more details.

Avino Mine

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Avino Mine has been the subject of three mineral resource estimates, the most recent of which was published on February 21, 2018, as amended on December 19, 2018; please see the section below on *Mineral Resource Estimates* for more details.

Tailings Mineral Resource

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

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

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

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

Also in 2019, a geomembrane was installed in a portion of the old historic open pit to allow for tailings deposition. Tailings were sent to this area starting in October 2019 and will continue into 2020.

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

The oxide tailings were produced between 1974 and 1993 from open pit mining of the main Avino vein. For further details regarding the oxide tailings, please see the sections below titled: *Mineral Resource Estimates* and *Preliminary Economic Assessment on the Oxide Tailings Resource* or the Company's Technical Report on the Avino Property, dated February 21, 2018, as amended on December 19, 2018.

Project Infrastructure

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

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

While water supply was found to be limiting in the past, Avino has taken the necessary steps to secure adequate supply. To supplement the 1 Mm³ dam built by Avino in 1989, a well (Galeana) was drilled to the west of the mine site in 1996 to a depth of 400 m and is reported to have a water level at 40 m below the collar. From this, a pipeline connection has been installed to the mine. Additionally, Avino Mexico, in cooperation with the government, has repaired a government dam (El Caracol) and raised the dam wall by 6 m. A pipeline to the mine has also been installed. This dam is shared with the population of Pánuco de Coronado for their irrigation needs, as 60% for the mine and 40% for the town, with government setting the annual total take to which percent sharing applies. Mine site water use is from a combination of tailings water reclaim, El Caracol, and Galeana with preference given to mine site sources for which no water conservation charge was applicable (Slim 2005).

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

Processing Plant

In September 2006, the Company conducted a review of the plant, including the condition of all equipment, capacity of each circuit, and efficiency of the plant. The review was an order of magnitude cost estimate for putting the plant back into operation at the rate of 1,000 tpd, which was approximately \$3 million. In the property valuation, the replacement cost of the mill was estimated at roughly \$40 million.

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

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

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

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

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

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

Circuit #	Operating Throughput (TPD)	Sources of Mill Feed	Operating Status
1	250	San Gonzalo Mine ("SG"), Avino Mine ("Hanging Wall Breccia")	Online
2	250	Avino Mine Stockpiles, Avino Mine ("SL")	Online
3	1,150	Avino Mine ("ET")	Online
4	1,000	Avino Mine Stockpiles, Avino Mine ("SL")	Online

- Circuit 1 processed mineralized material from the San Gonzalo Mine until reaching the end of its current resources in the fourth quarter of 2019. Circuit 1 is expected to transition to processing mineralized material from Hanging Wall Breccia ("HWB") area of the Avino Mine.
- Circuit 2 is expected to continue to process mineralized material from the Elena Tolosa ("ET") area of the Avino Mine.
- Circuit 3 is expected to continue to process mineralized material from the Elena Tolosa ("ET") area of the Avino Mine.
- Circuit 4 is expected to process mineralized material the Avino Mine stockpiles then transition to newly mined mineralized material from Elena Tolosa ("ET") area of the Avino Mine.

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

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

Mining Fleet

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

Costs Incurred to Date

The table below for the years ended December 31, 2015 to December 31, 2019 contains selected financial data prepared in accordance with IFRS derived from our audited consolidated financial statements for the periods ending on such dates.

	Exploration and Evaluation Expenditures	Capital Expenditures	Mine Operating Expenditures	Administrative Expenditures*	Total
2015	1,313,000 (1)	3,947,000	24,105,000 (1)	3,200,000	32,565,000
2016	67,000 (1)	4,601,000	22,961,000 (1)	4,940,000	32,569,000
2017	1,055,000	7,560,000	22,106,000	5,329,000	36,050,000
2018	658,000	10,831,000	27,850,000	4,182,000	43,521,000
2019	134,000	3,223,000	32,016,000	4,130,000	39,503,000

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

(1) Exploration and evaluation and mine operating expenditures for 2017, 2016 and 2015 are reflective of the change in retrospective change in accounting policy outlined at the beginning of Item 4-B, and disclosed in the Company's audited consolidated financial statements.

Below is a table summarizing the estimated planned future costs for 2020. The Company will need to raise capital to meet its planned future costs. No assurance can be given that the Company will be able to raise the amounts in the table below or that actual future costs will equal the amounts in the table below. If the Company is unable to raise capital to meet its planned future costs, it may have to curtail planned activities.

Year	Mine Operating and Administrative Expenses	Capital and Exploration and Evaluation Expenditures	TOTAL
2020	\$ 36,371,000	\$ 6,239,000	\$ 42,610,000

Mineral Reserve Estimates

There are currently no mineral reserves on the Property.

Mineral Resource Estimates

Below is a summary of current mineral resources at the San Gonzalo and Avino Mines as well as the oxide tailings mineral resource (as reported in the February 21, 2018 Technical Report on the Avino Property, Durango, Mexico and amended on December 19, 2018) grouped into the measured, indicated and inferred categories. The effective date of the resource estimates is February 21, 2018.

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

Resource Category	Deposit	Cut-off(AgEQg/t)	Tonnes(t)	Grade				Metal Contents			
				AgEQ(g/t)	Ag(g/t)	Au(g/t)	Cu(%)	AgEQ(milliontr oz)*	Ag(milliontr oz)	Au(thousandtr oz)	Cu(t)
Measured and Indicated Mineral Resources											
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
Measured	San Gonzalo System	130	290,000	397	314	1.65	0.00	3.7	2.9	15.4	0
Total Measured	All Deposits	-	4,830,000	156	85	0.63	0.51	24.3	13.2	97.4	24,000
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
Indicated	San Gonzalo System	130	240,000	319	257	1.25	0.00	2.5	2.0	9.6	0
Indicated	Oxide Tailings	50	1,330,000	124	98	0.46	0.00	5.3	4.2	19.8	0
Total Indicated	All Deposits	-	5,830,000	124	70	0.64	0.25	23.3	13.1	119.8	15,000
Total Measured and Indicated	All Deposits	-	10,660,000	139	77	0.63	0.37	47.5	26.3	217.2	39,000
Inferred Mineral Resources											
Inferred	Avino – ET	60	2,380,000	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
Inferred	San Gonzalo System	130	120,000	262	219	0.86	0.00	1.0	0.8	3.3	0
Inferred	Oxide Tailings	50	1,810,000	113	88	0.44	0.00	6.6	5.1	25.6	0
Total Inferred	All Deposits	-	6,090,000	118	70	0.56	0.24	23.2	13.6	109.2	15,000

Notes: Figures may not add to totals shown due to rounding.

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

The Mineral Resource estimate is classified in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum's (CIM) Definition Standards

For Mineral Resources and Mineral Reserves incorporated by reference into National Instrument 43-101 (NI 43-101) Standards of Disclosure for Mineral Projects.

Mineral Resources are reported at cut-off grades 60 g/t, 130 g/t, and 50 g/t AgEQ grade for ET, San Gonzalo, an oxide tailings, respectively.

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

Cut-off grades were calculated using the following assumptions:

For Avino (ET and San Luis), San Gonzalo: gold price of US\$1,300/oz, silver price of US\$17.50/oz, and copper price of US\$3.00/lb

For Oxide Tailings: gold price of US\$1,250/oz, silver price of US\$19.50/oz

A net smelter return (NSR) was calculated and the silver equivalent was back calculated using the following formulas:

For ET: $AgEQ = (24.06 \times Au \text{ (g/t)} + 0.347 \times Ag \text{ (g/t)} + 43.0 \times Cu \text{ (\%)} - 151.8 \times Bi \text{ (\%)}) / 0.347$

For San Gonzalo: $AgEQ = (0.03 \times Au \text{ (g/t)} + 0.385 \times Ag \text{ (g/t)} - 4.03/0.385$

For Oxide Tailings: $AqEQ = 69.37 \times Au \text{ (g/t)} + Ag \text{ (g/t)}$

No Mineral Resource has been estimated for the sulphide tailings portion of the Property.

Au – gold; Ag – silver; Cu – copper.

Method of Calculation

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

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

Classification of the mineral resource was based on kriging variance as a measure of uncertainty with adjustment to practical geometries using geological knowledge of the deposit.

Silver equivalent cut-off grades were applied to satisfy the condition of reasonable prospects for eventual economic extraction and were calculated using conversion formulas $AgEQ = Ag + 55.9 * Au + 72.99 * Cu$ for Avino Vein, $AgEQ = Ag + 69.37 * Au$ for oxide tailings and $AgEQ = Ag + 56.38 * Au$ for San Gonzalo vein System.

Cut-off grades were calculated using current costs, silver price of US\$19.50/oz, gold price of US\$1,250/oz and copper price of US\$2.10/lb.

Since 2013, Avino has drilled 57 new holes on the oxide tailings deposit, nearly three thousand channel samples representing 14,470 metres of vein material have been obtained on the Avino and San Gonzalo Veins, and 46 surface drill holes, (totaling 7,960 m) have been drilled on the San Gonzalo and Avino vein systems. This investment has significantly increased the amount of information available for resource estimation.

Fundamental changes since the previous mineral resource estimates are (1) depletion due to mining (over 1 million tonnes milled since the beginning of 2013), significant new sampling information (almost double in the case of the oxide tailings) (3) changes to silver equivalent calculation and cut-offs and (4) reclassification of mineral resources in the light of improved understanding of confidence in the deposits at distances from the underground channel samples and drill hole samples. More sampling information does not always lead to direct increases in resource tonnages and metal. In some cases, the new information provides improved understanding (developed by variogram modelling and kriging neighborhood analysis) that may demote some portions of mineral resource from high confidence categories such as measured and indicated to a lower confidence category such as inferred. Currently, for the San Gonzalo and Avino Vein Systems, estimated blocks more than thirty metres from sampling are not considered to be of sufficient confidence to be indicated category resources and have been classified as inferred resources. Consequently, the total indicated resources for the Avino Property are significantly less than those were reported previously. For the oxide tailings, estimated blocks more than fifty metres from sampling are not considered to be of sufficient confidence to be indicated category resources.

Preliminary Economic Assessment on the Oxide Tailings Mineral Resource

An update to the Preliminary Economic Assessment (“Oxide Tailings “PEA”) on the oxide tailings mineral resource was first published in the April 11, 2017 technical report on the Avino Property, Durango, Mexico, which was updated in 2018 for the Avino Mine.

The Oxide Tailings PEA incorporated base case metal prices of \$18.50/oz silver, and \$1,250/oz gold. Highlights of the base case economic estimates for the oxide tailings Resource are shown in the following table:

The Oxide Tailings PEA focuses on the oxide tailings Retreatment of the Avino mine as a stand-alone project with an initial 7 year life of mine plan. The sulphides will be considered during the pre-feasibility study stage, and must be evaluated by the Company as to their own economic viability. This approach provides attractive economic returns using lower initial capital costs.

The financial results for the base case are presented in the table below:

Description	Base Case
Gold Price (\$/oz)	1,250
Silver Price (\$/oz)	18.5
Total Payable Metal Value (\$'000)	148,892
Refining (\$'000)	6,123
Transportation, Insurance (\$'000)	214
At-mine Revenue (\$'000)	142,555
Operating Costs (\$'000)	47,034
Operating Cash Flow (\$'000)	95,521
Pre-production Capital (\$'000)	24,363
Sustaining Capital (\$'000)	4,352
Salvage Value (\$'000)	-861
Reclamation Cost (\$'000)	606
Total Capital Expenditure, Including Reclamation and Salvage (\$'000)	28,460
Cash Operating Costs (\$/oz Ag Payable, net of Au credit)	2.21
Capital Costs (\$/oz Ag Payable)	4.85
Total Costs (\$/oz Ag Payable)	7.07
Net Cash Flow (\$'000)	67,061
Discounted Cash Flow NPV (\$'000) at 5.00%	48,922
Discounted Cash Flow NPV (\$'000) at 8.00%	40,554
Discounted Cash Flow NPV (\$'000) at 10.00%	35,786
Payback (years)	2.0
IRR (%)	48.4

The life of project average material tonnages, grades and metal production are shown below:

Description	Value
Total Tonnes to Mill	3,122,000
Design Annual Tonnes to Mill	500,000
Plant availability	90%
Mine Life (Years)	7
Average Grades	
Gold (g/t)	0.43
Silver (g/t)	87.75
Total Production	
Gold (ozs)	33,000
Silver (ozs)	6,173,000
Average Annual Production	
Gold (ozs)	4,660
Silver (ozs)	881,920

- Excluding 1 year pre-production

Oxide Tailings PEA Study Parameters and Basis of Financial Evaluations

The production schedule was incorporated into the 100% equity pre-tax financial model to develop annual recovered metal production from the relationships of tonnage processed, head grades, and recoveries.

Gold and silver payable values were calculated utilizing base case metal prices. Net invoice value was calculated each year by subtracting the applicable refining charges from the payable metal value. At-mine revenues are then estimated by subtracting transportation and insurance costs. Operating costs for mining, processing, and G&A were deducted from the at-mine revenues to derive annual operating cash flow.

Initial and sustaining capital costs as well as working capital have been incorporated on a year-by-year basis over the mine life. Salvage value and mine reclamation costs are applied to the capital expenditure in the last production year. Capital expenditures are then deducted from the operating cash flow to determine the net cash flow before taxes.

Initial capital expenditures include costs accumulated prior to first production of dore. Sustaining capital includes any capital expenditures required during the production period. Initial and sustaining capital costs applied in the economic analysis are US\$24.36 million and US\$4.35 million, respectively.

The Company cautions that the Oxide Tailings 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 Oxide Tailings PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Sensitivity Analysis

Sensitivities of the project's NPV, IRR and payback period to the Project key variables were investigated. Using the base case as reference, all of the key variables were changed between -30%/+30% at a 10% interval while holding the other variables constant. The project NPV is most sensitive to the silver price, and in descending order gold price, operating costs; and capitals costs. The project IRR is most sensitive to the capital costs and the silver price, followed by the gold price and operating costs and the gold price. The payback period is also most sensitive to the silver price, followed by capital costs, operating costs and the gold price.

Post-Tax Economic Analysis

Avino commissioned an independent accounting firm in Mexico to prepare the tax component for the post-tax economic evaluation for this updated Oxide Tailings PEA with the inclusion of applicable income and mining taxes, and the results are as follows:

- Federal income taxes in Mexico are calculated using the currently enacted corporate rate of 30%
- A special mining duty (SMD) of 7.5% is applied to net profits and is paid annually and is deductible for tax purposes, resulting in an effective tax rate of 5.25%
- At the base-case gold and silver prices, the total estimated taxes payable are \$26.32 million over the 7-year LOM, as shown below:

	Unit	Base Case
Gold	\$/oz	1,250
Silver	\$/oz	18.50
Extraordinary Mining Duty	\$ million	0.71
Special Mining Duty	\$ million	7.16
Income Tax	\$ million	18.45
Total Tax	\$ million	26.32

Summary of Post-tax Financial Results

	Unit	Base Case
Gold	\$/oz	1,250
Silver	\$/oz	18.50
Undiscounted NCF	\$ million	40.74
NPV (at 5%)	\$ million	28.01
NPV (at 8%)	\$ million	22.19
NPV (at 10%)	\$ million	18.8
IRR	%	32
Payback	Years	2.6

Capital and Operating Costs

All estimates are based on mining the Oxide Tailing resource only. The total capital costs including reclamation and salvage are estimated to be \$28.5 million. The process operating costs include agglomeration, heap leaching, followed by Merrill-Crowe refinery plant to produce a silver/gold doré. The operating cost estimate is reported in US dollars with an exchange rate of Mexican Peso to US Dollars at 12.5. The operating cost estimate is sensitive to the exchange rate. The annual operating costs include:

- Staffing and maintenance manpower
- Power consumption based on the estimated power drawn by the equipment
- Reagent consumption rates and associated costs have been based on recent prices received from reagent suppliers
- Estimated maintenance cost

The operating cost summary for the processing facility and the G&A costs is based on a processing design rate of 1,370 t/d (500,000 tonnes per year) with an availability of 90% and 365 operating days per year resulting in an effective annual production rate of 450,000 tonnes.

The yearly average annual operating cost for the process facilities is estimated to be \$15.06/tonne of tailings treated at the processing rate of 1,370 tonnes per day, as shown in the table below:

Operating Cost Summary:

Description	Personnel	Unit Cost (\$/treated)
Mining	15	1.13
Process	39	12.53
G&A	11	1.41
Total Operating Cost	65	15.06

Mineral Processing, Metallurgical Testing and Recovery Methods

Tetra Tech used the estimated grade values and test work results as reported by MineStart Management Inc. (MMI) and Process Research Associates Ltd. (PRA), who conducted the metallurgical tests, to develop the process flowsheet. The investigated metal recovery methods included gravity separation, flotation, tank cyanide leach, and heap leach processing options. According to preliminary economical evaluations, a heap leach followed by gold and silver recovery using Merrill Crowe process was selected for the Oxide Tailings PEA.

Mining Methods

The oxide tailings mineral resource will be mined/moved using a conventional truck/loader surface mining method. The Production cycle consists of loading and trucking. The Loading/trucking operations will be conducted in two 12 hour shifts per day. A 3.85 m³ rated (5.0 yd³) front-end loader will be used to load three, 24 tonne articulated trucks that will either deliver the sulphide tailings to the sulphide waste stockpile or the oxide tailings to the oxide tailings hopper. The Production schedule has been developed for the oxide tailings based on a treatment rate of 500 kt/a, this would be equivalent to a throughput rate of 1,370 t/d. This will give an overall project duration of approximately eight years. This eight-year period includes a one-year pre-production period and excludes the time required for remediation of the heap after the leaching process has been completed. Only oxide tailings will be considered for treatment while sulphide materials will be considered waste at this time. The LOM total oxide tailings materials treated is 3.12 million tonnes with average grades of 87.75 g/t silver and 0.43 g/t gold.

Environmental

Environmental parameters, permits and registrations, and environmental management strategies that may be required for the Project will be summarized in the technical report. Permits and authorizations required for the operation of the Project may include an operating permit, an application for surface tenures, a waste water discharge registration, a hazardous waste generator's registration, and an Environmental Impact Assessment (EIA) or Evaluación de Impacto Ambiental. Acid-base accounting (ABA) tests have indicated that mild acid generation may already have started on the tailings dam. A gap analysis and additional tests to further characterize current conditions of the tailings should be completed to properly design a tailings management plan.

Mineral Resource Discussions

Oxide Tailings

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

Mineral Resources

The Company's August 2016 mineral resource estimate was used as the resource base for the Oxide Tailings PEA. This new estimate includes data from 57 holes drilled during the last two years. Due to closer drill hole spacing, there is sufficient information to justify elevating 1,330,000 tonnes of the previous 2,340,000 tonnes of inferred resources to the indicated category. However, there is still an additional inferred resource of 1,810,000 tonnes in the new estimate. The oxide tailings resource is accessible on surface and contains significant gold and silver grades. The resource estimate used in the Oxide Tailings PEA for the oxide tailing resource is outlined in the table below at a cut-off grade of 50 AgEQ g/t.

Measured & Indicated Mineral Resources				Grade				Metal Contents		
Resource Category	Deposit	Cut-off (AgEQg/t)	MetricTonnes	AgEQ g/t	Agg/t	Aug/t	Cu%	Ag MillionTr Oz	Au ThousandTr Oz	Cu T
Indicated	Oxide Tailings	50	1,330,000	124	98	0.46	0.00	4.2	19.8	0
Inferred	Oxide Tailings	50	1,810,000	113	88	0.44	0.00	5.1	25.6	0

Note on Mineral Resources

Mineral resources that are not mineral reserves do not have demonstrated economic viability. The Oxide Tailings PEA is preliminary in nature as it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable to them to be categorized as mineral reserves. At this time there is no certainty that the results of the Oxide Tailings PEA will be realized.

Recommendations

The Technical Report contains the following recommendations for further work:

Resource Estimates

In order to improve confidence in the inferred mineral resource of the oxide tailings and evaluate the overlying sulphide tailings, a sonic drill program of 90 holes with 50 m x 50 m drill collar spacing totaling 1,800 m is recommended.

Resource estimates for the ET Zone of the Avino vein, the San Gonzalo vein and tailings should be completed for mine planning purposes.

The drill hole database should be consolidated and mining depletions updated before the estimation is performed.

Process

Take sufficient amounts of samples from both oxide and sulphide tailings to obtain representative samples for assay and metallurgical test work to confirm the grade of the deposit and the recovery of silver and gold from the heap leach process.

Use the results from the metallurgical test work program to confirm/define the duration of leaching on the pad, the reagent consumption values and the silver and gold precipitation efficiencies.

Investigate the metallurgical performance of the sulphide tailings materials and develop the process method for the sulphide tailings materials, including co-processing the sulphide tailings with the oxide tailings.

Environmental

A detailed trade-off study should be undertaken to characterize current conditions of the sulphide tailings and to determine whether the re-treatment of this material would contribute to the profitability of the Project.

Qualified Person(s)

The Qualified Persons as defined by NI 43-101, who supervised and are responsible for the Technical Report on the oxide tailings retreatment of the Avino Mine, and have reviewed the scientific, technical and financial content of this Annual Report, are Hassan Ghaffari, M.A.Sc., P.Eng., P.Eng, Jianhui Huang, Ph.D., P.Eng, of Tetra Tech Canada Inc., Sabry Abdel-Hafez, Ph.D., (previously with Tetra Tech Canada Inc.) and Michael O'Brien P.Geo., Pr.Sci.Nat., who is an employee of Red Pennant Communications Corp. (previously, Ausenco Engineering Canada Inc.) and independent of Avino, as defined by Section 1.5 of NI 43-101.

San Gonzalo Mine – Resource Depletion

The mineral resource estimate at San Gonzalo factors in depletion from ongoing mining activities up to the effective date of February 21, 2018. Between the effective date and December 31, 2019, a total of 161,792 tonnes were extracted. As at December 31, 2019, management had determined that the economic life of the San Gonzalo Mine was Nil, and had stopped the processing of mineralized ore.

Avino Mine – Resource Depletion

The mineral resource estimate at Avino factors in depletion from ongoing mining activities up to the effective date of February 21, 2018. Between the effective date and December 31, 2019, a total of 995,306 tonnes were extracted.

Exploration - Avino Vein

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

Between 1968 and 2001, at least 25 diamond drill holes, ranging in length from 132 to 575 m, are reported to have been drilled from surface into the Avino vein. Included in this total are 10 holes that were drilled by Selco in 1970 when they were re-habilitating some of the old underground workings to provide access for sampling (Slim 2005d). No further information on these drill holes was available to Tetra Tech and they are not included in the resource estimate for the Avino vein.

Oxide Tailings, 1990 to 1991

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

Recent Drilling (Post Mine Closure), 2001 to Present

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

Geophysical Surveys: Induced Polarization (IP)

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

Avino Vein (including ET Zone) and Nearby Veins

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

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

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

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

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

San Gonzalo and Nearby Veins

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

According to Gunning (2009), the collars for 2007 and 2008 drill holes were marked by concrete monuments and the collars have been surveyed. A check of the coordinates with a handheld global positioning system (GPS) revealed a possible 10 m constant error which may simply mean that all of the mine coordinates are not precisely Universal Transverse Mercator (UTM). However, this could also indicate the existence of a small surveying error on the Property.

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

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

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

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

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

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

In 2019, there were no holes drilled at the San Gonzalo mine.

Reclamation

The Company has mine closure and reclamation plans for the Avino and San Gonzalo Mines and has estimated the undiscounted value of reclamation at approximately \$1.6 million for the Avino Mine and approximately \$0.3 million for the San Gonzalo Mine as at December 31, 2019.

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

Avino Property Activity Summary

The table below presents material mined, material processed, concentrate produced, concentrate sold, and average realized concentrate pricing for each of the San Gonzalo Mine, the historic Avino stockpiles, and the Avino Mine.

	2019			2018			2017	
	San Gonzalo	Avino Historic Above Ground Stockpiles	Avino Mine	San Gonzalo	Avino Historic Above Ground Stockpiles	Avino Mine	San Gonzalo	Avino Mine
Processed								
Tonnes	56,179	306,334	427,147	79,140	202,830	426,794	81,045	460,890
Grade								
Gold (g/t)	0.46	0.36	0.45	1.03	0.41	0.49	1.32	0.52
Silver (g/t)	118	55	44	222	58	53	269	64
Copper (%)	N/A	0.18	0.56	N/A	0.2	0.6	N/A	0.5
Concentrate Produced								
tonnes	1,442	2,737	10,075	3,174	1,890	9,395	3,167	9,782
Grade								
Gold (g/t)	11.79	21.12	14.26	19.15	22.99	15.31	26.27	16.72
Silver (g/t)	3,185	3,355	1,576	4,250	3,540	2,030	5,800	2,560
Copper (%)	N/A	6.747	20.23	N/A	6.53	21.96	N/A	20.28
Concentrate Sold								
tonnes	1,741	4,483	9,366	4,052	1,818	8,315	2,895	9,140
Grade								
Gold (g/t)	18.56	17.46	12.41	20.08	22.48	14.75	17.16	16.27
Silver (g/t)	2,725	2,100	1,339	3,451	2,582	2,015	5,129	2,381
Copper (%)	N/A	8.13%	20.82%	N/A	6.84%	23.11%	N/A	18.38%
Average Realized Pricing (US\$/oz)								
Gold (\$/oz)	1,367.80	1,407.41	1,403.98	1,251.07	1,259.82	1,254.78	1,270.75	1,267.09
Silver (\$/oz)	15.50	16.18	16.18	15.44	15.41	15.33	17.01	17.07
Copper (\$/lb)	N/A	2.70	2.70	N/A	2.94	2.92	N/A	2.84

Bralorne Property—British Columbia, Canada

Introduction

The Bralorne property consists of approximately 11,189 acres (4,528 hectares) of mineral claims located in southwestern British Columbia, Canada, which cover three former gold mines with historic production of 4 million ounces of gold between 1928 and 1971. Since these mines closed, exploration has been carried out by various companies. A new vein was discovered in 2006 that spurred renewed exploration drilling followed by test mining and processing between 2011 and 2014 for a total of 18,436 ounces of gold recovered.

Assets include underground mining equipment, tailings storage facility, water treatment plant, and associated surface shops, accommodation and office buildings. Historically, the property was permitted for extracting and processing resources at a rate of up to 450 tonnes (approximately 500 tons) per day. More recently, in 1996 under M-207 amended in 1997, 2004, 2010, the mine was permitted to operate at 100 tons per day until its shutdown in 2014; A permit amendment for Permit M-207 was received in November 2017 updating the Permit to current standards and allowing the company to restart the Bralorne Mine at 100 tons per day, which included incorporation of the updated Interim Closure and Reclamation Plan (“ICRP”).

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

- (i) A cash consideration of C\$8.7 million;
- (ii) The issuance of 12,580,000 common shares of Talisker (the “**Talisker Shares**”) which at the closing had a trading price of C\$0.235 per Talisker Share on the Canadian Securities Exchange;
- (iii) The issuance of 6,290,000 share purchase warrants exercisable at C\$0.25 per share for a period of three years after the Closing Date, subject to acceleration in the event the closing price of Talisker’s common shares is greater than C\$0.35 per share for 20 or more consecutive trading days at any time following April 14, 2020;

As a result of the sale, Avino acquired the Talisker Shares, representing 9.9% of the total issued and outstanding shares of Talisker, and the Talisker Shares and Talisker Warrants represent 14.85% of Talisker on a fully diluted basis assuming the exercise of the Talisker Warrants. The Talisker Shares and Talisker Warrants were acquired by Avino for investment purposes.

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

Avino entered into this transaction to focus on its operations in Mexico and to improve its balance sheet and liquidity. In addition, through its share ownership in Talisker, the Company will be able to retain a material indirect economic ownership in the Bralorne project. The Company believes that Bralorne project is best suited for a management team with deep exploration expertise and access to strategic investment capital from partners.

BRX Property – Sold

Ownership. The wholly-owned BRX was acquired in 2016 when Avino purchased a 100% interest in nine mineral claims from Great Thunder Gold Corp. (“GTG”). In consideration for the for the claims, Avino paid C\$65,000 and issued 10,000 common shares to GTG and will pay GTG a 1% net smelter returns royalty to a maximum of C\$250,000 on the sale of ore or other products from the BRX property. The BRX Property also has a pre-existing 2½% net smelter returns royalty payable to Levon Resources Ltd. In connection with the sale of all of the issued and outstanding shares of Bralorne to Talisker on December 13, 2019, Avino also assigned all its rights and obligations of the nine BRX mineral claims to Talisker. As a result of the sale, Avino no longer has an interest in BRX.

Eagle Property – Not Active

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

In July 2017, an option agreement was signed between Avino and Alexco Resource Corp. (“Alexco”), granting Alexco the right to acquire a 65% interest in the Eagle Property. To exercise the option, Alexco must pay Avino a total of C\$70,000 in instalments over 4 years, issue Avino a total of 70,000 Alexco common shares in instalments over 4 years, incur C\$550,000 in exploration work by the second anniversary of the option agreement date, and a further C\$2.2 million in exploration work on the Eagle Property by the fourth anniversary of the option agreement date. Avino received the first anniversary payment of C\$10,000 and 10,000 common shares from Alexco in 2018.

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 option agreement was terminated on January 31, 2019.

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

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

Olympic-Kelvin Property – Not Active

Ownership. The Olympic-Kelvin property is wholly-owned by the Company and was acquired in 1987 when it acquired a 100% interest in 20 reverted Crown-granted mineral claims, one located mineral claim and three fractions located in the Lillooet Mining Division of British Columbia. The property was written down entirely in fiscal 2002. During the fiscal year ended January 31, 2007, these original mineral claims and fractions were converted into six claims encompassing all of the original claims. The Company recommenced exploration of the property in fiscal 2004 and ceased exploration activities in fiscal 2006. During the fiscal year ended December 31, 2009, the Company wrote down the value of these exploration costs to a nominal value of \$1. The Company will maintain these claims in good standing and may decide to commence exploration again on the Olympic-Kelvin Property.

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

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

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

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

Minto Property – Not Active

Ownership. The Minto Property is wholly-owned by the Company and was acquired in early 1985 when it acquired its 100% interest in eight Crown granted mineral claims, eight reverted Crown granted mineral claims and one located mineral claim, situated in the Lillooet Mining Division of British Columbia. During the January 31, 2007 year end these mineral claims were converted into one claim encompassing all of the original claims. The property was written down to a nominal value of \$1 in fiscal 2002. The Company recommenced exploration of the property in fiscal 2006 and ceased exploration activities in fiscal 2007 and during the 2009 year end wrote down the value to a nominal amount of \$1. The Company will maintain these claims in good standing and may decide to commence exploration again on the Minto Property.

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

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

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

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

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

El Laberinto Property – Not Active

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

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

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

During 1995 Avino mapped the La Silla area and sampled the principal veins. Avino had assembled the land package in the district in search of another Avino main vein.

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

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

In July 2012, the Company entered into an option and joint venture agreement with Endeavour Silver Corp. (“Endeavour”), whereby Endeavour was granted the option to acquire up to a 75% interest in the El Laberinto property, consisting of approximately 91.7 hectares. In order to exercise the option, Endeavour must pay up to \$200,000 in annual installments over 4 years to Avino in option payments, and incur up to \$3 million in exploration work on the El Laberinto property over the next 4 years.

In July 2014, the Company’s option and joint venture agreement with Endeavour Silver Corp. was terminated. Up to the termination date, Endeavour had met its obligations by incurring exploration expenditures of at least \$300,000 and making option payments of \$50,000.

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

Other Properties (Durango, Mexico) – Not Active

Avino also has mineral rights for 5 other properties in the Durango State of Mexico, described below:

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

The Ana Maria property, located near Gomez Palacio, consists of 9 adjoining concessions and covers approximately 2,545 hectares. Avino assembled the land package in 2001 and 2002.

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

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

Item 4A. Unresolved Staff Comments

None

Item 5. Operating and Financial Review and Prospects

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the information contained in the Company's annual audited consolidated financial statements and the notes thereto for the years ended December 31, 2019, 2018 and 2017 included in this annual report on Form 20-F. Such discussion and analysis is based upon our annual audited consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") for the years ended December 31, 2019, 2018 and 2017.

For all periods up to and including the year ended December 31, 2010, we prepared our consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The annual audited consolidated financial statements for the year ended December 31, 2011 were our first annual consolidated financial statements that were prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

A. Operating results

San Gonzalo Mine

The fiscal year ended December 31, 2012 saw Avino transition from exploration activities to extraction and processing of resources at levels intended by management in addition to exploration activities. On October 1, 2012, the Company declared extracting and processing resources at levels intended by management had been achieved at the San Gonzalo mine. The mine continued to operate in this manner through to the fourth quarter of 2019 when the mine reached the end of its current resources and mining was halted.

Operating results from the most recent 3 fiscal years are as follows:

	2017	2018	2019
	Total	Total	Total
Total Mill Feed (dry tonnes)	81,045	79,140	56,179
Feed Grade Silver (g/t)	269	222	118
Feed Grade Gold (g/t)	1.32	1.03	0.46
Bulk Concentrate (dry tonnes)	3,167	3,174	1,442
Bulk Concentrate Grade Silver (kg/t)	5.80	4.25	3.18
Bulk Concentrate Grade Gold (g/t)	26.3	19.15	11.79
Recovery Silver (%)	84	77	69
Recovery Gold (%)	78	75	66
Mill Availability (%)	95.4	95.5	
Total Silver Recovered (kg)	18,375	13,500	4,591
Total Gold Recovered (g)	83,215	60,800	17,003
Total Silver Recovered (oz) <i>calculated</i>	590,765	434,020	153,372
Total Gold Recovered (oz) <i>calculated</i>	2,675	1,955	581
Total Silver Equivalent Recovered (oz) <i>calculated*</i>	789,157	592,098	215,148

* Metal production is expressed in terms of silver equivalent ounces (oz Ag Eq),

* In 2019, AgEq was calculated using metals prices of \$16.20 oz Ag, \$1,393 oz Au and \$2.72 lb Cu. In 2018, AgEq was calculated using metals prices of \$15.71 oz Ag, \$1,270 oz Au and \$2.96 lb Cu. In 2017, AgEq was calculated using metals prices of \$17.05 oz Ag, \$1,258 oz Au and \$2.80 lb Cu.

Avino Mine

In the fourth quarter of 2014 the Company completed its Avino Mine and mill expansion. Initially, new material from underground at Avino was processed on a limited scale using the existing 250 TPD Mill Circuit 2. By year end, rehabilitation of the 1,000 TPD Mill Circuit 3 had been completed and sufficient material had been stockpiled; on January 1, 2015, full scale testing of both material and equipment commenced.

During 2015, newly mined underground material from the Avino Mine was processed primarily using Mill Circuit 3. During the months of July, August, November and December, Mill Circuit 2 was also used to process new material from the Avino Mine. Additionally, during the month of May, above ground stockpiles left from past mining of the Avino vein were processed using Mill Circuit 2; production from Mill Circuit 2 during the months listed above is reflected in the production figures in the following table. In 2016 and 2017 Mill Circuits 2 and 3 were used to process mill feed from the Avino Mine.

In the second quarter of 2018, the Company completed its Mill Circuit 4 expansion. During the testing and commissioning phase which lasted through the end of 2018, Mill Circuit 2 was used to process new material from the newly developed San Luis area of the Avino Mine while Mill Circuit 4 was used to process Avino Historic Above Ground Stockpiles (“AHAGS”).

In the first quarter of 2019, Mill Circuit 1 processed material from San Gonzalo, Mill Circuit 2 processed material from San Luis, Mill Circuit 3 processed material from Elena Tolosa, and Mill Circuit 4 processed material from the AHAGS. This configuration continued throughout 2019, other than when the Company stopped processing San Gonzalo material in Mill Circuit 1 during Q4 2019, and began processing from the Hanging Wall Breccia area of the Avino Mine.

Accordingly, year-end totals for 2017 through 2019 from the Avino Mine and AHAG’s Operations are reported as follows:

Avino Mine Production Totals

	2017	2018	2019
	Totals	Totals	Totals
Tonnes Mined	462,279	428,075	456,100
Underground Advancement(m)	2,898	3,804	3,835
Total Mill Feed (dry tonnes)	460,890	426,794	427,147
Feed Grade Silver (g/t)	64	53	44
Feed Grade Gold (g/t)	0.516	0.49	0.45
Feed Grade Copper (%)	0.484	0.55	0.56
Copper Concentrate (dry tonnes)	9,782	9,395	10,075
Copper Concentrate Grade Silver (kg/t)	2.56	2.03	1.58
Copper Concentrate Grade Gold (g/t)	16.72	15.31	14.26
Copper Concentrate Grade Copper (%)	20.28	21.96	20.23
Recovery Silver (%)	85	84	85
Recovery Gold (%)	69	69	73
Recovery Copper (%)	89	87	86
Total Silver Recovered (kg)	24,990	19,109	15,871
Total Gold Recovered (g)	163,582	143,843	139,131
Total Copper Recovered (kg)	1,983,637	2,062,465	2,069,833
Total Silver Recovered (oz) calculated	803,438	614,361	510,270
Total Gold Recovered (oz) calculated	5,259	4,625	4,473
Total Copper Recovered (lbs) calculated	4,373,585	4,546,952	4,563,195
Total Ag Eq. (oz) calculated*	1,911,428	1,847,303	1,656,091

** Metal production is expressed in terms of silver equivalent ounces (oz Ag Eq). In 2019, AgEq was calculated using metals prices of \$16.20 oz Ag, \$1,393 oz Au and \$2.72 lb Cu. In 2018, AgEq was calculated using metals prices of \$15.71 oz Ag, \$1,270 oz Au and \$2.96 lb Cu. In 2017, AgEq was calculated using metals prices of \$17.05 oz Ag, \$1,258 oz Au and \$2.80 lb Cu.*

Historic Avino Mine Stockpile Production Totals

	2018 Totals	2019 Totals
Total Mill Feed (dry tonnes)	202,830	306,334
Feed Grade Silver (g/t)	58	55
Feed Grade Gold (g/t)	0.41	0.36
Feed Grade Copper (%)	0.16	0.18
Bulk Concentrate (dry tonnes)	1,890	2,737
Bulk Concentrate Grade Silver (kg/t)	3.54	3.36
Bulk Concentrate Grade Gold (g/t)	22.99	21.12
Bulk Concentrate Grade Copper (%)	6.53	6.75
Recovery Silver (%)	57	54
Recovery Gold (%)	52	53
Recovery Copper (%)	38	35
Total Silver Recovered (kg)	6,697	9,181
Total Gold Recovered (g)	43,454	57,809
Total Copper Recovered (kg)	123,409	184,639
Total Silver Recovered (oz) calculated	215,312	295,169
Total Gold Recovered (oz) calculated	1,397	1,859
Total Copper Recovered (lbs) calculated	272,070	407,059
Total Ag Eq. (oz) calculated*	380,766	525,803

* Metal production is expressed in terms of silver equivalent ounces (oz Ag Eq). In 2019, AgEq was calculated using metals prices of \$16.20 oz Ag, \$1,393 oz Au and \$2.72 lb Cu. In 2018, AgEq was calculated using metals prices of \$15.71 oz Ag, \$1,270 oz Au and \$2.96 lb Cu.

Results of Operations**Twelve months ended December 31, 2019 compared with twelve months ended December 31, 2018****Revenues**

Revenues for the year ended December 31, 2019 were \$31,746,000. Revenues relate to the sale of bulk silver and gold concentrate produced from the San Gonzalo Mine, bulk copper, silver and gold concentrates produced from the Avino Mine, and bulk copper, silver and gold concentrates from the Avino Historical Above Ground Stockpiles. Revenues for the comparable year were \$34,116,000. The decrease in revenues of \$2,370,000 in the current year can be attributed to a decrease in the number of AgEq oz. sold by 11%, and was partially offset by an increase in the average realized price of silver by 5%, compared to the year ended December 31, 2018. Revenues also declined compared to the previous year as a result of the planned shutdown of San Gonzalo. The overall silver and gold feed grades at San Gonzalo declined for the year ended December 31, 2019 by 47% and 55%, respectively, combined with a decrease in both silver and gold recovery lead to San Gonzalo producing 66% fewer silver equivalent ounces on a year over year comparison basis.

During the year ended December 31, 2019 the Company produced 10,075 tonnes of bulk copper/silver/gold concentrate from its Avino Mine, 2,737 tonnes of bulk copper/silver/gold concentrate from its Avino Historical Above Ground Stockpiles, and 1,765 tonnes of bulk silver/gold concentrate from its San Gonzalo Mine. The Company recognized revenues of \$19,945,000 on sales from the Avino Mine, \$8,702,000 on sales from the Avino Historical Above Ground Stockpiles, and \$3,099,000 on sales from the San Gonzalo Mine.

Metal prices for revenues recognized during the year ended December 31, 2019, weighted by dollar of revenue recognized, averaged \$16.06 per ounce of silver, \$1,399 per ounce of gold, and \$5,961 per tonne of copper. Compared to metal prices for revenues recognized in the year ended December 31, 2018 averaged \$15.32 per ounce of silver, \$1,249 per ounce of gold and \$6,392 per tonne of copper., this represents a increase of 5%, increase of 12%, and an decrease of 7%, respectively.

Operating and administrative expenses

Operating expenses, or cost of sales, includes production costs from mining operations and depreciation and depletion. Production costs for the year ended December 31, 2019 were \$32,016,000 compared to \$27,850,000 for the year ended December 31, 2018, an increase of \$4,166,000. The increase is primarily due to an increase in higher production costs mainly attributable to increase in tonnes produced resulting in higher overall mining material and labour cost. Further, there were increases to non-cash depletion and depreciation expenses as a result of San Gonzalo mine reaching the end of its economic life and prospective change in policy for depreciation, partly offset by lower silver equivalent ounces sold from 2.35 million AgEq oz. in 2019, a decrease of 0.29 million, or 11%, from 2.64 million AgEq oz. sold in 2018.

Administrative expenses include management, consulting, and director fees, salaries, office expenses, investor relations, travel, and promotion, as well as share-based payments, and were \$4,130,000 for the year ended December 31, 2019, compared to \$4,240,000 for the year ended December 31, 2018, a decrease of \$110,000. Operating and administrative expenses slightly decreased compared to the year ended December 31, 2018, which reflects reduction initiatives made by management in the current year to maintain operations in good standing during the difficult market conditions in the beginning of the year.

Other items

Others items includes interest and other income, unrealized gain/loss on long-term investments, fair value adjustments on warrant liability, unrealized foreign exchange gain/loss, finance costs, accretion of reclamation provision, and interest expense, and totalled income of \$1,432,000 for the year ended December 31, 2019, compared to income of \$38,000 for the year ended December 31, 2018, an increase of \$1,394,000.

Income from other items increased due to increases to interest and other income of \$330,000 as a result of the recognition of IFRS 9 and the impact on the Company's term facility, increases in the unrealized gain on long-term investments of \$1,287,000 due to the recognition of the acquired common shares and share purchase warrants of Talisker Resources Inc. and subsequent fair value adjustment to reflect the fair value at December 31, 2019. Further increases were a result of a reduced unrealized foreign exchange loss of \$138,000, due to minor fluctuations between the US dollar and Mexican Peso throughout 2019, as well as reductions in finance costs of \$360,000.

These increases were offset by lower income from fair value adjustment on warrant liability of \$784,000. 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. The remaining differences of \$63,000 relate to movements in the accretion of the Company's reclamation provision and interest expense from 2019 compared to 2018.

Income taxes

Current income tax expenses for the year ended December 31, 2019 were \$327,000 compared to \$1,052,000 during the year ended December 31, 2018, a decrease of \$725,000. The change in current income taxes is a result of decrease mine operating income in 2019, which was loss of \$270,000 compared to income of \$6,266,000 in 2018.

Deferred income tax recoveries for the year ended December 31, 2019 were \$960,000 compared to \$645,000 during the year ended 2018, an increase of \$315,000. The increase in deferred income tax recoveries is a result of a decrease in the liability associated temporary differences arising from the carrying value of plant, equipment and mining properties.

Earnings or losses after taxes for the year

The loss for continuing operations for the year ended December 31, 2019 was \$2,335,000 compared to income of \$1,657,000 for the year ended December 31, 2018, a decrease of \$3,992,000. The change is a result of the factors noted in the “Revenues” and “Operating and administrative expenses” sections above, as well as the income tax movements outlined in the “Income taxes” section above.

Loss from discontinued operations for the year ended December 31, 2019 was \$29,126,000 compared to a loss of \$31,000 for the year ended December 31, 2018. The change, and all discontinued operations, relates to the sale of Bralorne during the year ended December 31, 2019, as outlined below:

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

The consideration includes:

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

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

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

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

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

As a result of the sale, the comparative net income (loss) for the current period, as well as previous two years, have been reclassified from continuing operations to discontinued operations:

	2019	2018	2017
Revenue from mining operations	\$ -	\$ -	\$ -
Cost of sales	-	-	-
Mine operating income (loss)	-	-	-
Operating expenses (income)	16	(45)	(14)
Accretion of reclamation provision	217	256	154
Gain on sale of assets	2	(175)	-
Other items	1	(5)	3
Loss on disposition	28,890	-	-
Net loss before income taxes	(29,126)	(31)	(143)
Income taxes	-	-	-
Net loss from discontinued operations and on disposal	\$ (29,126)	\$ (31)	\$ (143)

The results of discontinued operations included in the consolidated statements of cash flows for the years ended December 31, 2019, 2018 and 2017, are as follows:

	2019	2018	2017
Cash generated by (used in):			
Cash flow used in operating activities	\$ (19)	\$ (7)	\$ 12
Cash flow used in financing activities	(258)	(590)	(871)
Cash flow used in investing activities	(5,583)	(4,178)	(5,270)
Net cash decrease from discontinued operations	\$ (5,860)	\$ (4,775)	\$ (6,129)

Overall, the decrease in net income in 2019 compared to 2018 was primarily due to the decrease in mine operating income (loss) mentioned above, the sale of Bralorne mentioned above, and such decreases in net income, or increases in losses, were partially offset by decreases in overall income tax expenses.

Twelve months ended December 31, 2018 compared with twelve months ended December 31, 2017

Revenues

Revenues for the year ended December 31, 2018 were \$34,116,000. Revenues relate to the sale of bulk silver and gold concentrate produced from the San Gonzalo Mine, bulk copper, silver and gold concentrates produced from the Avino Mine, and bulk copper, silver and gold concentrates from the Avino Historical Above Ground Stockpiles. Revenues for the comparable year were \$33,359,000. The increase in revenues of \$757,000 in the current year can be attributed to an increase in the number of AgEq oz. sold by 18%, and was partially offset by a decrease in the average realized price of silver by 10%, compared to the year ended December 31, 2017. During the year ended December 31, 2018 the Company produced 9,395 tonnes of bulk copper/silver/gold concentrate from its Avino Mine, 1,890 tonnes of bulk copper/silver/gold concentrate from its Avino Historical Above Ground Stockpiles, and 3,174 tonnes of bulk silver/gold concentrate from its San Gonzalo Mine. The Company recognized revenues of \$21,816,000 on sales from the Avino Mine, \$3,336,000 on sales from the Avino Historical Above Ground Stockpiles, and \$8,964,000 on sales from the San Gonzalo Mine.

Metal prices for revenues recognized during the year ended December 31, 2018, weighted by dollar of revenue recognized, averaged \$15.32 per ounce of silver, \$1,249 per ounce of gold and \$6,392 per tonne of copper. Compared to metal prices for revenues recognized in the year ended December 31, 2017 of \$17.05 per ounce of silver, \$1,268 per ounce of gold and \$6,251 per tonne of copper, this represents a decrease of 10%, decrease of 2%, and an increase of 2%, respectively.

Operating and administrative expenses

Operating expenses, or cost of sales, includes production costs from mining operations and depreciation and depletion. Production costs for the year ended December 31, 2018 were \$27,850,000 compared to \$22,106,000 for the year ended December 31, 2017, an increase of \$5,744,000. The increase is primarily due to an increase in higher production costs mainly attributable to increase in tonnes produced resulting in higher overall mining material and labour cost, as well as an increase in silver equivalent ounces sold from 2.64 million AgEq oz. in 2018, an increase of 0.4 million, or 18%, from 2.24 million AgEq oz. sold in 2017.

Administrative expenses include management, consulting, and director fees, salaries, office expenses, investor relations, travel, and promotion, as well as share-based payments, and were \$4,240,000 for the year ended December 31, 2018, compared to \$5,345,000 for the year ended December 31, 2017, a decrease of \$1,105,000. Operating and administrative expenses decreased compared to the year ended December 31, 2017 primarily due to a decrease in share-based payments of \$1,388,000. This is a result of a reduced number of options granted during the year ended December 31, 2018 compared to the year ended December 31, 2017, from 1,475,000 in 2017 down to 497,500 in 2018. Further, the resulting fair value of each option issued also decreased when calculated through the Black Scholes Option Pricing model decreased in 2018 compared to 2017 due to fluctuations in the share price volatility, share price on issuance date and interest rates used in the model.

Other items

Others items includes interest and other income, unrealized gain/loss on long-term investments, fair value adjustments on warrant liability, unrealized foreign exchange gain/loss, finance costs, accretion of reclamation provision, and interest expense, and totalled income of \$38,000 for the year ended December 31, 2018, compared to a loss of \$472,000 for the year ended December 31, 2017, an increase of \$510,000.

Income from other items increased due to higher income from fair value adjustment on warrant liability of \$741,000. 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. Further increases were a result of a reduced unrealized foreign exchange loss of \$132,000, due to minor fluctuations between the US dollar and Mexican Peso throughout 2019.

These increases were offset by increased finance costs of \$287,000, which reflects the costs of issuance allocated to the warrants upon issuance in the September 2018 bought-deal offering of 7.1 million units. The remaining insignificant differences of \$76,000 relate to movements in interest and other income, unrealized gain/loss on long-term investments, the accretion of the Company's reclamation provision, and interest expense from 2019 compared to 2018.

Income Taxes

Current income tax expenses for the year ended December 31, 2018 were \$1,052,000 compared to \$2,911,000 during the year ended December 31, 2017, a decrease of \$1,859,000. The change in current income taxes is a result of decrease mine operating income in 2018, which was \$6,266,000 compared to \$11,253,000 in 2017.

Deferred income tax recoveries for the year ended December 31, 2018 were \$645,000 compared to \$140,000 during the year ended 2017, a decrease of \$505,000. The decrease in deferred income tax recoveries is a result of a decrease in the liability associated temporary differences arising from the carrying value of plant, equipment and mining properties.

Earnings and losses after taxes for the year

Earnings from continuing operations for the year ended December 31, 2018 were \$1,657,000 compared to \$2,665,000 for the year ended December 31, 2017, a decrease of \$1,008,000. Overall, the decrease in net income in 2018 compared to 2017 was primarily due to the decrease in mine operating income mentioned in the "Revenues" and "Operating and administrative expenses" sections above, and such decrease in net income was partially offset by decreases in overall income tax expenses mentioned in the "Income Taxes" section above.

Loss from discontinued operations for the year ended December 31, 2018 was \$31,000 compared to a loss of \$143,000 for the year ended December 31, 2017. The change, and all discontinued operations, relates to the reclassification of all items relating to operations of Bralorne from continuing operations to discontinued operations, as Bralorne was sold during the year ended December 31, 2019. The decrease in the loss of \$112,000 relates primarily to a gain on sale of \$175,000 recorded in 2018, with no comparable transaction in 2017. This was offset by increases to accretion expense by \$102,000 in 2018 compared to 2017. All other differences relate to minor movements in administrative expenses totalling \$39,000.

Voluntary Change in Accounting Policy

Upon review of the Company's experience at the Avino and San Gonzalo mines, on a retrospective basis, the Company has changed its accounting policy under IFRS 6 and IAS 16 in accounting for its exploration and evaluation assets and development costs. The change in accounting policy resulted in a reassessment of the commencement of production date from April 1, 2016 to July 1, 2015, at the Avino Mine. The voluntary change in accounting policy is intended to provide shareholders with a better reflection of its business activities to enhance the comparability of its financial statements to its peers and to make the consolidated financial statements more relevant to the economic decision-making needs of users. The forgoing discussion reflects the change in accounting policy. See note 3 to the Company's financial statements.

B. Liquidity and capital resources

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

Management expects that the Company's ongoing liquidity requirements will be funded from cash and cash equivalents 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, and there is no guarantee the Company will be able to secure any or all necessary financing in the future.

During the year ended December 31, 2019, the Company closed a bought-deal financing, issuing 5,411,900 common shares at the price of C\$0.85, as well as 2,323,460 flow-through shares at the price of C\$0.99 for gross proceeds of \$5.2 million. The financing was made by way of prospectus supplement in July 2019, so the Company's existing Canadian short-form base shelf prospectus dated December 21, 2018.

During 2019, the Company received gross proceeds of \$2.9 million in connection with a brokered at-the-market offering issued under prospectus supplements.

Discussion and analysis relating to our liquidity as at December 31, 2019 and December 31, 2018 is as follows:

Statement of Financial Position	December 31, 2019	December 31, 2018
Cash	\$ 9,625,000	\$ 3,252,000
Working Capital	13,209,000	13,106,000
Accumulated Deficit	47,204,000	16,505,000

Cash comprises 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.

At December 31, 2019, \$1,611,000 of the \$9,625,000 of cash was held by our Mexican subsidiaries. If these funds were needed for our operations in Canada, we would be required to accrue and pay Canadian taxes (to the extent we no longer had Canadian tax loss carry forwards available) to repatriate these funds. However, our intent is to permanently reinvest these funds back into our Mexican subsidiaries and our current plans do not demonstrate a need to repatriate them to fund our Canadian operations.

Cash Flow	December 31, 2019	December 31, 2018
Cash generated by (used in) operating activities	\$ 5,507,000	\$ 9,224,000
Cash generated by (used in) financing activities	4,970,000	3,855,000
Cash used in investing activities	(3,734,000)	(13,229,000)
Change in cash	6,743,000	(150,000)
Effect of exchange rate changes on cash	(370,000)	(18,000)
Cash, beginning of the year	3,252,000	3,420,000
Cash, end of year	\$ 9,625,000	\$ 3,252,000

Operating Activities

Cash generated by operating activities for the year ended December 31, 2019, was \$5,507,000 compared to operating activities of \$9,224,000 million for the year ended December 31, 2018. 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 generated by in financing activities was \$4,970,000 for the year ended December 31, 2019, compared to \$3,855,000 million for the year ended December 31, 2018. Cash generated by financing activities for the year ended December 31, 2018, relates to the issuance of shares for cash, term facility payments, the repayments of equipment loans and finance leases for mining equipment. During the year ended December 31, 2019, the Company received proceeds from issuance of shares for cash of \$7,283,000 (2018 - \$8,466,000), made term facility payments totalling \$833,000 (2018 - \$2,000,000) and made finance lease and equipment loan payments totalling \$1,459,000 (2018 - \$2,611,000).

Investing Activities

Cash used in investing activities for the year ended December 31, 2019, was \$3,734,000 compared to \$13,229,000 for the year ended December 31, 2018. Cash used in investing activities during the year ended December 31, 2019, includes net cash proceeds received on the sale of discontinued operations of \$5,140,000 million (2018 - \$Nil). During 2019, the Company incurred cash capital expenditures of \$3,276,000 (2018 - \$9,416,000) on the acquisition of property and equipment. Equipment purchases included new mining, milling/processing, and transportation equipment for the Company's Avino Mine. During the year ended December 31, 2019, the Company also incurred cash capital expenditures of \$5,723,000 (2018 - \$5,361,000) on exploration and evaluation activities at the Avino Mine, as well as the Bralorne Mine prior to its disposition. During the year ended December 31, 2019, the Company did not redeem any short-term investments (2018 - \$1,000,000 million), and had received cash from other investing activities, such as redemptions of reclamation bonds and proceeds on sale of long-term investments of \$102,000 (2018 - \$548,000).

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

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

D. Trend information

As at the time of filing this Annual Report and as otherwise disclosed in this Annual Report, the Company is not aware of any specific trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's net sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition. However, it should be noted that the sale of Bralorne and future required capital expenditures at the Avino Mine would likely have positive and negative impact, respectively, on future cash flows after 2019. Many factors that are beyond the control of the Company can affect the Company's operations, including, but not limited to, the price of minerals, the economy on a global scale, land and exploration permitting, and the appeal of investments in mining companies. The appeal of mining companies as investment alternatives could affect the liquidity of the Company and thus future exploration and evaluation, extracting and processing activities, and financial conditions of the Company. Other factors such as retaining qualified mining personnel and contractor availability and costs could also impact the Company's operations.

E. Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

F. Tabular disclosure of contractual obligations

As at December 31, 2019, the Company had the following contractual obligations:

	<i>Payment due by period</i>				
	<i>Total</i>	<i><1 year</i>	<i>1-3 Years</i>	<i>3-5 Years</i>	<i>More than 5 years</i>
<i>Accounts payable and accrued liabilities</i>	\$ 4,907,000	\$ 4,907,000	\$ -	\$ -	\$ -
<i>Due to related parties</i>	156,000	156,000	-	-	-
<i>Minimum rental and lease payments</i>	1,294,000	1,269,000	13,000	7,000	5,000
<i>Term facility</i>	6,199,000	3,628,000	2,571,000	-	-
<i>Deferred income tax liabilities</i>	2,938,000	-	-	-	2,938,000
<i>Equipment loan</i>	301,000	228,000	73,000	-	-
<i>Finance lease obligations</i>	1,188,000	716,000	273,000	171,000	28,000
<i>Total</i>	<u>\$ 16,983,000</u>	<u>\$ 10,904,000</u>	<u>\$ 2,930,000</u>	<u>\$ 178,000</u>	<u>\$ 2,971,000</u>

G. Safe harbor

Certain statements in this Annual Report, including those appearing under this Item 5E and 5F, constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Additionally, forward-looking statements may be made orally or in press releases, conferences, reports, on our website or otherwise, in the future, by us or on our behalf. Such statements are generally identifiable by the terminology used such as “plans”, “expects”, “estimates”, “budgets”, “intends”, “anticipates”, “believes”, “projects”, “indicates”, “targets”, “objective”, “could”, “may”, or other similar words.

The forward-looking statements are subject to known and unknown risks and uncertainties and other factors that may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Such factors include, among others: market prices for metals; the results of exploration and evaluation drilling and related activities; economic conditions in the countries and provinces in which we carry on business, especially economic slowdown; actions by governmental authorities including increases in taxes, changes in environmental and other regulations, and renegotiations of contracts; political uncertainty, including actions by insurgent groups or other conflict; the negotiation and closing of material contracts; and the other factors discussed in Item 3.D.: Key Information – Risk factors, and in other documents that we file with the SEC. The impact of any one factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors; our course of action would depend upon our assessment of the future considering all information then available. In that regard, any statements as to future levels of extracting and processing resources; capital expenditures; the allocation of capital expenditures to exploration and evaluation activities; sources of funding of our capital program; drilling; expenditures and allowances relating to environmental matters; dates by which certain areas will be available for extraction and processing or will come on-stream; expected exploration and evaluation costs; future rates of extracting and processing resources; ultimate recoverability of reserves; dates by which transactions are expected to close; cash flows; uses of cash flows; collectability of receivables; availability of trade credit; expected operating costs; expenditures and allowances relating to environmental matters; debt levels; and changes in any of the foregoing are forward-looking statements, and there can be no assurances that the expectations conveyed by such forward-looking statements will, in fact, be realized.

Although we believe that the expectations conveyed by the forward-looking statements are reasonable based on information available to us on the date such forward-looking statements were made, no assurances can be given as to future results, levels of activity, achievements or financial condition.

Readers should not place undue reliance on any forward-looking statement and should recognize that the statements are predictions of future results, which may not occur as anticipated. Actual results could differ materially from those anticipated in the forward-looking statements and from historical results, due to the risks and uncertainties described above, as well as others not now anticipated. The foregoing statements are not exclusive and further information concerning us, including factors that could materially affect our financial results, may emerge from time to time. We do not intend to update forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements.

Item 6. Directors, Senior Management and Employees

A. Directors and senior management

The following is a list of the Company’s directors and senior management as at March 25, 2020. The directors are elected for a term of one year at the annual meeting of shareholders. This year’s annual meeting will be held on May 28, 2020.

<i>Name and Present Position with the Company</i>	<i>Principal Occupation</i>	<i>Director/Officer Since</i>
Gary Robertson Director	Certified Financial Planner; Director and Chairman of Avino Silver & Gold Mines Ltd.	August 2005
David Wolfin Director/President/CEO	Director, President and CEO of Avino Silver & Gold Mines Ltd., Coral Gold Resources Ltd., and Gray Rock Resources Ltd.	October 1995
Peter Bojtos Director	Professional Engineer and Director of Avino Silver & Gold Mines Ltd..	June 2018
Jasman Yee Director	Professional Engineer and Metallurgist	January 2011
Ronald Andrews Director	Director of Bonner Mall Partnership. Owner and operator of Andrews Orchards	May 2019
J.C. Rodriguez Chief Operating Officer	Geology Professional	December 2012
Dorothy Chin Corporate Secretary	Corporate Secretary of Avino Silver & Gold Mines Ltd., Coral Gold Resources Ltd., and Gray Rock Resources Ltd.	September 2008
Nathan Harte Chief Financial Officer	CPA, Chief Financial Officer of Avino Silver & Gold Mines Ltd, Coral Gold Resources Ltd., and Gray Rock Resources Ltd.	November 2018

B. Compensation

During the last completed fiscal year, the Company had three executive officers, namely, David Wolfin, Chief Executive Officer; Nathan Harte, Chief Financial Officer and J.C. Rodriguez, Chief Operating Officer.

• **Compensation Discussion and Analysis**

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

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

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

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

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

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

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

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

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

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

- **Summary Compensation Table**

The following table sets forth particulars concerning the compensation paid or accrued for services rendered to the Company in all capacities during the most recently completed financial year ended December 31, 2019 of the Company to its executive officers:

Name and principal position	Year	Salary (\$)	Share-based awards (\$) ⁽¹⁾	Option-based awards (\$) ⁽²⁾	Non-equity incentive plan compensation (\$) ⁽³⁾	Pension value (\$) ⁽⁴⁾	All other compensation (\$) ⁽⁵⁾	Total compensation (\$)
David Wolfin ⁽⁶⁾ ⁽⁸⁾ President, CEO and Director	2019	226,108	336,177	NIL	NIL	NIL	NIL	562,285
	2018	231,535	227,875	NIL	NIL	NIL	NIL	459,410
	2017	231,018	282,019	219,467	NIL	NIL	NIL	732,504
Nathan Harte CFO ⁽⁸⁾	2019	58,865	21,396	19,429	NIL	NIL	NIL	99,690
	2018	5,981	4,201	11,016	NIL	NIL	NIL	21,199
J.C. Rodríguez COO ⁽⁷⁾	2019	202,441	117,866	NIL	NIL	NIL	NIL	320,307
	2018	170,563	72,172	NIL	NIL	NIL	NIL	242,735
	2017	177,192	85,528	109,734	NIL	NIL	NIL	372,456

⁽¹⁾ Share Based Awards are in the form of RSUs under two separate Plans. The 2016 RSU Plan was a fixed plan approved by the shareholders on May 27, 2016 which allowed for a total of 870,560 RSUs to be granted to officers, directors, employees and consultants. As of December 31, 2019, a total of 870,500 RSUs were granted and 843,666 were vested under the 2016 RSU Plan. The second RSU Plan (the “2018 RSU Plan”) was approved by the shareholders on May 24, 2018, and the maximum number of RSU shares issuable under this Plan shall not, together with all other security-based compensation arrangements of the Corporation exceed 10% of the issued and outstanding Common Shares as at the date of such Grant on a non-diluted basis. As of December 31, 2019, 2,812,000 RSUs were granted under the 2018 RSU Plan to officers, directors, employees and consultants and 360,500 were vested. The value of the RSUs is based on the closing price of the Common Shares on the vesting date. The RSUs will vest one-third annually over three years, and the amount above reflects the accrual for unvested share-based awards issued in the current and previous years, as at December 31, 2019. The closing market price on September 2, 2016 was C\$2.95 per common share, the closing market price on September 20, 2017 was C\$1.98 per common share, and the closing market price on August 28, 2018 was C\$1.31 per common share.

⁽²⁾ The methodology used to calculate the grant-date fair value is based on the Black-Scholes Option Pricing Model. During the year ended December 31, 2019, 526,000 new option-based awards were granted to officers, directors, employees, and consultants. The fair value was estimated using the following weighted-average assumptions: risk-free interest rate of 1.68%, expected dividend yield of 0%, expected option life of 5 years, and expected share price volatility of 61.61%.

⁽³⁾ The Company does not have a non-equity incentive plan.

⁽⁴⁾ The Company does not have any pension plans.

⁽⁵⁾ Discretionary cash payment of incentive bonuses.

⁽⁶⁾ On June 24, 2010, Mr. David Wolfin was appointed CEO. Mr. Wolfin’s salary was paid to Intermark Capital Corp., a private BC corporation controlled by Mr. Wolfin.

⁽⁷⁾ Mr. Rodríguez receives his salary in Mexican Pesos (“MXP”). For 2019, Mr. Rodríguez’ salary of MXP 3,900,602, was converted into US dollars by applying an exchange rate of 1MXP = US\$0.0519.

⁽⁸⁾ All compensation to Mr. David Wolfin, and Mr. Nathan Harte are paid in Canadian dollars and are converted into US dollars by applying an exchange rate of US\$1.00 = C\$1.3268 for 2019, US\$1.00 = C\$1.2957 for 2018, and US\$1.00 = C\$1.2986 for 2017, based on the average exchange rate for the year quoted by the Bank of Canada.

- ***Annual Base Salary***

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

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

- ***Non-Equity Incentive Plan Compensation***

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

- ***Equity-Based Incentive Awards***

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

The Company currently maintains a stock option and two RSUs plans (the "Plans"), under which stock options have been granted and may be granted to purchase a number equal to up to 10% of the Company's issued capital from time to time. On April 15, 2016, the board of directors of Avino, acting upon the recommendations of the Compensation Committee, implemented a fixed restricted share unit plan (the "2016 RSU Plan") for the issuance of up to a maximum of 870,560 restricted share units ("RSUs") to qualifying directors, officers, employees, and consultants, upon certain vesting restrictions determined by the board of directors, for any RSUs awarded. The 2016 RSU Plan was approved by the shareholders of Avino on May 27, 2016. As of December 31, 2019, a total of 870,500 RSUs were granted and 843,666 were vested. The second RSU Plan (the "2018 RSU Plan") was approved by the shareholders on May 24, 2018, and the maximum number of RSU shares issuable under this Plan shall not, together with all other security-based compensation arrangements of the Corporation exceed 10% of the issued and outstanding Common Shares as at the date of such Grant on a non-diluted basis. As of December 31, 2019, 2,812,000 RSUs were granted under the 2018 RSU Plan to officers, directors, employees and consultants and 360,500 were vested. The RSUs will vest at the rate of one-third annually, until fully vested over three years from the date of the awards, and provided that these designated persons are continuously employed with or providing services to Avino.

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

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

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

The following table sets forth the options and RSUs granted to the executive officers to purchase or acquire securities of the Company outstanding at December 31, 2019:

Name	Option-based Awards				Share-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (C\$) ⁽³⁾	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾⁽⁴⁾	Share grant date	Number of shares or units of shares that have not vested (#) ⁽²⁾	Market or payout value of share-based awards that have not vested (\$) ⁽²⁾⁽⁴⁾	Market or payout value of vested share-based awards not paid out or distributed (\$) ^{(2) (4)}
David Wolfin President, CEO and Director	25,000	\$2.95	Sept 2, 2021	Nil	Sept 20, 2017	4,334	6,468	Nil
	250,000	\$1.98	Sept. 20, 2022	Nil	Aug 28, 2018	270,000	266,581	Nil
					Aug 21, 2019	660,000	392,976	Nil
Nathan Harte, CFO	25,000	\$1.98	Sept. 20, 2022	Nil	Sept 20, 2017	625	933	Nil
	50,000	\$1.30	Aug 28, 2023	Nil	Aug 28, 2018	17,000	16,785	Nil
	48,000	\$0.79	Aug 21, 2024	Nil	Aug 21, 2019	60,000	35,725	Nil
J.C. Rodriguez COO	50,000	\$2.95	Sept 2, 2021	Nil	Sept 20, 2017	2,500	3,731	Nil
	125,000	\$1.98	Sept. 20, 2022	Nil	Aug 28, 2018	84,000	82,936	Nil
					Aug 21, 2019	300,000	178,625	Nil

(1) In-the-Money Options are the difference between the market value of the underlying securities at December 31, 2019 and the exercise price of the option. The closing Toronto Stock Exchange share price for the Company's common shares as at December 31, 2019 was C\$0.74 per common share.

(2) Share Based Awards are in the form of RSUs under two separate Plans. The 2016 RSU Plan was a fixed plan approved by the shareholders on May 27, 2016 which allowed for a total of 870,560 RSUs to be granted to officers, directors, employees and consultants. As of December 31, 2019, a total of 870,500 RSUs were granted and 843,666 were vested under the 2016 RSU Plan. The second RSU Plan (the "2018 RSU Plan") was approved by the shareholders on May 24, 2018, and the maximum number of RSU shares issuable under this Plan shall not, together with all other security-based compensation arrangements of the Corporation exceed 10% of the issued and outstanding Common Shares as at the date of such Grant on a non-diluted basis. As of December 31, 2019, 2,812,000 RSUs were granted under the 2018 RSU Plan to officers, directors, employees and consultants and 360,500 were vested. The value of the RSUs is based on the closing price of the Common Shares on the vesting date. The RSUs will vest one-third annually over three years, and the amount above reflects the accrual for unvested share-based awards issued in the current and previous years, as at December 31, 2019. The closing market price on September 2, 2016 was C\$2.95 per common share, the closing market price on September 20, 2017 was C\$1.98 per common share, and the closing market price on August 28, 2018 was C\$1.31 per common share.

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

(4) The Awards are calculated in Canadian dollars and are converted into US dollars by applying an exchange rate of US\$1.00 = C\$1.3268, which represents the average exchange rate for the year 2019 quoted by the Bank of Canada.

Incentive plan awards – value vested or earned during the year

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

The following table sets forth the value vested or earned during the year of option-based awards, share-based awards and non-equity incentive plan compensation paid to executive officers during the most recently completed financial year ended December 31, 2019:

Name	Option-based awards – Value vested during the year (\$) ⁽¹⁾⁽³⁾	Share-based awards – Value vested during the year (\$) ⁽²⁾⁽³⁾	Non-equity incentive plan compensation – Value earned during the year (\$) ⁽³⁾
David Wolfin President, CEO and Director	Nil	148,472	Nil
Nathan Harte, CFO	Nil	6,083	Nil
J.C. Rodriguez COO	Nil	46,281	Nil

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

(2) The RSU Vesting prices were C\$0.88, C\$0.81 and C\$0.89, which represents the share price on September 2, 2019, September 20, 2019, and August 28, 2019 the dates in which the RSUs vested.

(3) The Awards are calculated in Canadian dollars and are converted into US dollars by applying an exchange rate of US\$1.00 = C\$1.3268 which represents the average exchange rate for the year 2019 as quoted by the Bank of Canada.

- **Pension Plan Benefits**

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

- **Use of Financial Instruments**

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

- **Termination and Change of Control Benefits**

On January 1, 2016, the Company entered into a consulting agreement with Intermark Capital Corporation, a company owned by David Wolfin, and on March 23, 2016 the Company further amended the consulting agreement which contains certain provisions in connection with termination of employment or change of control. The consulting agreement was renewed for a period of three years on January 1, 2019 with the same terms and conditions.

This Agreement can be terminated at any time as follows:

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

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

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

- (a) by the Employee electing to give the Employer not less than 3 months prior notice of such termination;
- (b) by the Employer electing to give the Employee 3 months prior notice of such termination along with a termination payment equal to the sum of Employee's Fee earned pursuant to Section TEN during the preceding 12 months prior to the month notice of termination was given plus any unpaid vacation and other amounts due to him up to the termination; and
- (c) (1) by the Employee electing to give the Employer notice, in the event that there occurs a Change of Control (as defined below) within 6 months of the effective date of such Change of Control, and if the Employee so elects to terminate this Agreement, or (2) by the Employer upon notice to the Employee within 3 months prior to or within 6 months after a Change of Control is announced by the Employer, or its parent, then the Employer will be entitled to a termination payment equal to 3 times the sum of Employee's Fee earned pursuant to Section Ten of the employment agreement during the preceding 12 months prior to the month notice of termination was given, plus any accrued vacation and other amounts due to him up to the termination.

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

- (i) any person, entity or group becomes the beneficial owner of 20% or more of the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors, and such person, entity or group uses such effective voting control to change a majority of the Board of Directors of the Company, either all at once or through any series of elections and appointments when considered together; or
- (ii) completion of the sale or other disposition by the Company of all or substantially all of the Company's assets or a reorganization or merger or consolidation of the Company with any other entity or corporation, other than:

(A) a reorganization or merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent, either by remaining outstanding or by being converted into voting securities of another entity, more than 50.1% of the combined voting power of the voting securities of the Company or such other entity outstanding immediately after such reorganization or merger or consolidation; or

(B) a reorganization or merger or consolidation effected to implement a recapitalization or reincorporation of the Company (or similar transaction) that does not result in a material change in beneficial ownership of the voting securities of the Company or its successor.

• **Director Compensation**

The following table sets forth the value of all compensation paid or accrued to the directors, excluding Mr. Wolfin who is paid as an officer and not as a director, in their capacity as directors for the year ended December 31, 2019:

Name	Fees earned ⁽⁵⁾ (\$)	Share-based awards ⁽¹⁾ (5)(\$)	Option-based awards ⁽²⁾ (5)(\$)	Non-equity incentive plan compensation ⁽³⁾ (5) (\$)	Pension value ⁽⁴⁾ (6) (\$)	All other compensation ⁽⁵⁾ (\$)	Total ⁽⁵⁾ (\$)
Michael Baybak ^{*(6)}	12,907	8,413	3,921	Nil	Nil	Nil	25,241
Gary Robertson*	56,527	71,541	Nil	Nil	Nil	Nil	128,068
Jasman Yee	30,901	54,598	Nil	Nil	Nil	2,261	87,760
Peter Bojtos*	37,685	24,329	9,803	Nil	Nil	Nil	71,816
Ronald Andrews ^{*(6)}	24,432	13,779	Nil	Nil	Nil	Nil	38,211

* Independent and Non-Employee Directors

(1) Share Based Awards are in the form of RSUs under two separate Plans. The 2016 RSU Plan was a fixed plan approved by the shareholders on May 27, 2016 which allowed for a total of 870,560 RSUs to be granted to officers, directors, employees and consultants. As of December 31, 2019, a total of 870,500 RSUs were granted and 843,666 were vested under the 2016 RSU Plan. The second RSU Plan (the “2018 RSU Plan”) was approved by the shareholders on May 24, 2018, and the maximum number of RSU shares issuable under this Plan shall not, together with all other security-based compensation arrangements of the Corporation exceed 10% of the issued and outstanding Common Shares as at the date of such Grant on a non-diluted basis. As of December 31, 2019, 2,812,000 RSUs were granted under the 2018 RSU Plan to officers, directors, employees and consultants and 360,500 were vested. The value of the RSUs is based on the closing price of the Common Shares on the vesting date. The RSUs will vest one-third annually over three years, and the amount above reflects the accrual for unvested share-based awards issued in the current and previous years, as at December 31, 2019. The closing market price on September 2, 2016 was C\$2.95 per common share, the closing market price on September 20, 2017 was C\$1.98 per common share, and the closing market price on August 28, 2018 was C\$1.31 per common share.

(2) The methodology used to calculate the grant-date fair value is based on the Black-Scholes Option Pricing Model. During the year ended December 31, 2019, 526,000 new option-based awards were granted to officers, directors, employees, and consultants. The fair value was estimated using the following weighted-average assumptions: risk-free interest rate of 1.27%, expected dividend yield of 0%, expected option life of 5 years, and expected share price volatility of 59.01%.

(3) The Company does not have any non-equity incentive plans.

(4) The Company does not have any pension plans.

(5) All director compensation is paid in Canadian dollars and is converted into US dollars by applying an exchange rate of US\$1.00 = C\$1.3268, which represents the average exchange rate for the year 2019 as quoted by the Bank of Canada.

(6) Mr. Michael Baybak passed away on May 15, 2019 and Mr. Ronald Andrews was appointed on May 30, 2019.

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

Annual Retainer per Director	\$ 22,611 *
Annual Retainer for Board Chair	\$ 22,611 *
Annual Retainer for Audit Committee Chair	\$ 6,030 *
Annual Retainer for Compensation Committee Chair	\$ 3,768 *
Annual Retainer for Governance & Nominating Committee Chair	\$ 3,768 *
Meeting Attendance Fee per Meeting	\$ 754 *

*All director compensation is paid in Canadian dollars and is converted into US dollars by applying an exchange rate of US\$1.00 = C\$1.3268, which represents the average exchange rate for the year 2019 as quoted by the Bank of Canada

The Company may grant incentive stock options and RSUs to Directors of the Company from time to time pursuant to the stock option and RSUs plans of the Company and in accordance with the policies of the Toronto Stock Exchange (the "TSX").

Outstanding share-based awards and option-based awards

The following table sets forth the options and RSUs granted to the directors to purchase or acquire securities of the Company outstanding at December 31, 2019:

Name ⁽¹⁾	Option-based Awards				Share-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (C\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽²⁾⁽⁴⁾	Share grant date	Number of shares or units of shares that have not vested (#) ⁽³⁾	Market or payout value of share-based awards that have not vested (\$) ⁽³⁾⁽⁴⁾	Market or payout value of share-based awards not paid out or distributed (\$) ⁽³⁾⁽⁴⁾
Michael Baybak ⁽⁵⁾	75,000	\$2.95	Sept 2, 2021	Nil	N/A	N/A	N/A	N/A
	100,000	\$1.98	Sept 20, 2022	Nil	N/A	N/A	N/A	N/A
	20,000	\$1.30	Aug. 28, 2023	Nil	N/A	N/A	N/A	N/A
Gary Robertson	100,000	\$2.95	Sept 2, 2021	Nil	Sept 20, 2017	4,334	4,975	Nil
	150,000	\$1.98	Sept 20, 2022	Nil	Aug 28, 2018	50,000	49,367	Nil
					Aug 21, 2019	135,000	80,381	Nil
Jasman Yee	50,000	\$2.95	Sept 2, 2021	Nil	Sept 20, 2017	2,500	3,731	Nil
	125,000	\$1.98	Sept 20, 2022	Nil	Aug 28, 2018	34,000	33,569	Nil
				Nil	Aug 21, 2019	105,000	62,519	Nil
Ronald Andrews ⁽⁵⁾				Nil	Aug 21, 2019	105,000	62,519	Nil
Peter Bojtos	50,000	\$1.30	Aug. 28, 2023	Nil	Aug 28, 2018	14,000	20,734	Nil
					Aug 21, 2019	105,000	62,519	Nil

- (1) For the compensation of David Wolfen, the named executive officer of the Company, see “Incentive Plan Awards” above.
- (2) The in-the-money option value is the difference between the market value of the underlying securities as at December 31, 2019 and the exercise price of the option. The closing market price of the Company’s common shares as at December 31, 2019 was C\$0.74 per common share.
- (3) Share Based Awards are in the form of RSUs under two separate Plans. The 2016 RSU Plan was a fixed plan approved by the shareholders on May 27, 2016 which allowed for a total of 870,560 RSUs to be granted to officers, directors, employees and consultants. As of December 31, 2019, a total of 870,500 RSUs were granted and 843,666 were vested under the 2016 RSU Plan. The second RSU Plan (the “2018 RSU Plan”) was approved by the shareholders on May 24, 2018, and the maximum number of RSU shares issuable under this Plan shall not, together with all other security-based compensation arrangements of the Corporation exceed 10% of the issued and outstanding Common Shares as at the date of such Grant on a non-diluted basis. As of December 31, 2019, 2,812,000 RSUs were granted under the 2018 RSU Plan to officers, directors, employees and consultants and 360,500 were vested. The value of the RSUs is based on the closing price of the Common Shares on the vesting date. The RSUs will vest one-third annually over three years, and the amount above reflects the accrual for unvested share-based awards issued in the current and previous years, as at December 31, 2019. The closing market price on September 2, 2016 was C\$2.95 per common share, the closing market price on September 20, 2017 was C\$1.98 per common share, and the closing market price on August 28, 2018 was C\$1.31 per common share.
- (4) The Awards are calculated in Canadian dollars and are converted into US dollars by applying an exchange rate of US\$1.00 = C\$1.3268 which represents the average exchange rate for the year 2019 as quoted by the Bank of Canada.
- (5) Mr. Michael Baybak passed away on May 15, 2019 and Mr. Ronald Andrews was appointed on May 30, 2019.

Incentive plan awards – value vested or earned during the year

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

The following table sets forth the value vested or earned during the year of option-based awards, share-based awards and non-equity incentive plan compensation paid to directors during the year ended December 31, 2019:

Name (1)	Option-based awards – Value vested during the year (\$)(2)(4)	Share-based awards – Value vested during the year (\$)(3)(4)	Non-equity incentive plan compensation – Value earned during the year (\$)(4)
Michael Baybak(5)	Nil	16,767	Nil
Gary Robertson	Nil	35,806	Nil
Jasman Yee	Nil	29,511	Nil
Ronald Andrews (5)	Nil	Nil	Nil
Peter Bojtos	Nil	4,696	Nil

- (1) For the compensation of David Wolfen, the named executive officer of the Company, see “Incentive Plan Awards” above.
- (2) The aggregate dollar value that would have been realized if the options granted during the year had been exercised on the vesting date.
- (3) The RSU Vesting prices were C\$0.88, C\$0.81 and C\$0.89, which represents the share price on September 2, 2019, September 20, 2019, and August 28, 2019, the dates in which the RSUs vested.
- (4) The Awards are calculated in Canadian dollars and are converted into US dollars by applying an exchange rate of US\$1.00 = C\$1.3268, which represents the average exchange rate for the year quoted by the Bank of Canada.
- (5) Mr. Michael Baybak passed away on May 15, 2019 and Mr. Ronald Andrews was appointed on May 30, 2019.

Termination of Employment, Changes in Responsibilities and Employment Contracts

On January 1, 2016, the Company entered into a consulting agreement with Intermark Capital Corporation, a company wholly-owned by David Wolfin, the named executive officer of the Company. The consulting agreement was further amended on March 23, 2016. On January 1, 2019, the Company renewed the consulting agreement with Intermark Capital Corporation for a period of three years with the same terms and conditions.

On May 30, 2019, the Company entered into a Change of Control Agreement with Nathan Harte, the named executive officer of the Company.

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

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

C. Board practices

The Board is currently comprised of five directors. The size and experience of the Board is important for providing the Company with effective governance in the mining industry. The Board’s mandate and responsibilities can be effectively and efficiently administered at its current size. The Board has functioned and is of the view that it can continue to function, independently of management as required. Directors are elected for a term of one year at the annual general meeting. At the Annual General Meeting, held on May 30, 2019, the shareholders elected Messrs. Gary Robertson, David Wolfin, Jasman Yee and Peter Bojtos as directors of the Company. Mr. Ronald Andrews was appointed as a Director on the same date.

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

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

Mandate of the Board of Directors, its Committees and Management

The role of the Board is to oversee the conduct of the Company’s business, including the supervision of management, and determining the Company’s strategy. Management is responsible for the Company’s day to day operations, including proposing its strategic direction and presenting budgets and business plans to the Board for consideration and approval. The strategic plan takes into account, among other things, the opportunities and risks of the Company’s business. Management provides the Board with periodic assessments as to those risks and the implementation of the Company’s systems to manage those risks. The Board reviews the personnel needs of the Company from time to time, having particular regard to succession issues relating to senior management. Management is responsible for the training and development of personnel. The Board assesses how effectively the Company communicates with shareholders but has not adopted a formal communications policy. Through the Audit Committee, and in conjunction with its auditors, the Board assesses the adequacy of the Company’s internal control and management information systems. The Board looks to management to keep it informed of all significant developments relating to or affecting the Company’s operations. Major financings, acquisitions, dispositions and investments are subject to board approval. A formal Code of Ethics (“Code”) has been adopted and applies to all directors, officers and employees. The Board meets on at least a quarterly basis and following the annual meeting of shareholders. The frequency of the meetings and nature of the meeting agendas are dependent on the nature of the business and affairs which the Company faces from time to time. During the year ended December 31, 2019, the Board met nine times.

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

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

Committees

Audit Committee

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

Audit Committee Charter

1. Purpose of the Committee

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

2. Members of the Audit Committee

2.1 All Members of the Audit Committee must be “financially literate” as defined under NI 52-110, having sufficient accounting or related financial management expertise to read and understand a set of financial statements, including the related notes, that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

2.2 The Audit Committee shall consist of no less than three Directors.

2.3 All Members of the Audit Committee must be “independent” as defined under NI 52-110.

3. Relationship with External Auditors

3.1 The external auditors are the independent representatives of the shareholders, but the external auditors are also accountable to the Board of Directors and the Audit Committee.

3.2 The external auditors must be able to complete their audit procedures and reviews with professional independence, free from any undue interference from the management or directors.

3.3 The Audit Committee must direct and ensure that the management fully co-operates with the external auditors in the course of carrying out their professional duties.

3.4 The Audit Committee will have direct communications access at all times with the external auditors.

4. Non-Audit Services

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

4.2 Notwithstanding section 4.1, the external auditors are prohibited at all times from carrying out any of the following services, while they are appointed the external auditors of the Company:

- (i) acting as an agent of the Company for the sale of all or substantially all of the undertaking of the Company; and
- (ii) performing any non-audit consulting work for any director or senior officer of the Company in their personal capacity, but not as a director, officer or insider of any other entity not associated or related to the Company.

5. Appointment of Auditors

5.1 The external auditors will be appointed each year by the shareholders of the Company at the annual general meeting of the shareholders.

5.2 The Audit Committee will nominate the external auditors for appointment, such nomination to be approved by the Board of Directors.

6. Evaluation of Auditors

6.1 The Audit Committee will review the performance of the external auditors on at least an annual basis, and notify the Board of Directors and the external auditors in writing of any concerns in regards to the performance of the external auditors, or the accounting or auditing methods, procedures, standards, or principles applied by the external auditors, or any other accounting or auditing issues which come to the attention of the Audit Committee.

7. Remuneration of the Auditors

7.1 The remuneration of the external auditors will be determined by the Board of Directors, upon the annual authorization of the shareholders at each general meeting of the shareholders.

7.2 The remuneration of the external auditors will be determined based on the time required to complete auditing procedures as determined by the external auditors in accordance with the Canadian Auditing Standards and the stands of the PCAOB.

8. Termination of the Auditors

8.1 The Audit Committee has the power to terminate the services of the external auditors, with or without the approval of the Board of Directors, provided the Committee is acting reasonable and responsible.

9. Funding of Auditing and Consulting Services

9.1 Auditing expenses will be funded by the Company. The auditors must not perform any other consulting services for the Company, which could impair or interfere with their role as the independent auditors of the Company.

10. Role and Responsibilities of the Internal Auditor

10.1 Due to the Company's size and limited financial resources, the CEO and CFO of the Company shall be responsible for implementing internal controls and performing the role of the internal auditor to ensure that such controls are adequate.

11. Oversight of Internal Controls

11.1 The Audit Committee will have the oversight responsibility for ensuring that the internal controls are implemented and monitored, and that such internal controls are effective.

12. Continuous Disclosure Requirements

12.1 Due to the Company's size and limited financial resources, the Corporate Secretary of the Company is responsible for ensuring that the Company's continuous reporting requirements are met and in compliance with applicable regulatory requirements.

13. Other Auditing Matters

13.1 The Audit Committee may meet with the Auditors independently of the management of the Company at any time, provided the Committee is acting reasonable and responsible.

13.2 The Auditors are authorized and directed to respond to all enquiries from the Audit Committee in a thorough and timely fashion, without reporting these enquiries or actions to the Board of Directors or the management of the Company.

14. Annual Review

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

15. Independent Advisers

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

Composition of Audit Committee

As of March 25, 2020, the following are the members of the Audit Committee:

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

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

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

Relevant Education and Experience

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

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

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

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

Audit Committee Oversight

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

Reliance on Certain Exemptions

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

Pre-Approval Policies and Procedures

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

External Auditor Service Fees

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

Financial Year Ending	Audit Fees	Audit Related Fees⁽²⁾	Tax Fees⁽³⁾ (1)	All other Fees⁽⁴⁾
December 31, 2019 ⁽¹⁾	C\$266,000	C\$10,000	C\$0	C\$39,500
December 31, 2018	C\$233,000	C\$10,000	C\$0	C\$42,525

(1) Estimated

(2) Travel and expenses

(3) Preparation of corporate tax returns

(4) Procedures and letters related to financings

Compensation Committee

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

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

The recommendations of the Compensation Committee are based primarily on a benchmarking analysis which compares the Company's pay levels and compensation practices with other reporting issuers of similar size, and which are active in the industry and/or market in which the Company competes for talent. This analysis provides valuable information that will allow the Company to make adjustments, if necessary, to attract and retain the best individuals to meet the Company's needs and provide value to the Company's shareholders. In formulating its recommendations, the Compensation Committee benchmarked the compensation of the Company's directors and executive officers against companies with similar market capitalization, assets, and revenue including the following companies: ATAC Resources Ltd., Ascendant Resources Inc., Copper Fox Metals Inc., INV Metals Inc., Fortune Minerals Ltd., Anaconda Mining Inc. and Euro Sun Mining Inc.

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

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

The charter of the Compensation Committee is available at the Company's website at www.avino.com.

Governance and Nominating Committee

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

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

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

The charter of the Governance and Nominating Committee is available at the Company's website at www.avino.com.

D. Employees

As at December 31, 2019, the Company had 350 employees and contractors located in Mexico and 22 employees and contractors in Canada. Certain of the Company's senior management as well as administrative and corporate services are located in Canada and are contracted by the Company through their companies or through the Company's cost sharing agreement for overhead and corporate services with Oniva International Services Corp. However, because these people are hired through companies, they are not technically deemed employees of the Company.

E. Share ownership

The following table sets forth the share ownership of the individuals referred to in "Compensation" as of March 25, 2020:

Name of Beneficial Owner	Number of Shares	Percent
Ronald Andrews	10,759	*
Gary Robertson	555,882	*
David Wolfen	1,716,069	2.25 %
Jasman Yee	327,020	*
Peter Bojtos	9,000	*
J.C. Rodríguez	272,000	*
Nathan Harte	9,750	*

*Less than one percent Outstanding Options

The following information, as of March 25, 2020 reflects outstanding options held by the individuals referred to in “Compensation”:

	No. of Shares	Date of Grant	Exercise Price*	Expiration Date
David Wolfin President, CEO and Director	25,000 250,000	Sept 2, 2016 Sept. 20, 2017	\$2.95 \$1.98	Sept 2, 2021 Sept. 20, 2022
Nathan Harte CFO	25,000 50,000 48,000	Sept 20, 2017 Aug 28, 2018 Aug 21, 2019	\$1.98 \$1.30 \$0.79	Sept. 20, 2022 Aug 28, 2023 Aug 21, 2024
J.C. Rodriguez COO	50,000 125,000	Sept 2, 2016 Sept. 20, 2017	\$2.95 \$1.98	Sept 2, 2021 Sept. 20, 2022
Michael Baybak** Director	75,000 100,000 20,000	Sept 2, 2016 Sept. 20, 2017 Aug 28, 2018	\$2.95 \$1.98 \$1.30	Sept 2, 2021 Sept. 20, 2022 Aug 28, 2023
Gary Robertson Director	100,000 150,000	Sept 2, 2016 Sept. 20, 2017	\$2.95 \$1.98	Sept 2, 2021 Sept. 20, 2022
Jasman Yee Director	50,000 125,000	Sept 2, 2016 Sept. 20, 2017	\$2.95 \$1.98	Sept 2, 2021 Sept. 20, 2022
Ronald Andrews**	Nil	n/a	n/a	n/a
Peter Bojtos	50,000	Aug 28, 2018	\$1.30	Aug 28, 2023

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

** Mr. Michael Baybak passed away on May 15, 2019 and Mr. Ronald Andrews was appointed as a Director of the Company on May 30, 2019.

Item 7. Major Shareholders and Related Party Transactions

A. Major shareholders

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

As of March 25, 2020, to the knowledge of the Company, no person owned more than five (5%) percent of the outstanding shares of each class of the Company’s voting securities.

As of March 25, 2020, there were 77,267,533 common shares issued and outstanding. Of those common shares issued and outstanding, 46,579,582 common shares were held by 74 registered shareholders whose addresses were in Canada.

B. Related party transactions

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

i) The Company transacts with companies related to Avino’s directors or officers. All amounts payable are non-interest bearing and due on demand. Advances to Oniva International Services Corp. (“Oniva”) of \$Nil (December 31, 2018 - \$212,000) 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, 2019. The following table summarizes the amounts due to related parties:

	December 31, 2019	December 31, 2018
Directors' fees	\$ 51,000	\$ 47,000
Oniva International Services Corp.	105,000	107,000
Jasman Yee & Associates, Inc.	Nil	3,000
	<u>\$ 156,000</u>	<u>\$ 157,000</u>

ii) The Company has a cost sharing agreement to reimburse Oniva for its expenses and to pay Oniva a percentage fee. Pursuant to the cost sharing agreement, the Company will reimburse Oniva for the Company's percentage of overhead and corporate expenses, and for out-of-pocket expenses incurred on behalf of the Company. David Wolfin, President & CEO, and a director of the Company is the sole owner of Oniva. The cost sharing agreement may be terminated with one-month notice by either party without penalty. The transactions with Oniva during the years ended December 31, are summarized below:

	2019	2018	2017
Salaries and benefits	\$ 665,000	\$ 594,000	\$ 450,000
Office and miscellaneous	322,000	560,000	567,000
Exploration and evaluation assets	206,000	353,000	352,000
	<u>\$ 1,193,000</u>	<u>\$ 1,507,000</u>	<u>\$ 1,052,000</u>

iii) 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, 2019, 2018 and 2017, the Company paid \$226,000, \$232,000, and \$231,000 respectively to ICC.

The Company pays Jasman Yee & Associates, Inc. ("JYAI"), a company whose managing director is Jasman Yee, a director of the Company, for operational, managerial, metallurgical, engineering and consulting services related to the Company's activities. For the years ended December 31, 2019, 2018, and 2017, the Company paid \$33,000, \$66,000, and \$80,000, respectively to JYAI.

The Company pays Wear Wolfin Designs Ltd. ("WWD"), a company whose director is the brother-in-law of David Wolfin, President, Chief Executive Officer and a director of the Company, for financial consulting services related to ongoing consultation with stakeholders and license holders. For the years ended December 31, 2019, 2018 and 2017, the Company paid \$Nil, \$12,000, and \$23,000, respectively to WWD.

C. Interests of experts and counsel

Not Applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

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

Dividend Policy

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

B. Significant Changes

Except as otherwise disclosed in this annual report, there have been no material changes in our financial position, operations or cash flows since December 31, 2019.

Item 9. The Offer and Listing

A. Offer and listing details

Our common shares are listed on the NYSE American and the TSX under the symbol ASM. The Company graduated from the TSX-V on January 8, 2018. No suspensions regarding our common shares have occurred during the past 3 years.

B. Plan of distribution

Not Applicable.

C. Markets

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

D. Selling shareholders

Not Applicable.

E. Dilution

Not Applicable.

F. Expenses of the issue

Not Applicable.

Item 10. Additional Information

A. Share capital

Not Applicable.

B. Memorandum and articles of association

Common Shares

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

Take Over Bid Regulations

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

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

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

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

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

Powers and Duties of Directors

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

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

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

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

Shareholders

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

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

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

C. Material contracts

1. Agency Agreement dated April 27, 2018 with Cantor Fitzgerald Canada Corporation re Best Effort Equity Offering of 2,500,000 Flow Through Common Shares of Avino;
2. Amended and Restated Controlled Equity Offering Sales Agreement dated August 21, 2018 with Cantor Fitzgerald & Co;
3. Underwriting Agreement dated September 21, 2018 with H. C. Wainwright & Co., LLC; and
4. Amendment Agreement dated November 27, 2018 rescheduling the repayment schedule to concentrates Prepayment Agreement dated July 8, 2015 with Samsung.
5. Share Purchase Agreement dated November 21, 2019 between Talisker Resources Ltd. and Bralorne Gold Mines Ltd.

D. Exchange controls

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

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

E. Taxation

Canadian Federal Income Tax Consequences

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

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

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

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

United States Federal Income Tax Consequences

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

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

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

Scope of This Disclosure

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

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

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

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

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

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

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

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

Sale or Other Taxable Disposition of Common Shares

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

PFIC Status of the Company

Because the Company is producing revenue from its mining operations, the Company does not believe that it was classified as a PFIC for its taxable year ended December 31, 2018. However, the Company has not performed an analysis of whether or not it will be deemed a PFIC for its current taxable year. If the Company is or becomes a PFIC, the foregoing description of the U.S. federal income tax consequences to U.S. Holders of the acquisition, ownership and disposition of Common Shares will be different. The U.S. federal income tax consequences of owning and disposing of common shares if the Company is or becomes a PFIC are described below under the heading “Tax Consequences if the Company is a PFIC.”

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

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

The Company does not believe that it was classified as a PFIC for its taxable year ended December 31, 2018, but has not made a determination as to whether it will or will not be a PFIC in the current tax year or in subsequent tax years. The determination of PFIC status is inherently factual, is subject to a number of uncertainties, and can be determined only annually at the close of the tax year in question. Additionally, the analysis depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. There can be no assurance that the Company will or will not be determined to be a PFIC for the current tax year or any prior or future tax year, and no opinion of legal counsel or ruling from the IRS concerning the status of the Company as a PFIC has been obtained or will be requested. U.S. Holders should consult their own U.S. tax advisors regarding the PFIC status of the Company.

Tax Consequences if the Company is a PFIC

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

Under the default PFIC rules:

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

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

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

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

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

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

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

Foreign Tax Credit

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

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

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

Receipt of Foreign Currency

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

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

Information Reporting; Backup Withholding

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

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

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

The Effect Of Comprehensive U.S. Tax Reform Legislation On The Company, Whether Adverse Or Favorable, Is Uncertain.

On December 22, 2017, President Trump signed into law H.R. 1, "An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018" (informally titled the "Tax Cuts and Jobs Act"). Among a number of significant changes to the U.S. federal income tax rules, the Tax Cuts and Jobs Act reduces the marginal U.S. corporate income tax rate from 35% to 21%, limits the deduction for net interest expense, shifts the United States toward a more territorial tax system, and imposes new taxes to combat erosion of the U.S. federal income tax base. The effect of the Tax Cuts and Jobs Act on the Company and its subsidiaries, whether adverse or favorable, is uncertain, and may not become evident for some period of time. Each U.S. Holder is urged to consult its own tax adviser regarding the implications of the Tax Cuts and Jobs Act of holding of our common shares.

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

F. Dividends and paying agents

Not Applicable.

G. Statement by experts

Not Applicable.

H. Documents on display

The Company files annual reports and furnishes other information with the SEC via Edgar. You may read and copy any document that we file at the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549 or by accessing the Commission's website (<http://www.sec.gov>). The Company also files its annual reports and other information with the Canadian Securities Administrators via SEDAR (www.sedar.com).

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

I. Subsidiary information

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

Item 11. Quantitative and Qualitative Disclosures about Market Risk

The Audit Committee of our board of directors regularly reviews foreign exchange and interest rates. Our policy prohibits the use of financial instruments for speculative purposes. See Note 24, Financial Instruments, in our annual audited consolidated Financial Statements contained in this annual report on Form 20-F for quantitative and qualitative disclosure of market risk.

Item 12. Description of Securities Other than Equity Securities

None.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

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

None

Item 15. Controls and Procedures

Disclosure Controls and Procedures

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

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

Management's Report on Internal Controls over Financial Reporting

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

For the purposes of Exchange Act Rules 13a-15(e), 13a-15(f), 15d-15(e), and 15d-15(f), management, including our principal executive officer and principal financial officer, conducted an evaluation of the design and operation of our internal controls over financial reporting as of December 31, 2019, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, our management concluded our internal controls over financial reporting were effective as at December 31, 2019.

This Annual Report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Because the Company is an Emerging Growth company, the Company has elected to defer its Section 404(b) requirements and the Company's management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

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

Changes in Internal Controls over Financial Reporting

Based on the evaluation as at December 31, 2019, management, including our principal executive officer and principal financial officer, have concluded that there were no material changes in the design of internal controls from the last annual reporting date of December 31, 2019.

Item 16A. Audit Committee Financial Expert

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

Item 16B. Code of Ethics

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

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

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

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

Item 16C. Principal Accountant Fees and Services

The Company's independent registered public accounting firm for the years ended December 31, 2019 and 2018 was Manning Elliott LLP, Chartered Professional Accountants.

Audit Fees

The aggregate fees billed by Manning Elliott LLP for professional services rendered for the audit of the annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements for the Company's years ended December 31, 2019 and 2018, were C\$266,000 and C\$233,000, respectively.

Audit-Related Fees

The audit-related fees billed by Manning Elliott LLP for assurance and related services that are reasonably related to the performance of the audit or review for the Company's years ended December 31, 2019 and 2018, were C\$10,000 and C\$10,000, respectively, and consisted of travel and expenses.

Tax Fees

The tax fees billed by Manning Elliott LLP for the Company's years ended December 31, 2019 and 2018, were Nil

All Other Fees

The aggregate fees billed by Manning Elliott LLP for services other than the services reported above for the Company's years ended December 31, 2019 and 2018, were C\$39,500 and C\$42,525 respectively, and consisted of fees related to the Company's securities registration documents.

The Audit Committee approved 100% of the fees paid to the principal accountant for audit-related, tax and other fees in the fiscal years 2019 and 2018. The Audit Committee pre-approves all non-audit services to be performed by the auditor in accordance with the Audit Committee Charter.

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

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

Not applicable.

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

None.

Item 16F. Changes in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

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

- **Shareholder Approval Requirement:** Sections 711-713 of the NYSE American Company Guide require shareholder approval prior to an issuance of securities in connection with: (i) the acquisition of the stock or assets of another company; (ii) equity-based compensation of officers, directors, employees or consultants; (iii) a change of control; and (iv) private placements. Under the laws of the British Columbia, Canada, we are not required to solicit shareholder approval of equity incentive plans, including those in which our officers or directors may participate; stock issuances that will result in a change in control; the issuance of our stock in related party transactions or other transactions in which we may issue 20% or more of our outstanding shares; or, below market issuances of 20% or more of our outstanding shares to any person.
- In addition, as a foreign private issuer, and our equity securities are accordingly exempt from the proxy rules set forth in Sections 14(a), 14(b), 14(c) and 14(f) of the Exchange Act. We solicit proxies in accordance with our Memorandum and Articles of Association the applicable rules and regulations of British Columbia, Canada and the Toronto Stock Exchange.

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

Item 16H. Mine Safety Disclosure

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

PART III

Item 17. Financial Statements

Not applicable.

Item 18. Financial Statements

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

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Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017	105
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Item 19. Exhibits

Exhibit Number	Exhibit
1.1	Memorandum of Avino Silver & Gold Mines Ltd.*
1.2	Articles of Avino Silver & Gold Mines Ltd.*
4.1	Minerales de Avino SA de CV Agreement dated February 18, 2012 (Incorporated by reference to Exhibit 4.3 to Form 20-F for the year ended December 31, 2012 filed with the SEC on May 14, 2013)*
4.2	Stock Option Plan, as amended (Incorporated by reference to Exhibit 4.4 to Form 20-F for the year ended December 31, 2012 filed with the SEC on May 14, 2013)*
4.4	Placement Agency Agreement (Incorporated by reference to Exhibit 10.1 to Form 6-K filed with the SEC on February 21, 2014)*
4.5	Form of Subscription Agreement (Incorporated by reference to Exhibit 10.2 to Form 6-K filed with the SEC on February 21, 2014)*
4.6	Form of Warrant Agreement (Incorporated by reference to Exhibit 10.3 to Form 6-K filed with the SEC on February 21, 2014)*
4.7	Nathan Harte Change Control Agreement dated May 30, 2019
4.8	J.C. Rodríguez Employment Agreement dated July 1, 2013 and Amendment dated April 14, 2014 (Incorporated by reference to Exhibit 4.14 to Form 20-F filed with the SEC on May 11, 2015)*
4.9	Arrangement Agreement dated July 31, 2014 between Avino Silver & Gold Mines Ltd. and Bralorne Gold Mines Ltd. (Incorporated by reference to Exhibit 99.1 to Form 6-K filed with the SEC on August 6, 2014 and subsequently amended and filed with the SEC on September 2, 2014.)*
4.10	Intermark Capital Corporation Consulting Agreement dated Jan. 1, 2016, amended March 23, 2016 and renewed on January 1, 2019 (Incorporated by reference to Exhibit 4.10 to Form 20-F for the year ended December 31, 2018 filed with the SEC on March 22, 2019)*
4.11	Underwriting Agreement (Incorporated by reference to Exhibit 99.1 to Form 6-K filed with the SEC on November 23, 2016)*
4.12	Warrant Indenture (Incorporated by reference to Exhibit 99.1 to Form 6-K filed with the SEC on November 30, 2016)*
4.13	2016 Restricted Share Unit Plan (Incorporated by reference to Exhibit 4.13 to Form 20-F for the year ended December 31, 2018 filed with the SEC on March 22, 2019)*
4.14	2018 Restricted Share Unit Plan (Incorporated by reference to Exhibit 4.14 to Form 20-F for the year ended December 31, 2018 filed with the SEC on March 22, 2019)*
4.15	2018 Stock Option Plan (Incorporated by reference to Exhibit 4.15 to Form 20-F for the year ended December 31, 2018 filed with the SEC on March 22, 2019)*
4.16	Amended and Restated Controlled Equity Offering Sales Agreement dated August 4, 2017 between Avino Silver & Gold Mines Ltd. and Cantor Fitzgerald & Co. (Incorporated by reference to Exhibit 99.1 to Form 6-K filed with the SEC on August 4, 2017)*
4.17	Technical Report on the Avino Property, Durango, Mexico dated April 11, 2017 (Incorporated by reference to Exhibit 99.1 to Form 6-K filed with the SEC on May 23, 2017)*
4.18	Amended Mineral Resource Estimate Update for the Avino Property, Durango, Mexico dated December 19, 2018 (Incorporated by reference to Exhibit 10.1 to Form 6-K filed with SEC on December 26, 2018)*
4.19	Agency Agreement dated April 27, 2018 with Cantor Fitzgerald Canada Corporation re Best Effort Equity Offering of 2,500,000 Flow Through Avino Common Shares (Incorporated by reference to Exhibit 4.19 to Form 20-F for the year ended December 31, 2018 filed with the SEC on March 22, 2019)*
4.20	Amended and Restated Controlled Equity Offering Sales Agreement dated August 21, 2018 with Cantor Fitzgerald & Co (Incorporated by reference to Exhibit 4.20 to Form 20-F for the year ended December 31, 2018 filed with the SEC on March 22, 2019)*
4.21	Underwriting Agreement dated September 21, 2018 with H. C. Wainwright & Co., LLC (Incorporated by reference to Exhibit 4.21 to Form 20-F for the year ended December 31, 2018 filed with the SEC on March 22, 2019)*
4.22	Share Purchase Agreement dated November 21, 2019 with Talisker Resources Ltd. and Bralorne Gold Mines Ltd.
8.1	List of Subsidiaries
11.1	Code of Ethics and Whistleblower Policy (Incorporated by reference to Exhibit 11.1 to Form 20-F for the year ended December 31, 2017 filed with the SEC on April 3, 2018)*
11.2	Audit Committee Charter (Incorporated by reference to Exhibit 11.2 to Form 20-F for the year ended December 31, 2012 filed with the SEC on May 14, 2013)*
11.3	Governance & Nominating Committee Charter (Incorporated by reference to Exhibit 11.3 to Form 20-F for the year ended December 31, 2012 filed with the SEC on May 14, 2013)*
11.4	Compensation Committee Charter (Incorporated by reference to Exhibit 11.2 to Form 20-F for the year ended December 31, 2012 filed with the SEC on May 14, 2013)*
12.1	Certification of the Principal Executive Officer
12.2	Certification of the Principal Financial Officer
13.1	Certificate under the Sarbanes-Oxley Act of the Principal Executive Officer
13.2	Certificate under the Sarbanes-Oxley Act of the Principal Financial Officer
13.3	Consent of Manning Elliott LLP
13.4	Consent of Tetra Tech Canada Inc.
13.5	Consent of Red Pennant Communications Corp. (previously Ausenco Engineering Canada Inc.)

* Previously filed.



AVINO SILVER & GOLD MINES LTD.

Consolidated Financial Statements

For the years ended December 31, 2019, 2018 and 2017

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, 2019 and 2018, and for the years ended December 31, 2019, 2018 and 2017, 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

February 26, 2020

"Nathan Harte"

Nathan Harte, CPA
Chief Financial Officer

February 26, 2020

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. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, 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, 2019, 2018 and 2017, 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, 2019 and 2018, and its financial performance and its cash flows for the years ended December 31, 2019, 2018 and 2017 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. 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.

/s/ Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, British Columbia, Canada

February 26, 2020

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

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

	Note	December 31, 2019	December 31, 2018
ASSETS			
Current assets			
Cash		\$ 9,625	\$ 3,252
Amounts receivable		1,477	4,091
Taxes recoverable	6	5,483	5,343
Prepaid expenses and other assets		594	1,030
Inventory	7	5,592	9,231
Total current assets		22,771	22,947
Exploration and evaluation assets	9	9,827	46,781
Plant, equipment and mining properties	11	35,658	38,743
Long-term investments	8	4,311	10
Other assets		4	107
Total assets		\$ 72,571	\$ 108,588
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 4,907	\$ 5,885
Amounts due to related parties	12(b)	156	157
Taxes payable		46	167
Current portion of term facility	13	3,384	1,017
Current portion of equipment loans	14	199	517
Current portion of finance lease obligations	15	692	950
Deferred revenue	17	-	573
Current portion of reclamation provision	18	-	296
Other liabilities		178	279
Total current liabilities		9,562	9,841
Term facility	13	2,513	5,884
Equipment loans	14	90	411
Finance lease obligations	15	442	869
Warrant liability	16	1,579	2,009
Reclamation provision	18	1,524	10,503
Deferred income tax liabilities	27	2,938	3,903
Total liabilities		18,648	33,420
EQUITY			
Share capital	19	96,396	88,045
Equity reserves		9,391	9,849
Treasury shares (14,180 shares, at cost)		(97)	(97)
Accumulated other comprehensive loss		(4,563)	(6,124)
Accumulated deficit		(47,204)	(16,505)
Total equity		53,923	75,168
Total liabilities and equity		\$ 72,571	\$ 108,588

Commitments – Note 22

Subsequent Events – Note 28

Approved by the Board of Directors on February 26, 2020:

Gary Robertson Director

David Wolfen Director

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

AVINO SILVER & GOLD MINES LTD.

Consolidated Statements of Operations and Comprehensive Income (Loss)

(Expressed in thousands of US dollars)

	Note	2019	2018	2017
Revenue from mining operations	20	\$ 31,746	\$ 34,116	\$ 33,359
Cost of sales	20	32,016	27,850	22,106
Mine operating income (loss)		(270)	6,266	11,253
Operating expenses:				
General and administrative expenses	21	3,193	3,610	3,327
Share-based payments	19	937	630	2,018
Income (loss) before other items		(4,400)	2,026	5,908
Other items:				
Interest and other income		545	215	246
Unrealized gain (loss) on long-term investments		1,282	(5)	5
Fair value adjustment on warrant liability	16	520	1,304	563
Unrealized foreign exchange gain (loss)		(663)	(801)	(933)
Finance cost		(84)	(444)	(157)
Accretion of reclamation provision	18	(104)	(122)	(93)
Interest expense		(64)	(109)	(103)
Income (loss) from continuing operations before income taxes		(2,968)	2,064	5,436
Income taxes:				
Current income tax expense	27	(327)	(1,052)	(2,911)
Deferred income tax recovery	27	960	645	140
Income tax recovery (expense)		633	(407)	(2,771)
Net income (loss) from continuing operations		(2,335)	1,657	2,665
Loss from discontinued operations and on disposal	5	(29,126)	(31)	(143)
Net income (loss)		(31,461)	1,626	2,522
Other comprehensive income (loss):				
Currency translation differences		1,603	(2,051)	2,383
Reclassification of foreign exchange on translation into net loss on sale of discontinued operations		(42)	-	-
Total comprehensive income (loss)		\$ (29,900)	\$ (425)	\$ 4,905
Earnings (loss) per share from continuing operations				
Basic	19(e)	\$ (0.03)	\$ 0.03	\$ 0.05
Diluted		\$ (0.03)	\$ 0.03	\$ 0.05
Earnings (loss) per share				
Basic	19(e)	\$ (0.45)	\$ 0.03	\$ 0.05
Diluted		\$ (0.45)	\$ 0.03	\$ 0.05
Weighted average number of common shares outstanding				
Basic	19(e)	69,980,178	56,851,626	52,523,454
Diluted		69,980,178	60,000,637	53,320,009

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

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

	Note	Number of Common Shares	Share Capital Amount	Equity Reserves	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Equity
Balance, January 1, 2017		52,431,001	\$ 80,785	\$ 9,100	\$ (97)	\$ (6,456)	\$ (21,538)	\$ 61,794
Common shares issued for cash:								
Brokered public offerings		10,000	17	-	-	-	-	17
Less share issuance cost		-	(1)	-	-	-	-	(1)
Exercise of stock options		20,000	25	-	-	-	-	25
Carrying value of stock options exercised		-	20	(20)	-	-	-	-
Stock options cancelled or expired		-	-	(139)	-	-	139	-
Carrying value of RSUs exercised		257,152	623	(623)	-	-	-	-
Less share issuance cost		-	(1)	-	-	-	-	(1)
Share-based payments		-	-	2,263	-	-	-	2,263
Net income for the year		-	-	-	-	-	2,522	2,522
Currency translation differences		-	-	-	-	2,383	-	2,383
Balance, December 31, 2017		52,718,153	\$ 81,468	\$ 10,581	\$ (97)	\$ (4,073)	\$ (18,877)	\$ 69,002
Common shares issued for cash:								
Brokered public offerings		10,105,658	6,547	-	-	-	-	6,547
Less: Issuance costs		-	(895)	-	-	-	-	(895)
At the market issuances		151,800	136	-	-	-	-	136
Less: Issuance costs		-	(4)	-	-	-	-	(4)
Exercise of stock options		87,500	112	-	-	-	-	112
Carrying value of stock options exercised		-	84	(84)	-	-	-	-
Less: share issuance costs		-	(5)	-	-	-	-	(5)
Carrying value of RSUs exercised		274,658	602	(602)	-	-	-	-
Options cancelled or expired		-	-	(746)	-	-	746	-
Share-based payments		-	-	700	-	-	-	700
Net income for the year		-	-	-	-	-	1,626	1,626
Currency translation differences		-	-	-	-	(2,051)	-	(2,051)
Balance, December 31, 2018		63,337,769	\$ 88,045	\$ 9,849	\$ (97)	\$ (6,124)	\$ (16,505)	\$ 75,168
Common shares issued for cash:								
Brokered public offerings	19	7,735,360	4,877	-	-	-	-	4,877
Less: Issuance costs		-	(472)	-	-	-	-	(472)
At the market issuances		4,954,000	2,924	-	-	-	-	2,924
Less: Issuance costs		-	(162)	-	-	-	-	(162)
Options cancelled or expired		-	-	(762)	-	-	762	-
Carrying value of RSUs exercised		565,259	835	(835)	-	-	-	-
Fair value of warrants issued		-	-	116	-	-	-	116
Shares to be issued		-	349	-	-	-	-	349
Share-based payments	19	-	-	1,023	-	-	-	1,023
Net loss for the year		-	-	-	-	-	(31,461)	(31,461)
Currency translation differences		-	-	-	-	1,561	-	1,561
Balance, December 31, 2019		76,592,388	\$ 96,396	\$ 9,391	\$ (97)	\$ (4,563)	\$ (47,204)	\$ 53,923

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

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

	<u>Note</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash generated by (used in):				
Operating Activities				
Net income (loss)		\$ (31,461)	\$ 1,626	\$ 2,522
Adjustments for non-cash items:				
Deferred income tax expense (recovery)		(960)	(645)	(140)
Depreciation and depletion		3,723	3,256	2,703
Inventory net realizable value adjustment		387	-	-
Accretion of reclamation provision		104	122	93
Unrealized loss (gain) on investments		(1,282)	5	(5)
Foreign exchange (gain) loss		1,461	270	139
Fair value adjustment on warrant liability		(520)	(1,304)	(563)
Fair value adjustment on modification of term facility		-	234	-
Unwinding of fair value adjustment of term facility		(170)	-	-
Loss from discontinued operations and on disposal		29,126	31	143
Share-based payments		937	630	2,018
		<u>1,345</u>	<u>4,225</u>	<u>6,910</u>
Net change in non-cash working capital items	23	<u>4,162</u>	<u>4,999</u>	<u>(9,077)</u>
		<u>5,507</u>	<u>9,224</u>	<u>(2,167)</u>
Financing Activities				
Shares and units issued for cash, net of issuance costs		7,283	8,466	40
Finance lease payments		(956)	(1,166)	(1,581)
Equipment loan payments		(524)	(1,445)	(847)
Term facility payments		(833)	(2,000)	(667)
		<u>4,970</u>	<u>3,855</u>	<u>(3,055)</u>
Investing Activities				
Exploration and evaluation expenditures		(5,723)	(5,361)	(5,527)
Additions to plant, equipment and mining properties		(3,276)	(9,416)	(6,608)
Proceeds from sale of long-term investments		23	-	-
Cash proceeds from sale of discontinued operations		6,599	-	-
Cash disposed of in discontinued operations		(1,459)	-	-
Redemption of short-term investments		-	1,000	9,000
Redemption of reclamation bonds		102	548	-
		<u>(3,734)</u>	<u>(13,229)</u>	<u>(3,135)</u>
Change in cash		6,743	(150)	(8,357)
Effect of exchange rate changes on cash		(370)	(18)	(3)
Cash, Beginning		<u>3,252</u>	<u>3,420</u>	<u>11,780</u>
Cash, Ending		<u>\$ 9,625</u>	<u>\$ 3,252</u>	<u>\$ 3,420</u>

Supplementary Cash Flow Information (Note 23)

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

AVINO SILVER & GOLD MINES LTD.

Notes to the consolidated financial statements

For the years ended December 31, 2019, 2018 and 2017

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

1. NATURE OF OPERATIONS

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

The Company's head office and principal place of business is Suite 900, 570 Granville Street, Vancouver, BC, Canada. The Company is a reporting issuer in Canada and the United States, and trades on the Toronto Stock Exchange ("TSX"), the NYSE American, and the Frankfurt and Berlin Stock Exchanges.

The Company 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 July 1, 2015, 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 financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting on a going concern basis. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements as if the policies have always been in effect.

Foreign Currency Translation*Functional & presentation currencies*

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

Foreign currency transactions

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

AVINO SILVER & GOLD MINES LTD.

Notes to the consolidated financial statements

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Foreign operations

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

Significant Accounting Judgments and Estimates

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

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

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

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

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

Prior to reaching production levels intended by management, costs incurred are capitalized as part of the costs of related exploration and evaluation assets, and proceeds from concentrate sales are offset against costs capitalized. Depletion of capitalized costs for mining properties and depreciation of plant and equipment begin when operating levels intended by management have been reached. Management considers several factors in determining when a mining property has reached the intended production levels, including production capacity, recoveries, and number of uninterrupted production days. The 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 July 1, 2015, respectively, and that none of the Company's exploration and evaluation assets had achieved production levels intended by management as at December 31, 2019.

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Notes to the consolidated financial statements

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

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

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

iii. Functional currency

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

- 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.

AVINO SILVER & GOLD MINES LTD.

Notes to the consolidated financial statements

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

ii. *Estimated reclamation provisions*

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

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

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

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

iv. *Impairment of plant, equipment and mining properties, and exploration and evaluation assets*

Management considers both external and internal sources of information in assessing whether there are any indications that the Company's plant, equipment, and mining properties, and exploration and evaluation assets are impaired. External sources of information management considers include changes in the market, economic and legal environments, in which the Company operates, that are not within its control and that affect the recoverable amount of its plant, equipment, and mining properties. Internal sources of information that management considers include the manner in which mining properties and plant and equipment are being used, or are expected to be used, and indications of economic performance of the assets.

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

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.

AVINO SILVER & GOLD MINES LTD.

Notes to the consolidated financial statements

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

vi. Recognition and measurement of deferred tax assets and liabilities

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

Basis of Consolidation

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

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

Up until the sale of Bralorne Gold Mines Ltd. ("Bralorne") on December 13, 2019 (see Note 5), the consolidated financial statements included the 100% ownership interest of Bralorne, a mining and exploration company located in Canada.

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

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 and development costs

(i) Exploration and evaluation expenditures

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

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

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

(ii) Development expenditures

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

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

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

AVINO SILVER & GOLD MINES LTD.

Notes to the consolidated financial statements

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Plant, equipment and mining properties

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

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

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

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

As at December 31, 2019 and 2018, the Company estimated a remaining mine life for San Gonzalo of Nil, and 0.8, respectively.

As at December 31, 2019 and 2018, the Company estimated a remaining mine life for the Avino Mine of 8.5 and 9.5 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.

Effective October 1, 2019, and as a result of a review of the remaining life and the pattern of usage of office equipment, furniture and fixtures, computer equipment and mine machinery and transportation equipment, the Company adopted a straight-line method for its plant and equipment, which were previously depreciated using the declining balance method. The change in depreciation has been applied prospectively as a change in estimate. The Company believes that the new method better reflects the pattern of consumption of future economic benefits to be derived from the assets being depreciated.

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

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

Impairment

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

AVINO SILVER & GOLD MINES LTD.

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

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

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

AVINO SILVER & GOLD MINES LTD.

Notes to the consolidated financial statements

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Revenue from Contracts with Customers

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

Performance Obligations

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

Transfer of Control

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

Provisional Pricing

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

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

Financial Instruments**Measurement – initial recognition**

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

AVINO SILVER & GOLD MINES LTD.

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Classification – financial assets

Amortized cost:

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

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

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

Fair value through other comprehensive income (“FVTOCI”)

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

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

The Company currently has no financial assets designated as FVTOCI.

Fair value through profit or loss (“FVTPL”)

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

Classification – financial liabilities

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

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

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

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

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Impairment

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

Share capital

a) Common shares

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

b) Repurchase of share capital (treasury shares)

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

Share-based payment transactions

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

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

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

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

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.

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

Earnings per share

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

Income taxes

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

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

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

4. RECENT ACCOUNTING PRONOUNCEMENTS**Application of new and revised accounting standards:*****IFRS 16 - Leases ("IFRS 16")***

In January 2016, the IASB issued IFRS 16 – *Leases* ("IFRS 16") which replaces IAS 17 – *Leases* and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract based on whether the customer controls the asset. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption 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 has applied IFRS 16 at the date it became effective using a modified retrospective approach. By applying this method, the comparative information for the 2018 fiscal year has not been restated.

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At the inception of a contract, the Company assesses whether a contract is or contains a lease. If so, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which consists of:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date
- Any indirect costs incurred
- An estimate of costs to dismantle or remove the underlying asset or to restore the site on which the asset is located
- Any incentives received from the lessor

The Company has elected not to recognize right of use assets and lease liabilities for short-term lease that have a lease term of 12 months or less and leases of low value assets. The lease payments associated with these leases are expensed on a straight-line basis over the lease term.

The majority of the Company's leases were already capitalized as finance lease assets on its consolidated statement of financial position under the Company's previous accounting policy at the time of adoption of IFRS 16. The Company has elected to apply the practical expedients in IFRS 16 and reviewed all existing leases and concluded that all leases that were previously expensed over the lease term were considered to be either short-term leases or leases of low value assets, and therefore there is no impact to the consolidated financial statements upon adoption of IFRS 16.

IFRIC 23 - Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC 23 *Uncertainty over Income Tax Treatments*. The interpretation provides guidance on the accounting for current and deferred income tax liabilities and assets when there is uncertainty over income tax treatments. IFRIC 23 was applicable for annual periods beginning on or after January 1, 2019.

IFRIC 23 requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. If the treatment is likely to be accepted, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. If not, the entity should reflect the effect of uncertainty in determining its accounting tax position. The Interpretation is effective for annual periods beginning on or after January 1, 2019.

The Company adopted IFRIC 23 in its consolidated financial statements for the annual period beginning on January 1, 2019, with no impact on the 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.

IFRS 3 – Definition of a Business

In October 2018, the IASB issued amendments to IFRS 3 – *Definition of a Business* which:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- Add an option concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, and to asset acquisitions that occurred on or after the beginning of that period. Earlier application is permitted. The Company does not expect any material impact upon adoption.

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

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

The consideration includes:

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

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

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

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

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

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As a result of the sale, the comparative net income (loss) for the current period, as well as previous two years, have been reclassified from continuing operations to discontinued operations:

	2019	2018	2017
Revenue from mining operations	\$ -	\$ -	\$ -
Cost of sales	-	-	-
Mine operating income (loss)	-	-	-
Operating expenses (income)	16	(45)	(14)
Accretion of reclamation provision	217	256	154
Gain on sale of assets	2	(175)	-
Other items	1	(5)	3
Loss on disposition	28,890	-	-
Net loss before income taxes	(29,126)	(31)	(143)
Income taxes	-	-	-
Net loss from discontinued operations and on disposal	\$ (29,126)	\$ (31)	\$ (143)

The results of discontinued operations included in the consolidated statements of cash flows for the years ended December 31, 2019, 2018 and 2017, are as follows:

Cash generated by (used in):	2019	2018	2017
Cash flow used in operating activities	\$ (19)	\$ (7)	\$ 12
Cash flow used in financing activities	(258)	(590)	(871)
Cash flow used in investing activities	(5,583)	(4,178)	(5,270)
Net cash decrease from discontinued operations	\$ (5,860)	\$ (4,775)	\$ (6,129)

6. TAXES RECOVERABLE

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

	December 31, 2019	December 31, 2018
VAT recoverable	\$ 2,652	\$ 3,144
GST recoverable	42	82
Income taxes recoverable	2,789	2,117
	\$ 5,483	\$ 5,343

7. INVENTORY

	December 31, 2019	December 31, 2018
Process material stockpiles	\$ 1,079	\$ 4,486
Concentrate inventory	3,055	3,095
Materials and supplies	1,458	1,650
	\$ 5,592	\$ 9,231

The amount of inventory recognized as an expense for the year ended December 31, 2019 totalled \$32,016 (2018 – \$27,850, 2017 - \$22,106), and includes production costs and depreciation and depletion directly attributable to the inventory production process.

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8. LONG-TERM INVESTMENTS

The Company classifies its long-term investments as designated at fair value through profit and loss under IFRS 9. Long-term investments are summarized as follows:

	Fair Value December 31, 2018	Net Additions (Disposals)	Movements in foreign exchange	Fair value adjustments for the year	Fair Value December 31, 2019
Talisker Resources Common Shares	\$ -	\$ 2,243	\$ 63	\$ 891	\$ 3,197
Talisker Resources Warrants	-	716	21	377	1,114
Other long-term investments	10	(24)	-	14	-
	<u>\$ 10</u>	<u>\$ 2,935</u>	<u>\$ 84</u>	<u>\$ 1,282</u>	<u>\$ 4,311</u>

9. EXPLORATION AND EVALUATION ASSETS

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

	Durango, Mexico	British Columbia & Yukon, Canada	Total
Balance, January 1, 2018	\$ 9,034	\$ 34,304	\$ 43,338
Costs incurred during 2018:			
Mine and camp costs	-	3,143	3,143
Drilling and exploration	346	1,142	1,488
Depreciation of plant and equipment	-	540	540
Interest and financing costs	-	414	414
Geological and related services	-	205	205
Water treatment and tailing storage facility costs	-	53	53
Assessments and taxes	86	29	115
Assays	-	13	13
Effect of movements in exchange rates	226	(2,754)	(2,528)
Balance, December 31, 2018	\$ 9,692	\$ 37,089	\$ 46,781
Costs incurred during 2019:			
Mine and camp costs	-	2,537	2,537
Drilling and exploration	50	2,333	2,383
Depreciation of plant and equipment	-	317	317
Interest and other costs	-	325	325
Provision for reclamation	-	1,338	1,338
Assessments and taxes	90	31	121
Geological and related services	-	116	116
Assays	-	130	130
Water treatment and tailing storage facility costs	-	112	112
Effect of movements in exchange rates	(6)	1,286	1,280
Disposition of Bralorne Mine	-	(45,613)	(45,613)
Balance, December 31, 2019	<u>\$ 9,826</u>	<u>\$ 1</u>	<u>\$ 9,827</u>

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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 Papasquiari property

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

(iv) Unification La Platosa properties

The Unification La Platosa properties, consisting of three leased concessions in addition to the leased concession described in note (i) above, are situated within the Avino mine area property near the towns of Panuco de Coronado and San Jose de Avino and surrounding the Avino Mine.

In February 2012, the Company's wholly-owned Mexican subsidiary entered into a new agreement with Minerales de Avino, S.A. de C.V. ("Minerales") whereby Minerales has indirectly granted to the Company the exclusive right to explore and mine the La Platosa property known as the "ET zone". The ET zone includes the Avino Mine, where production at levels intended by management was achieved on July 1, 2015.

Under the agreement, the Company has obtained the exclusive right to explore and mine the property for an initial period of 15 years, with the option to extend the agreement for another 5 years. In consideration of the granting of these rights, the Company issued 135,189 common shares with a fair value of C\$0.25 million 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.

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(b) *British Columbia, Canada*

(i) Minto and Olympic-Kelvin properties

The Company's mineral claims in British Columbia encompass two additional properties, Minto and Olympic-Kelvin, each of which consists of 100% owned Crown-granted mineral claims located in the Lillooet Mining Division.

(c) *Yukon, Canada*

The Company has a 100% interest in 14 quartz leases located in the Mayo Mining Division of Yukon, Canada, which collectively comprise the Eagle property.

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 C\$70,000 in instalments over 4 years, issue Avino a total of 70,000 Alexco common shares in instalments over 4 years, incur C\$0.55 million in exploration work by the second anniversary of the option agreement date, and a further C\$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 C\$2.5 million.

During the year ended December 31, 2019, Alexco terminated the option agreement as structured. The Eagle Property was previously inactive and held by Avino as a non-essential asset to its current operations, with a nominal carrying value.

10. NON-CONTROLLING INTEREST

At December 31, 2019, the Company had an effective 99.67% (2018 - 99.67%, 2017 - 99.67%) interest in its subsidiary Avino Mexico and the remaining 0.33% (2018 - 0.33%, 2017 - 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.

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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, 2018	12,482	133	283	16,377	9,866	5,625	44,766
Additions / Transfers	588	17	77	990	7,856	1,134	10,662
Disposals	-	-	-	-	(33)	-	(33)
Effect of movements in exchange rates	(108)	(1)	(2)	(110)	(86)	(49)	(356)
Balance at December 31, 2018	12,962	149	358	17,257	17,603	6,710	55,039
Additions / Transfers	664	381	(6)	(648)	148	2,770	3,289
Disposals	-	(6)	(12)	(3,723)	(231)	(206)	(4,178)
Effect of movements in exchange rates	31	-	1	33	34	13	112
Balance at December 31, 2019	13,637	524	341	12,919	17,554	9,287	54,262
ACCUMULATED DEPLETION AND DEPRECIATION							
Balance at January 1, 2018	4,592	48	144	6,084	1,139	601	12,608
Additions / Transfers	1,549	17	32	799	1,287	112	3,796
Effect of movements in exchange rates	(39)	-	(1)	(53)	(10)	(5)	(108)
Balance at December 31, 2018	6,102	65	175	6,830	2,416	708	16,296
Additions / Transfers	1,952	22	49	51	1,619	714	4,407
Disposals	-	(3)	(11)	(2,040)	(27)	(49)	(2,130)
Effect of movements in exchange rates	12	-	-	13	5	1	31
Balance at December 31, 2019	8,066	84	213	4,854	4,013	1,374	18,604
NET BOOK VALUE							
At December 31, 2019	5,571	440	128	8,065	13,541	7,913	35,658
At December 31, 2018	6,860	84	183	10,427	15,187	6,002	38,743

Included in Buildings above are assets under construction of \$3,746 as at December 31, 2019 (December 31, 2018 - \$3,655) on which no depreciation was charged in the years then ended. Once the assets are put into service, they are transferred to the appropriate class of plant, equipment and mining properties.

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12. RELATED PARTY TRANSACTIONS AND BALANCES

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

(a) Key management personnel

The Company has identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel for the year ended December 31, 2019, 2018 and 2017, were as follows:

	2019	2018	2017
Salaries, benefits, and consulting fees	\$ 723	\$ 956	\$ 860
Share-based payments	659	531	1,718
	<u>\$ 1,382</u>	<u>\$ 1,487</u>	<u>\$ 2,578</u>

(b) Amounts due to/from related parties

In the normal course of operations the Company transacts with companies related to Avino's directors or officers. All amounts payable and receivable are non-interest bearing, unsecured and due on demand. Advances to Oniva International Services Corp. ("Oniva") of \$Nil (December 31, 2018 - \$212) 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, 2019. The following table summarizes the amounts due to related parties:

	December 31, 2019	December 31, 2018
Oniva International Services Corp.	\$ 105	\$ 107
Directors	51	47
Jasman Yee & Associates, Inc.	-	3
	<u>\$ 156</u>	<u>\$ 157</u>

(c) Other related party transactions

The Company has a cost sharing agreement with Oniva for office and administration services. Pursuant to the cost sharing agreement, the Company will reimburse Oniva for the Company's percentage of overhead and corporate expenses and for out-of-pocket expenses incurred on behalf of the Company. David Wolfen, President & CEO, and a director of the Company, is the sole owner of Oniva. The cost sharing agreement may be terminated with one-month notice by either party without penalty.

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The transactions with Oniva during the years ended December 31, 2019, 2018 and 2017, are summarized below:

	2019	2018	2017
Salaries and benefits	\$ 665	\$ 594	\$ 450
Office and miscellaneous	322	560	567
Exploration and evaluation assets	206	353	352
	<u>\$ 1,193</u>	<u>\$ 1,507</u>	<u>\$ 1,369</u>

For services provided to the Company as President and Chief Executive Officer, the Company pays Intermark Capital Corporation (“ICC”), a company controlled by David Wolfen, the Company’s president and CEO and also a director, for consulting services. For the years ended December 31, 2019, 2018 and 2017, the Company paid \$226, \$232 and \$231, 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, 2019, 2018 and 2017, the Company paid \$33, \$66 and \$80, respectively, to JYAI.

The Company pays Wear Wolfen Designs Ltd. (“WWD”), a company whose director is the brother-in-law of David Wolfen, for financial consulting services related to ongoing consultation with stakeholders and license holders. For the years ended December 31, 2019, 2018 and 2017, the Company paid \$Nil, \$12 and \$23, respectively, to WWD.

13. TERM FACILITY

In July 2015, the Company entered into a ten million dollar term facility with Samsung C&T U.K. Limited (“Samsung”). Interest is charged on the facility at a rate of US dollar LIBOR (3 month) plus 4.75%, 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, 2018, the Company and Samsung amended the existing term facility by extending the repayment period. Under the new amendment, Samsung granted the Company a 12 month deferral period from October 2018, through and including September 2019, during which there will be no principal repayments. The Company will repay the remaining balance in 23 equal monthly instalments of \$278 commencing in October 2019 and ending August 2021. Interest on the amended facility is now charged at a rate of US dollar LIBOR (3 month) plus 6.75% during the 12 month deferral period, reverting to US dollar LIBOR (3 month) plus 4.75% for the remainder of the repayment period ending August 2021. Other material terms of the facility remain unchanged. The Company is committed to selling Avino Mine concentrate on an exclusive basis to Samsung until December 31, 2024.

The facility is secured by the concentrates produced under the agreement and by 33% of the common shares of the Company’s wholly-owned subsidiary Compañía Minera Mexicana de Avino, S.A. de C.V.. The facility with Samsung relates to the sale of concentrates produced from the Avino Mine only and does not include concentrates produced from the San Gonzalo Mine.

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

	December 31, 2019	December 31, 2018
Balance, beginning	\$ 6,901	\$ 8,667
Repayments	(833)	(2,000)
Unwinding of fair value adjustment	(170)	-
Fair value adjustment for modification	-	234
Balance, ending	5,897	6,901
Less: Current portion	(3,384)	(1,017)
Non-current portion	\$ 2,513	\$ 5,884

14. EQUIPMENT LOANS

The Company has entered into loans for mining equipment maturing in between 2020 and 2021 with fixed interest rates of 6.29% per annum. The Company's obligations under the loans are secured by the mining equipment. As at December 31, 2019, plant, equipment, and mining properties includes a net carrying amount of \$559 (December 31, 2018 - \$2,232) 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, 2019	December 31, 2018
Not later than one year	\$ 228	\$ 550
Later than one year and not later than five years	73	428
Less: Future interest charges	(12)	(50)
Present value of loan payments	289	928
Less: current portion	(199)	(517)
Non-current portion	\$ 90	\$ 411

The equipment loan credit facilities are a component of the master credit facilities described in Note 15.

15. FINANCE LEASE OBLIGATIONS

The Company has entered into office space and mining equipment leases expiring between 2020 and 2025, with interest rates ranging from Nil% to 14.99% 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, 2019, plant, equipment and mining properties includes a net carrying amount of \$2,697 (December 31, 2018 - \$3,461) for this leased mining equipment.

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

	December 31, 2019	December 31, 2018
Not later than one year	\$ 716	\$ 943
Later than one year and not later than five years	444	947
Later than five years	28	-
Less: Future interest charges	(54)	(71)
Present value of lease payments	1,134	1,819
Less: current portion	(692)	(950)
Non-current portion	\$ 442	\$ 869

The Company has a master credit facility with an equipment supplier for a total of \$5,000. The facility is used to acquire equipment necessary for maintaining operations and exploration activities at the Avino Mine. As of December 31, 2019, the Company had \$4,780 in available credit remaining under these facilities.

16. WARRANT LIABILITY

The Company's warrant liability arises as a result of the issuance of warrants exercisable in U.S. dollars. As the denomination is different from the Canadian dollar functional currency of the entity issuing the underlying shares, the Company recognizes a derivative liability for these warrants and re-measures the liability at the end of each reporting period using the Black-Scholes model. Changes in respect of the Company's warrant liability are as follows:

	December 31, 2019	December 31, 2018
Balance, beginning	\$ 2,009	\$ 1,161
US dollar warrants issued during the year	-	2,296
Fair value adjustment	(520)	(1,304)
Effect of movement in exchange rates	90	(144)
Balance, ending	\$ 1,579	\$ 2,009
Less: current portion	-	-
Non-current portion	\$ 1,579	\$ 2,009

The Company also has warrants outstanding that are denominated in Canadian dollars. These warrants are recognized through the consolidated statement of changes in equity upon issuance using the Black-Scholes model, and are not remeasured at the end of each reporting period.

Continuity of all warrants is as follows:

	Underlying Shares	Weighted Average Exercise Price
Warrants outstanding and exercisable, January 1, 2018	3,602,215	\$ 1.99
Issued	7,175,846	\$ 0.80
Warrants outstanding and exercisable, December 31, 2018	10,778,061	\$ 1.20
Issued	464,122	C\$0.85
Expired	(3,602,215)	\$ 1.99
Warrants outstanding and exercisable, December 31, 2019	7,639,968	\$ 0.79

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Expiry Date	Exercise Price per Share	All Warrants Outstanding and Exercisable	
		December 31, 2019	December 31, 2018
March 14, 2019	\$ 1.00	-	40,000
November 28, 2019	\$ 2.00	-	3,562,215
July 30, 2020	C\$0.85	464,122	-
September 25, 2023	\$ 0.80	7,175,846	7,175,846
		7,639,968	10,778,061

As at December 31, 2019, the weighted average remaining contractual life of warrants outstanding was 3.55 years (December 31, 2018 – 3.46 years).

Valuation of the warrant liability requires the use of highly subjective estimates and assumptions including the expected stock price volatility. The expected volatility used in valuing warrants is based on volatility observed in historical periods. Changes in the underlying assumptions can materially affect the fair value estimates. The fair value of the warrant liability was calculated using the Black-Scholes model with the following weighted average assumptions and resulting fair values:

	December 31, 2019	December 31, 2018
Weighted average assumptions:		
Risk-free interest rate	1.68 %	1.88 %
Expected dividend yield	0 %	0 %
Expected warrant life (years)	3.57	3.46
Expected stock price volatility	61.61 %	61.47 %
Weighted average fair value	\$ 0.22	\$ 0.19

17. DEFERRED REVENUE

During the year ended December 31, 2018, the Company entered into a sales agreement with MK Metal Trading Mexico S.A. de C.V., a subsidiary of Ocean Partners, to sell San Gonzalo concentrate for a 12 month period. As per the agreement, the Company received an unsecured upfront payment of \$2 million, which is to be repaid in equal monthly installments over the 12 month period ending March 2019. Interest is charged on the outstanding balance at a rate of US dollar LIBOR (3 month) plus 4.75%.

As of December 31, 2019, the outstanding balance (including IVA) was \$Nil (December 31, 2018 - \$573).

18. RECLAMATION PROVISION

Management's estimate of the reclamation provision at December 31, 2019, is \$1,524 (December 31, 2018 – \$10,799), and the undiscounted value of the obligation is \$1,985 (December 31, 2018 – \$16,356).

The present value of the obligation was calculated using a risk-free interest rate of 6.86% (December 31, 2018 – 8.62%) and an inflation rate of 3.54% (December 31, 2018 – 3.80%). Reclamation activities are estimated to begin in 2021 for the San Gonzalo Mine and in 2028 for the Avino Mine.

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A reconciliation of the changes in the reclamation provision during the years ended December 31, 2019, and 2018, is as follows:

	December 31, 2019	December 31, 2018
Balance, beginning	\$ 10,799	\$ 11,638
Changes in estimates	840	(437)
Disposition of Bralorne (Note 5)	(10,828)	-
Unwinding of discount related to Bralorne	217	256
Unwinding of discount related to continuing operations	104	122
Effect of movements in exchange rates	392	(780)
Balance, ending	\$ 1,524	\$ 10,799
Less: current portion	-	(296)
Non-current portion	\$ 1,524	\$ 10,503

19. SHARE CAPITAL AND SHARE-BASED PAYMENTS

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

(b) *Issued:*

- (i) During the year ended December 31, 2019, the Company closed a bought-deal financing, issuing 5,411,900 common shares at the price of C\$0.85, as well as 2,323,460 flow-through shares at the price of C\$0.99 for gross proceeds of \$5,240 (C\$6,900). The financing was made by way of prospectus supplement in July 2019, so the Company's existing Canadian short-form base shelf prospectus dated December 21, 2018.

Of the \$5,240 total aggregate proceeds raised, \$116 was attributed to 464,122 warrants issued as commission, leaving a residual amount of \$5,124. This amount includes a flow-through premium, which represents the difference between the C\$0.85 price in which the common shares were issued, and the offering price of C\$0.99 per share. Based on the C\$ to US\$ exchange rate on the date of the transaction, \$247 was recorded as the flow-through premium, for a net share capital allocation of \$4,877. This premium is presented in "Other liabilities" on the condensed consolidated interim statements of financial position as at December 31, 2019.

The Company paid a 7% cash commission on the gross proceeds in the amount of \$367, and incurred additional legal and professional costs of \$115. Costs of \$10 were allocated to the fair value of the warrants and have been reflected in the condensed consolidated interim statements of operations as a finance cost, and costs of \$472 have been reflected as share issuance costs in the condensed consolidated interim statements of changes in equity.

During the year ended December 31, 2019, the Company issued 4,954,000 common shares in an at-the-market offering under prospectus supplement for gross proceeds of \$2,924. The Company paid a 3% cash commission of \$87 on gross proceeds and incurred an additional \$75 in issuance costs during the period.

During the year ended December 31, 2019, the Company issued 565,259 common shares upon exercise of RSUs.

- (ii) During the year ended December 31, 2018, the Company closed a bought-deal financing, issuing 7,105,658 units at the price of \$0.65 per unit for gross proceeds of \$4,619. Each unit consisted of one common share and one share purchase warrant, with each share purchase warrant exercisable to purchase one additional common share at an exercise price of \$0.80 until expiry on September 25, 2023. The financing was made by way of prospectus supplement in September 2018, to the short-form base shelf prospectus dated November 10, 2016 and the shelf registration statement dated August 22, 2018, for up to \$25 million.

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Of the \$4,619 total aggregate proceeds raised in this financing, the \$2,296 fair value of the warrants was attributed to warrant liability (Note 16), and the residual amount of \$2,323 was attributed to common shares. The Company paid a 7% cash commission on the gross proceed in the amount of \$324, and incurred additional legal costs of \$185. Costs of \$253 were allocated to the fair value of the warrants and have been reflected in the consolidated statement of operations as a finance cost, and costs of \$256 have been reflected as share issuance costs in the consolidated statement of changes in equity. An additional \$168 in issuance costs relating to the shelf registration statement have also been reflected in the consolidated statement of changes in equity

During the year ended December 31, 2018, the Company issued 3 million common shares by way of flow-through financing for gross proceeds of \$4,667 (C\$6,000). This amount includes a flow-through premium, which represents the difference between the Company's share price on the date of issuance, and the offering price of C\$2.00 per share. Based on the C\$ to US\$ exchange rate on the date of the transaction, \$444 was recorded as the flow-through premium, for a net share capital allocation of \$4,223. This premium is presented in "Other liabilities" on the balance sheet as at December 31, 2018. The Company incurred \$471 in commission and issuance costs in relation to the offering.

During the year ended December 31, 2018, the Company issued 151,800 common shares in an at-the-market offering under prospectus supplement for gross proceeds of \$137. The Company pays a 3% cash commission on gross proceeds and incurred \$4 in issuance costs during the period.

During the year ended December 31, 2018, the Company issued 87,500 common shares upon the exercise of stock options for gross proceeds of \$112. The Company also issued 274,658 common shares upon exercise of RSUs. The Company incurred \$5 in issuance costs in relation to these exercises.

(c) Stock options:

The Company has a stock option plan to purchase the Company's common shares, under which it may grant stock options of up to 10% of the Company's total number of shares issued and outstanding on a non-diluted basis. The stock option plan provides for the granting of stock options to directors, officers, and employees, and to persons providing investor relations or consulting services, the limits being based on the Company's total number of issued and outstanding shares per year. The stock options vest on the date of grant, except for those issued to persons providing investor relations services, which vest over a period of one year. The option price must be greater than or equal to the discounted market price on the grant date, and the option term cannot exceed ten years from the grant date.

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Continuity of stock options for the years ended December 31, 2019, and 2018, is as follows:

	Underlying Shares	Weighted Average Exercise Price (C\$)
Stock options outstanding and exercisable, January 1, 2018	3,311,000	\$ 2.12
Granted	497,500	\$ 1.30
Cancelled / Forfeited	(497,500)	\$ 2.14
Expired	(306,000)	\$ 1.61
Exercised	(87,500)	\$ 1.61
Stock options outstanding, December 31, 2018	2,917,500	\$ 2.04
Stock options exercisable, December 31, 2018	2,576,250	\$ 2.14
Granted	526,000	\$ 0.79
Cancelled / Forfeited	(255,000)	\$ 2.09
Expired	(550,000)	\$ 1.90
Stock options outstanding, December 31, 2019	2,638,500	\$ 1.82
Stock options exercisable, December 31, 2019	2,244,000	\$ 2.00

The following table summarizes information about the Company's stock options outstanding and exercisable at December 31, 2019:

Expiry Date	Price (C\$)	Outstanding		Exercisable	
		Number of Options	Weighted Average Remaining Contractual Life (Years)	Number of Options	Weighted Average Remaining Contractual Life (Years)
September 2, 2021	\$ 2.95	502,500	1.67	502,500	1.67
September 20, 2022	\$ 1.98	1,162,500	2.72	1,162,500	2.72
October 6, 2022	\$ 1.98	15,000	2.77	15,000	2.77
August 28, 2023	\$ 1.30	432,500	3.66	432,500	3.66
August 21, 2024	\$ 0.79	526,000	4.64	131,500	4.64
		<u>2,638,500</u>	<u>3.06</u>	<u>2,244,000</u>	<u>2.78</u>

Option pricing requires the use of highly subjective estimates and assumptions including the expected stock price volatility. The expected volatility used in valuing stock options is based on volatility observed in historical periods. Changes in the underlying assumptions can materially affect the fair value estimates. The fair value of the options granted during the years ended December 31, 2019, 2018 and 2017, was calculated using the Black-Scholes model with the following weighted average assumptions and resulting grant date fair value:

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	<u>2019</u>	<u>2018</u>	<u>2017</u>
Weighted average assumptions:			
Risk-free interest rate	1.27%	2.25%	1.80%
Expected dividend yield	0%	0%	0%
Expected option life (years)	5.00	5.00	5.00
Expected stock price volatility	59.01%	60.26%	68.24%
Weighted average fair value at grant date	C\$0.40	C\$0.53	C\$1.14

During the year ended December 31, 2019, the Company charged \$144 (2018 - \$130, 2017 - \$1,177) to operations as share-based payments and capitalized \$37 (2018 - \$20, 2017 - \$127) to exploration and evaluation assets.

(d) *Restricted Share Units:*

On April 19, 2018, the Company's Restricted Share Unit ("RSU") Plan was approved by its shareholders. The RSU Plan is administered by the Compensation Committee under the supervision of the Board of Directors as compensation to officers, directors, consultants, and employees. The Compensation Committee determines the terms and conditions upon which a grant is made, including any performance criteria or vesting period.

Upon vesting, each RSU entitles the participant to receive one common share, provided that the participant is continuously employed with or providing services to the Company. RSUs track the value of the underlying common shares, but do not entitle the recipient to the underlying common shares until such RSUs vest, nor do they entitle a holder to exercise voting rights or any other rights attached to ownership or control of the common shares, until the RSU vests and the RSU participant receives common shares.

During the year ended December, 2019, 1,730,500 RSUs (year ended December 31, 2018 – 1,081,500) were granted. All RSUs granted vest one-third annually from the date of the grant until fully vested at the end of the three-year term. For the RSUs granted during the year ended December 31, 2019, the weighted average fair value at the measurement date was C\$0.79 (for year ended December 31, 2018 was C\$1.31), based on the TSX market price of the Company's shares on the date the RSUs were granted.

At December 31, 2019, there were 2,372,875 RSUs outstanding (December 31, 2018 – 1,235,300) with a weighted average remaining life of 2.37 years.

During the nine months ended December 31, 2019, the Company charged \$793 (December 31, 2018 - \$500) to operations as share-based payments and capitalized \$49 (December 31, 2018 - \$50) to exploration and evaluation assets for the fair value of the RSUs vested. The fair value of the RSUs is recognized over the vesting period with reference to vesting conditions and the estimated RSUs expected to vest.

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(e) Earnings per share:

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

	2019	2018	2017
Net income (loss) for the year	\$ (2,335)	\$ 1,657	\$ 2,655
Basic weighted average number of shares outstanding	69,980,178	56,851,626	52,523,454
Effect of dilutive share options, warrants, and RSUs	-	3,149,011	796,555
Diluted weighted average number of shares outstanding	69,980,178	60,000,637	53,320,009
Basic earnings (loss) per share	\$ (0.03)	\$ 0.03	\$ 0.05
Diluted earnings (loss) per share	\$ (0.03)	\$ 0.03	\$ 0.05

20. REVENUE AND COST OF SALES

The Company's revenues for the year ended December 31, 2018 of \$31,746 (2018 - \$34,116, 2017 - \$33,359) are all attributable to Mexico, from shipments of concentrate produced by the Avino Mine, the San Gonzalo Mine, and processing of Historical Above Ground Stockpiles.

	2019	2018	2017
Concentrate sales	\$ 31,417	\$ 34,551	\$ 33,327
Provisional pricing adjustments	329	(435)	32
	<u>\$ 31,746</u>	<u>\$ 34,116</u>	<u>\$ 33,359</u>

Cost of sales consists of changes in inventories, direct costs including personnel costs, mine site costs, energy costs (principally diesel fuel and electricity), maintenance and repair costs, operating supplies, external services, third party transport fees, depreciation and depletion, and other expenses for the periods. Direct costs include the costs of extracting co-products. Cost of sales is based on the weighted average cost of inventory sold for the periods and consists of the following:

	2019	2018	2017
Production costs	\$ 27,949	\$ 24,619	\$ 19,418
Inventory net realizable adjustment	387	-	-
Depreciation and depletion	3,680	3,231	2,688
	<u>\$ 32,016</u>	<u>\$ 27,850</u>	<u>\$ 22,106</u>

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21. GENERAL AND ADMINISTRATIVE EXPENSES

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

	2019	2018	2017
Salaries and benefits	\$ 1,347	\$ 1,244	\$ 1,196
Office and miscellaneous	286	359	464
Management and consulting fees	461	354	460
Investor relations	171	401	363
Travel and promotion	110	226	323
Professional fees	470	529	247
Directors fees	162	161	158
Regulatory and compliance fees	143	311	101
Depreciation	43	25	15
	<u>\$ 3,193</u>	<u>\$ 3,610</u>	<u>\$ 3,327</u>

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 12.

The Company and its subsidiaries have various operating lease agreements for their office premises, use of land, and equipment. Commitments in respect of these lease agreements are as follows:

	December 31, 2019	December 31, 2018
Not later than one year	\$ 1,269	\$ 3,092
Later than one year and not later than five years	20	74
Later than five years	5	10
	<u>\$ 1,294</u>	<u>\$ 3,176</u>

Included in the above amount as at December 31, 2019, is the Company's commitment to renounce flow-through eligible expenditures of \$1,262 (C\$1,639) that must be incurred in Canada.

Office lease payments recognized as an expense during the year ended December 31, 2019, totalled \$72 (2018 - \$81, 2017 - \$81).

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23. SUPPLEMENTARY CASH FLOW INFORMATION

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net change in non-cash working capital items:			
Deferred revenues	\$ (573)	\$ 573	\$ -
Accounts payable and accrued liabilities	(941)	2,329	(136)
Prepaid expenses and other assets	287	981	(1,672)
Amounts receivable	2,615	543	(1,585)
Taxes payable	(121)	(358)	(292)
Amounts due to related parties	6	(44)	1
Taxes recoverable	(193)	1,017	(2,828)
Other liabilities	(100)	-	
Inventory	3,182	(42)	(2,565)
	<u>\$ 4,162</u>	<u>\$ 4,999</u>	<u>\$ (9,077)</u>
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Interest paid	\$ 618	\$ 959	\$ 445
Taxes paid	\$ 2,373	\$ 4,991	\$ 5,765
Equipment acquired under finance leases and equipment loans	\$ 122	\$ 1,771	\$ 1,228

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.

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 six (December 31, 2018 – six) counterparties (see 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, 2019, no amounts were held as collateral.

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(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required by its operating, investing and financing activities. The Company had cash at December 31, 2019, in the amount of \$9,625 and working capital of \$13,209 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, 2019, are summarized as follows:

	Total	Less Than 1 Year	1-5 years	More Than 5 Years
Accounts payable and accrued liabilities	\$ 4,907	\$ 4,907	\$ -	\$ -
Due to related parties	156	156	-	-
Minimum rental and lease payments	1,294	1,269	20	5
Term facility	6,199	3,628	2,571	-
Equipment loans	301	228	73	-
Finance lease obligations	1,188	716	444	28
Total	\$ 14,045	\$ 10,904	\$ 3,108	\$ 33

(c) Market Risk

Market risk consists of interest rate risk, foreign currency risk and price risk. These are discussed further below.

Interest Rate Risk

Interest rate risk consists of two components:

- (i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (ii) To the extent that changes in prevailing market rates differ from the interest rates on the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

In management's opinion, the Company is exposed to interest rate risk primarily on its outstanding term facility, as the interest rate is subject to floating rates of interest. A 10% change in the interest rate would not result in a material impact on the Company's operations.

AVINO SILVER & GOLD MINES LTD.

Notes to the consolidated financial statements

For the years ended December 31, 2019, 2018 and 2017

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

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that the following monetary assets and liabilities are denominated in Mexican pesos and Canadian dollars:

	December 31, 2019		December 31, 2018	
	MXN	CDN	MXN	CDN
Cash	\$ 2,780	\$ 5,902	\$ 8,378	\$ 2,421
Long-term investments	-	5,599	-	14
Reclamation bonds	-	6	-	146
Amounts receivable	-	54	-	114
Accounts payable and accrued liabilities	(51,307)	(442)	(85,951)	(891)
Due to related parties	-	(202)	-	(215)
Equipment loans	-	-	-	(301)
Finance lease obligations	(1,037)	(522)	(13,907)	(533)
Net exposure	(49,564)	10,395	(91,480)	755
US dollar equivalent	\$ (2,627)	\$ 8,004	\$ (4,656)	\$ 554

Based on the net US dollar denominated asset and liability exposures as at December 31, 2019, a 10% fluctuation in the US/Mexican and Canadian/US exchange rates would impact the Company's earnings (loss) for the year ended December 31, 2019, by approximately \$465 (December 31, 2018 - \$452). 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, 2019, 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 \$70 (December 31, 2018 - \$419).

The Company is exposed to price risk with respect to its long-term investments, as these investments are carried at fair value based on quoted market prices. Changes in market prices result in gains or losses being recognized in net income (loss). At December 31, 2019, a 10% change in market prices would have an impact on net earnings (loss) of approximately \$467 (2018 - \$1, 2017 - \$3).

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.

AVINO SILVER & GOLD MINES LTD.

Notes to the consolidated financial statements

For the years ended December 31, 2019, 2018 and 2017

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

(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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets			
Cash	\$ 9,625	\$ -	\$ -
Amounts receivable	-	1,477	-
Long-term investments – common shares	3,197	-	-
Long-term investments – warrants	-	-	1,114
Total financial assets	<u>\$ 12,822</u>	<u>\$ 1,477</u>	<u>\$ 1,114</u>
Financial liabilities			
Warrant liability	-	-	(1,579)
Total financial liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,579)</u>

During 2019, changes in Level 3 measurements were comprised of the recognition of the Talisker warrants received in the sale of Bralorne (see Note 5) of \$716, and its subsequent fair value increase of \$398 for a total fair value of \$1,114 at December 31, 2019. Additionally, there was a fair value adjustment of \$520 for the warrant liability.

The Company uses Black-Scholes model to measure its Level 3 financial instruments. The warrants of Talisker are measured on acquisition and at December 31, 2019, using the following assumptions:

	<u>December 31, 2019</u>	<u>December 13, 2019</u>
Weighted average assumptions:		
Risk-free interest rate	1.71 %	1.67 %
Expected dividend yield	0 %	0 %
Expected life (years)	2.95	3.00
Expected stock price volatility	106.79 %	108.41 %
Weighted average fair value at grant date	<u>C\$0.23</u>	<u>C\$0.15</u>

For the Company's warrant liability valuation, see Note 16.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Equity	\$ 53,923	\$ 75,168
Term Facility	5,897	6,901
Finance Lease Obligations	1,134	1,819
Equipment Loans	289	928
	<u>\$ 61,243</u>	<u>\$ 84,816</u>

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to incur new debt or issue new shares. Management reviews the Company's capital structure on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. At December 31, 2019, 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, 2019, there was no externally imposed capital requirement to which the Company was subject and with which the Company did not comply.

AVINO SILVER & GOLD MINES LTD.

Notes to the consolidated financial statements

For the years ended December 31, 2019, 2018 and 2017

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

26. SEGMENTED INFORMATION

The Company's revenues for the year ended December 31, 2019 of \$31,746 (2018 - \$34,116; 2017 - \$33,359) are all attributable to Mexico, from shipments of concentrate produced by the Avino Mine, the San Gonzalo Mine and the Avino Historic Above Ground stockpiles.

On the consolidated statements of operations, the Company had revenue from the following product mixes:

	2019	2018	2017
Silver	\$ 14,030	\$ 17,259	\$ 20,159
Copper	13,953	12,996	8,227
Gold	10,326	9,866	10,131
Penalties, treatment costs and refining charges	(6,563)	(6,005)	(5,158)
Total revenue from mining operations	\$ 31,746	\$ 34,116	\$ 33,359

For the year ended December 31, 2019, the Company had six customers (2018 - six, 2017 - three) that accounted for total revenues as follows:

	2019	2018	2017
Customer #1	\$ 21,810	\$ 23,314	\$ 24,845
Customer #2	4,861	321	1,062
Customer #3	3,350	8,071	-
Customer #4	1,246	-	-
Customer #5	469	-	-
Customer #6	10	519	-
Customer #7	-	1,547	7,452
Customer #8	-	344	-
Total revenue from mining operations	\$ 31,746	\$ 34,116	\$ 33,359

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

	December 31, 2019	December 31, 2018
Exploration and evaluation assets - Mexico	\$ 9,826	\$ 9,692
Exploration and evaluation assets - Canada	1	37,089
Total exploration and evaluation assets	\$ 9,827	\$ 46,781

	December 31, 2019	December 31, 2018
Plant, equipment, and mining properties - Mexico	\$ 35,239	\$ 36,484
Plant, equipment, and mining properties - Canada	419	2,259
Total plant, equipment, and mining properties	\$ 35,658	\$ 38,743

On December 13, 2019, the Company sold Bralorne (see Note 5) which held substantially all of the Company's non-current assets in Canada.

AVINO SILVER & GOLD MINES LTD.

Notes to the consolidated financial statements

For the years ended December 31, 2019, 2018 and 2017

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

27. INCOME TAXES*(a) Income tax expense*

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current income tax expense	\$ 327	\$ 1,052	\$ 2,911
Deferred income tax recovery	(960)	(645)	(140)
Total income tax expense (recovery)	<u>\$ (633)</u>	<u>\$ 407</u>	<u>\$ 2,771</u>

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net income (loss) before income taxes	\$ (2,968)	\$ 2,064	\$ 5,436
Net loss from discontinued operations before income taxes	(29,126)	(31)	(143)
Net income (loss) before income taxes	<u>\$ (32,094)</u>	<u>\$ 2,033</u>	<u>\$ 5,293</u>
Combined statutory tax rate	27.00%	27.00%	26.00%
Income tax expense (recovery) at the Canadian statutory rate	(8,665)	549	1,376
Reconciling items:			
Effect of difference in foreign tax rates	(120)	48	285
Non-deductible/non-taxable items	6,449	(121)	602
Change in unrecognized deductible temporary differences	1,263	(257)	1,086
Impact of foreign exchange	222	915	(491)
Special mining duties	231	117	511
Impact of change of tax rates	-	-	(322)
Revisions to estimates	58	(368)	(248)
Share issue costs	(174)	(231)	-
Other items	103	(245)	(106)
Income tax expense (recovery) recognized in the year	<u>\$ (633)</u>	<u>\$ 407</u>	<u>\$ 2,771</u>

The Company recognized a non-cash recovery of \$235 for the year ended December 31, 2019 (2018 – expense of \$379; 2017 – expense of \$51) 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.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Deferred income tax assets	\$ 2,755	\$ 4,654
Deferred income tax liabilities	(5,693)	(8,557)
	<u>\$ (2,938)</u>	<u>\$ (3,903)</u>

AVINO SILVER & GOLD MINES LTD.

Notes to the consolidated financial statements

For the years ended December 31, 2019, 2018 and 2017

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

The approximate tax effects of each type of temporary difference that gives rise to potential deferred income tax assets and liabilities are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Reclamation provision	\$ 571	\$ 491
Non-capital losses	1,171	3,104
Other deductible temporary differences	1,013	1,059
Inventory	(243)	(94)
Exploration and evaluation assets	(3,340)	(6,378)
Plant, equipment and mining properties	<u>(2,110)</u>	<u>(2,085)</u>
Net deferred income tax liabilities	<u>\$ (2,938)</u>	<u>\$ (3,903)</u>

The net deferred tax liability presented in these consolidated financial statements is due to the difference in the carrying amounts and tax bases of the Mexican plant, equipment and mining properties which were acquired in the purchase of Avino Mexico. The carrying values of the Mexican plant, equipment and mining properties includes an estimated fair value adjustment recorded upon the July 17, 2006, acquisition of control of Avino Mexico that was based on a share exchange, while the tax bases of these assets are historical undeducted tax amounts that were nil on acquisition. The deferred tax liability is attributable to assets in the tax jurisdiction of Mexico.

(b) Unrecognized deductible temporary differences:

Temporary differences and tax losses arising in Canada have not been recognized as deferred income tax assets due to the fact that management has determined it is not probable that sufficient future taxable profits will be earned in Canada to recover such assets. Unrecognized deductible temporary differences are summarized as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Tax losses carried forward	\$ 24,229	\$ 13,790
Share issue costs	1,352	1,263
Plant, equipment and mining properties	170	6,096
Exploration and evaluation assets	1,237	1,207
Investments	(1,273)	44
Reclamation provision and other	<u>-</u>	<u>9,489</u>
Unrecognized deductible temporary differences	<u>\$ 25,721</u>	<u>\$ 31,889</u>

The Company has capital losses of \$14,156 carried forward and \$10,073 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 2039. As at December 31, 2019, the Company had no Mexican tax losses available to offset future Mexican taxable income.

28. SUBSEQUENT EVENTS

Subsequent to December 31, 2019, the Company issued 675,145 common shares as settlement of accrued advisory services provided by Cantor Fitzgerald Canada Corporate ("Cantor") for the completion of the sale of Bralorne.

In February 2020, the Company exercised 6,290,000 share purchase warrants in Talisker Resources ("Talisker") at a price of C\$0.25 per share. To fund the exercise, the Company sold 3,000,000 common shares of Talisker at an average price of C\$0.57 per share.

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

AVINO SILVER & GOLD MINES LTD.

Date: March 25, 2020

By: /s/ David Wolfin
David Wolfin, Chief Executive Officer
(Principal Executive Officer)

CHANGE OF CONTROL AGREEMENT

THIS AGREEMENT is dated for reference the 30 day of May, 2019 (the “Effective Date”).

BETWEEN:

AVINO SILVER & GOLD MINES LTD., a company duly incorporated pursuant to the laws of the Province of British Columbia and having its head office at Suite 900 – 570 Granville Street, Vancouver, British Columbia V6C 3P1

(the “Company”)

AND:

NATHAN HARTE, whose address is located at #102-3709 Pender Street, Burnaby, British Columbia V5C 2L2

(The “Executive”)

WHEREAS:

A. The Company is a mining and exploration company, whose common shares are listed on the TSX and the NYSE American;

B. The Executive serves as Interim Chief Financial Officer of the Company; and serves in a management capacity for the Company;

NOW THEREFORE, in consideration of the premises and the covenants and agreements of the parties hereto as hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties, the parties hereto covenant and agree as follows:

1. DEFINITIONS

For the purposes of this Agreement:

“Change of Control” means the occurrence of any of the following events, whether by way of a single transaction or a series of related transactions:

- (a) any change of the holding of voting securities of the Company whereby as a result of such change a person (not affiliated with the Company) or a group of persons (none of which is affiliated with the Company) acting in concert, hold or control, directly or indirectly, by or for the benefit of such person or persons, voting securities of the Company carrying more than 50% of the votes for the election of directors, whether such change in the holding or control of such securities occurs by way of reorganization, recapitalization, consolidation, amalgamation, arrangement, merger, transfer, acquisition or otherwise;

- (b) the acquisition by a person (not affiliated with the Company) or a group of persons (none of which is affiliated with the Company) acting in concert, pursuant to a take-over bid, as defined in the applicable securities legislation or securities regulatory instruments, of voting securities of the Company that, together with the voting securities of the Company already held by such person or group, constitute 20% or more of the outstanding voting securities of the Company, if within six (6) months following take-up under such take-over bid, the Board of Directors of the Company (the "Board") is reconstituted so that the majority of the Board comprises persons who, prior to such take-over bid, were not directors of the Company, in which case the Change of Control is deemed to occur as of the effective date of such reconstitution;
- (c) the sale or other disposition, whether by way of purchase, joint venture, exchange or otherwise, to any person (not affiliated with the Company) or a group of persons (none of which is affiliated with the Company) acting in concert, of assets of the Company, or interests therein, having a value greater than 50% of the fair market value of the assets of the Company and any subsidiaries on a consolidated basis determined as at the date of the entering into of the transaction, if within six (6) months following completion of such disposition, the Board is reconstituted so that the majority of the Board comprises persons who, prior to such disposition, were not directors of the Company, in which case the Change of Control is deemed to occur as of the effective date of such reconstitution; or
- (d) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Company or any of its affiliates and another corporation or other entity as a result of which the holders of voting securities of the Company prior to the completion of the transaction hold less than 50% of the outstanding voting securities of the successor corporation after completion of the transaction.

For the purposes of the foregoing definition:

- (i) the number of voting securities of the Company held by a person or group of persons will include voting securities of the Company beneficially owned by them as determined in accordance with section 1.8 of Multilateral Instrument 62-104 Take-Over Bids and Issuer Bids or any successor provision;
- (ii) a person is affiliated with the Company if one of them is controlled by the other or each of them is controlled by the same person; and
- (iii) an issuer is controlled by a person if voting securities of the issuer are held, other than by way of security only, by or for the benefit of the person and those voting rights entitle the holder to elect a majority of the directors of the issuer.

"Good Reason" shall mean the occurrence of any of the following events without the Executive's written consent:

- (a) a material diminution of the Executive's title, authority, status, duties or responsibilities;
- (b) any reduction of the base salary of the Executive;
- (c) a material breach by the Company of this Agreement; or
- (d) a relocation of the principal place of work of the Executive by more than 50 kilometres.

2. TRIGGERING EVENT & PAYMENT

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

This Agreement is entered into for the benefit of both the Company and Executive to ensure, among other things, the ability of the Company to fulfil its business plans. However, by entering into this Agreement, the Company and Executive agree that the Company is not guaranteeing continued employment with the Executive.

The parties have had the opportunity to seek independent legal advice.

IN WITNESS WHEREOF this Agreement has been executed as of the Effective Date.

AVINO SILVER & GOLD MINES LTD.

Per: "*Gary Robertson*"

Authorized Signatory

EXECUTIVE
Nathan Harte, CPA

Nathan Harte

TALISKER RESOURCES LTD.

AND

AVINO SILVER & GOLD MINES LTD.

AND

BRALORNE GOLD MINES LTD.

SHARE PURCHASE AGREEMENT November 21, 2019

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THIS SHARE PURCHASE AGREEMENT is made on November 21, 2019,

BETWEEN:

TALISKER RESOURCES LTD., a company existing under the laws of Ontario;

(hereinafter referred to as “**Purchaser**”)

AND:

AVINO SILVER & GOLD MINES LTD., a company existing under the laws of British Columbia;

(hereinafter referred to as the “**Vendor**”);

AND:

BRALORNE GOLD MINES LTD., a corporation existing under the laws of the British Columbia;

(hereinafter referred to as “**Bralorne**”).

WHEREAS Bralorne is the legal and beneficial owner of the Bralorne Mine Property (as hereinafter defined);

WHEREAS Vendor owns 100% of the Purchased Shares (as hereinafter defined);

WHEREAS Vendor and Purchaser entered into a letter agreement dated October 3, 2019 in respect of the acquisition of the Purchased Shares by Purchaser on the terms and conditions set out therein (the “**Letter Agreement**”);

WHEREAS the Parties desire to enter into this Agreement, which supersedes the Letter Agreement, in respect of the sale by the Vendor, and the purchase by the Purchaser, of the Purchased Shares; and

NOW THEREFORE in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereby covenant and agree as follows:

1. INTERPRETATION

1.1 Definitions

In this Agreement or in any amendments hereto, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the following meanings, respectively:

- (a) “**Aboriginal Claim**” means any claim, written assertion or demand, whether proven or unproven, made by any Aboriginal Peoples with respect to aboriginal title, aboriginal rights and treaty rights;
- (b) “**Aboriginal Information**” means any and all written documents or electronic and other communications and any oral communications respecting Aboriginal Claims, the issuance of any License that involves Aboriginal Claims;
- (c) “**Aboriginal Peoples**” means any aboriginal peoples of Canada, including First Nation, Inuit and Métis peoples of Canada, and any group of aboriginal peoples, including Tribal or Métis Councils;
- (d) “**Affiliate**” means, with respect to any Person, any other Person which directly or indirectly Controls, is Controlled by or is under common Control with such Person;
- (e) “**Agreement**” means this agreement and includes all Schedules set out in Section 1.4 of this Agreement;
- (f) “**Arm’s Length**” shall have the meaning ascribed thereto in the Tax Act and the related jurisprudence;
- (g) “**Authority**” means any government, regulatory authority, governmental department, agency, commission, board, tribunal, dispute settlement panel or body, bureau, official, minister, Crown corporation, or court or other law, rule or regulation-making entity having or purporting to have jurisdiction on behalf of any nation, province, state or other geographical or political subdivision thereof or exercising or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power (including a securities regulatory authority or a stock exchange);
- (h) “**Books and Records**” means (i) books and records of Bralorne or the Purchaser, as the case may be, relating to the Business or the Purchaser’s Business, as the case may be, including the financial, corporate, operations books, records, books of account, purchase records, lists of suppliers, business reports, plans and projections, (ii) geological information and interpretations, resources estimates, technical studies related to the Bralorne Mine Property, and (iii) all other documents, records, correspondence, and other data and information financial or otherwise;
- (i) “**Bralorne Financial Statements**” means (i) the unaudited financial statements of Bralorne as at, and for the twelve month period ended December 31, 2018 consisting of a statement of financial position, statement of comprehensive income (loss), statement of changes in shareholders' equity and statements of cash flows, prepared in accordance with IFRS, and (ii) the unaudited financial statements of Bralorne for the six month period ended on June 30, 2019 consisting of a statement of financial position, statement of comprehensive income (loss), statement of changes in shareholders' equity and statements of cash flows prepared in accordance with IFRS, true and complete copies of which are attached as Schedule 1.1(i) to the Disclosure Letter;

- (j) “**Bralorne Mine Property**” shall mean the Mining Concessions, all real estate, equipment, buildings and infrastructure located on, or otherwise used in connection with, the Mining Concessions and any other mineral rights associated with the Mining Concessions, as further described in Schedule 1.1(uu) of the Disclosure Letter;
- (k) “**Bralorne Technical Report**” means the technical report dated October 20, 2016 in respect of the Bralorne Mine Property filed under Vendor’s profile on the System for Electronic Document Analysis Retrieval (SEDAR) website;
- (l) “**Business**” means the business of mineral exploration and development activities, which is presently carried on by Bralorne;
- (m) “**Business Day**” means a day other than a Saturday, Sunday or any other day that is a statutory holiday in the Province of Ontario or the Province of British Columbia;
- (n) “**Claims**” shall have the meaning ascribed thereto in Section 5.3;
- (o) “**Class A Shares**” means the voting, redeemable, non-participating, class A shares of Bralorne which will be redeemable by Bralorne at any time and will not be entitled to dividends or to participate in the assets of Bralorne on a winding-up, dissolution or other distribution of assets of Bralorne other than to receive an amount equal to the paid-up amount of such shares;
- (p) “**Closing**” means the completion of the transactions contemplated by this Agreement;
- (q) “**Closing Cash Payment**” has the meaning ascribed thereto in Section 2.1(a);
- (r) “**Closing Date**” or “**Date of Closing**” means such date as the Purchaser and Vendor may agree upon, such date to be not later than the earlier of (i) the tenth (10th) Business Day after all conditions precedent set out in this Agreement have been satisfied or waived, and (ii) the Outside Date;
- (s) “**commencement of commercial production**” means the first date that the Bralorne Mine Property or any portion thereof is operated as a producing mine and the production of minerals therefrom for a period of thirty (30) consecutive days at an average rate of not less than seventy-five percent (75%) of the initial rated capacity of the mine facilities, as set out in any technical report or study describing the mining plan, and for greater certainty does not include milling for the purpose of testing, milling by a pilot plant, or milling during an initial tune up period of the plant of any mine, in each case in respect of the Bralorne Mine Property;
- (t) “**Confidentiality Agreement**” means the confidentiality agreement dated May 27, 2019 between Bralorne and Purchaser;

- (u) “**Consent**” means any consent, approval, permit, waiver, ruling, exemption or acknowledgement from any Person pursuant to a Contract or Laws to which a party is bound or by which the assets of a party are bound, required for the execution of this Agreement, the closing or the performance of any terms hereof, the completion of the transactions contemplated by this Agreement and to permit Bralorne to carry on the Business after Closing as carried on immediately prior to Closing, but does not include a Regulatory Approval;
- (v) “**Consideration Shares**” has the meaning ascribed thereto in Section 2.1(b);
- (w) “**Contract**” means all pending and executory contracts, agreements, leases, indentures, mortgages, instruments, understandings and arrangements (whether oral or written) that relate to Bralorne or its assets or to which Bralorne or the Purchaser, as the case may be, is a party or by which Bralorne or the Purchaser, as the case may be, or any of their respective properties or assets or the Business or the Purchaser’s Business, as the case may be, is bound or under which Bralorne or the Purchaser, as the case may be, has rights;
- (x) “**Control**” means, as to any Person, the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise (the terms “Controlled by” and “under common Control with” shall have correlative meanings);
- (y) “**CSE**” means Canadian Securities Exchange;
- (z) “**Disclosure Letter**” means the disclosure letter dated the date of this Agreement and delivered by the Vendor to the Purchaser with this Agreement;
- (aa) “**Employees**” means those individuals employed by Bralorne on a full-time, part-time or temporary basis, including such individuals on disability leave, parental leave or other absence;
- (bb) “**Encumbrance**” shall include any mortgage, hypothec, lien, pledge, charge, security interest, restriction, claim, encumbrance, right to use or acquire, ownership or royalty interest, action or demand of any nature whatsoever or howsoever arising and any rights or privileges capable of becoming any of the foregoing;
- (cc) “**Environmental Laws**” shall include all applicable national, state, provincial, municipal, regional, or local laws, regulations, ordinances, rules, orders, authorizations, approvals, notices, licenses, permits, directives or other requirements of any competent Authority, court, tribunal or other similar body, having jurisdiction over Bralorne or the Business relating to environmental or occupational health and safety matters or Hazardous Substances;
- (dd) “**Environmental Orders**” means applicable orders, decisions or the like rendered by any Authority under or pursuant to any Environmental Laws;

- (ee) “**Environmental Permits**” means all permits, certificates, approvals, registrations and licenses issued by any competent Authority and relating to or required for the operation of the Business and the Bralorne Mine Property in compliance with all Environmental Laws, Environmental Orders or Environmental Regulations;
- (ff) “**Environmental Regulations**” means all applicable regulations or the like promulgated under or pursuant to any Environmental Laws;
- (gg) “**Equity Financing**” means an offering of Talisker Securities completed after the date of the Letter Agreement and on or prior to the Closing Date;
- (hh) “**Flow-Through Share**” means a share or a right to acquire a share that is a “**flow-through share**” as defined in Subsection 66(15) of the Tax Act, and similar shares or rights eligible for similar or corresponding treatment under applicable provincial or territorial Tax law;
- (ii) “**FT Agreements**” has the meaning ascribed thereto in Section 6.3.1;
- (jj) “**FT Expenses**” has the meaning ascribed thereto in Section 6.3.1;
- (kk) “**Hazardous Substances**” means Polychlorinated biphenyls (PCBs), asbestos, radioactive material, carcinogenic materials, urea formaldehyde foam insulation or any other contaminant, substance or material that is prohibited, controlled or regulated under any Environmental Laws;
- (ll) “**IFRS**” means International Financial Reporting Standards;
- (mm) “**Indemnified Party**” shall have the meaning ascribed thereto in Subsection 5.6(a);
- (nn) “**Indemnity Payment**” shall have the meaning ascribed thereto in Section 5.8;
- (oo) “**Interim Period**” has the meaning ascribed to that term in Section 4.1;
- (pp) “**Investor Rights Agreement**” means the agreement granting Vendor certain pre-emptive rights in connection with the issuance of further securities by the Purchaser, in the form attached here to as Schedule 1.1(pp);
- (qq) “**Laws**” means any applicable laws (including common law), statutes, by-laws, rules, regulations, orders, ordinances, protocols, constitutional mandates, codes, guidelines, treaties, policies, notices, directions, resolutions or decisions issued by governmental entities and judicial, arbitral, administrative, ministerial or departmental judgments, awards or other requirements of any Authority;
- (rr) “**Letter Agreement**” shall have the meaning ascribed thereto in the recitals;
- (ss) “**License**” means any license, permit, authorization, quota, approval or other evidence of authority issued or granted to, conferred upon, or otherwise created for by any Authority;

- (tt) “**Material Contracts of Bralorne**” shall have the meaning ascribed thereto in Subsection 3.1.2(o);
- (uu) “**Mining Concessions**” means any mineral claim, Crown granted mining claim, lease or other right to explore for, exploit, develop, mine, produce, mill or process minerals or any interest therein which Bralorne owns or has a right or option to acquire or use, as further described in Schedule 1.1(uu) of the Disclosure Letter, together with any renewal, extension, amendment or consolidation thereof;
- (vv) “**Net Proceeds Royalty**” means the 1.6385% net proceeds royalty in favour of BRL Enterprises Inc. over the Bralorne Mine Property and the additional royalty over 12 Crown granted mineral claims of \$0.50 per ton of 2,000 lbs. of concentrate if the gold content is $\frac{3}{4}$ oz. of gold per ton or more, as more particularly described in Schedule 1.1(uu) of the Disclosure Letter;
- (ww) “**NI 43-101**” means National Instrument 43-101 - *Standards of Disclosure for Mineral Projects*;
- (xx) “**Outside Date**” means December 31, 2019 or such other date that the Purchaser and Vendor may agree in writing, each acting in their sole discretion;
- (yy) “**Permitted Encumbrances**” means:
- (i) security given to a public utility or any Authority when required in the ordinary course of business;
 - (ii) undetermined or inchoate construction or repair or storage liens arising in the ordinary course of the operation of the Business, a claim for which has not been filed or registered pursuant to law of which notice in writing has not been given;
 - (iii) any reservations or exceptions contained in the concessions or other original grant of rights underlying or related to the relevant entity’s mineral projects;
 - (iv) easements and any registered restrictions or covenants that run with the relevant entity’s mineral projects, provided the same are not of such nature as to materially adversely affect the use or value of the property subject thereto;
 - (v) rights of way for, or reservations or rights of others relating to, sewers, water lines, gas lines, pipelines, electric lines, telegraph and telephone lines and other similar products or services, provided the same are not of such nature as to materially adversely affect the use or value of the property subject thereto;
 - (vi) zoning by-laws, ordinances or other restrictions as to the use of real property, and agreements with other Persons registered against title to the relevant entity’s mineral projects, provided the same are not of such nature as to materially adversely affect the use or value of the property subject thereto; and

- (vii) any Encumbrances set out in Schedule 1.1(yy)(vii) of the Disclosure Letter, none of which are of such nature as to materially adversely affect the use or value of the property subject thereto or that could have an impact on exploration or mining activities on the Bralorne Mine Property;
- (zz) “**Person**” includes an individual, corporation, partnership, trustee, trust, unincorporated association, organization, syndicate, executor, administrator or other legal or personal representative and pronouns have a similarly extended meaning;
- (aaa) “**Production Payment**” has the meaning set out in Section 6.3.4 below;
- (bbb) “**Prime Rate**” shall mean the floating annual rate of interest established from time to time by the Canadian Imperial Bank of Commerce as the reference rate it will use to determine rates of interest on Canadian dollar loans to customers in Canada and designated as its prime rate;
- (ccc) “**Pro Forma Balance Sheet**” means Bralorne’s unaudited *pro forma* balance sheet as of the Closing Date giving pro forma effect to the acquisition of the Purchased Shares and the other transactions contemplated by this Agreement;
- (ddd) “**Purchased Shares**” means all the issued common shares in the share capital of Bralorne; but for greater certainty “Purchased Shares” does not include any Class A Shares;
- (eee) “**Purchaser Material Adverse Effect**” means any change, effect, event, occurrence or state of facts that is or would reasonably be expected to be material and adverse to the business, assets, capital, properties, liabilities (contingent or otherwise), operations, results of operations or condition (financial or otherwise) of the Purchaser other than any change, effect, event or occurrence: (i) relating to the global economy or securities or commodities markets in general; (ii) affecting the mining industry in general; (iii) resulting from changes in the price of gold; (iv) relating to changes or developments in political conditions; (v) relating to any generally applicable change in applicable accounting principles or adoption, proposed implementation or change in applicable Laws; (vi) relating to changes in general economic, business or regulatory conditions or in financial, credit, currency or securities markets in Canada; or (vii) resulting from the announcement of this Agreement, the pendency of the transactions contemplated herein or compliance with the covenants herein or the satisfaction of the conditions herein; and references in this Agreement to dollar amounts are not intended to be, and shall not be deemed to be, interpretive of the amount used for the purpose of determining whether a state of facts exists that has or could have a “Purchaser Material Adverse Effect” and such defined terms and all other references to materiality in this Agreement shall be interpreted without reference to any such amounts;

- (fff) “**Purchaser’s Business**” means the business of mineral exploration activities, which is presently carried on by the Purchaser;
- (ggg) “**Purchaser’s Disclosure Documents**” means all documents and information filed by the Purchaser under applicable Laws since March 19, 2019 until the date of this Agreement and publicly available under the Purchaser’s profile on the System for Electronic Document Analysis Retrieval (SEDAR) website;
- (hhh) “**Purchaser’s Surety Arrangements**” shall have the meaning ascribed thereto in Section 4.2(c);
- (iii) “**Reclamation and Rehabilitation Costs**” means the estimated reclamation and rehabilitation costs associated with the Mining Concessions, all of which are set out on an undiscounted basis in Schedule 1.1(ggg) of the Disclosure Letter, based on the current mine operations;
- (iii) “**Regulatory Approval**” means any approval, permit, sanction, ruling, order, declaration or consent from any Authority or self-regulatory organization within or outside of Canada required for the execution of this Agreement, the closing or the performance of any terms hereof and the completion of the transactions contemplated by this Agreement and to permit Bralorne to carry on the Business, in each case after Closing as carried on immediately prior to Closing;
- (kkk) “**Release**” means a releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, disposing or dumping which is in breach of any Environmental Laws, Environmental Orders, Environmental Permits or Environmental Regulations;
- (lll) “**Samsung Security Interest**” means the security interest and pledge of the Purchased Shares held by Samsung C&T U.K. Limited as security for a loan to Vendor pursuant to the agreement dated July 31, 2015, as supplemented November 27, 2018 and July 25, 2019, between Samsung C&T U.K. Limited and Vendor;
- (mmm) “**Surety Arrangements**” means bonds, letters of credit, guarantees and other instruments or arrangements securing or guarantying performance of obligations;
- (nnn) “**Statement of Financial Position**” means the statement of financial position of Bralorne forming part of the Bralorne Financial Statements;
- (ooo) “**Talisker Securities**” means securities of the Purchaser;
- (ppp) “**Talisker Shares**” means the common shares of the Purchaser;
- (qqq) “**Talisker Warrants**” has the meaning ascribed thereto in Section 2.1(c);
- (rrr) “**Tax Act**” means the *Income Tax Act* (Canada), 1985, c.1 (5TH Supp.), as amended;

- (sss) “**Taxes**” means all taxes, levies, duties, fees, premiums, assessments, reassessments and other charges of any nature whatsoever, whether direct or indirect, including, without limitation, income tax, profits tax, gross receipts tax, corporation tax, mining tax, commodity tax, sales and use tax, goods and services tax, harmonized sales tax, wage tax, payroll tax, worker’s compensation levy, employer health tax, capital tax, stamp duty, real and personal property tax, land transfer tax, customs or excise duty, excise tax, turnover or value added tax on goods sold or services rendered, withholding tax, pension plan, social security charges, unemployment insurance charges and retirement contributions, and any interest, fines, additions to tax and penalties thereon;
- (ttt) “**Tax Returns**” means all returns, reports, declarations, designations, elections, notices, filings, forms, information returns and statements filed or required to be filed in respect of Taxes;
- (uuu) “**Third Party Claim**” shall have the meaning ascribed thereto in Subsection 5.6(b);
- (vvv) “**Time of Closing**” means 8:00 a.m. (Pacific Standard Time) on the Closing Date or such other time as the Purchaser and Vendor may agree upon;
- (www) “**TSX**” means the Toronto Stock Exchange; and
- (xxx) “**Vendor Surety Arrangements**” has the meaning ascribed thereto in Section 3.1.2(m).

1.2 Construction

In this Agreement:

- (a) words denoting the singular include the plural and vice versa, and words denoting any gender include all genders;
- (b) the word “includes” or “including” shall mean “includes without limitation” or “including without limitation”, respectively;
- (c) any reference to a statute shall mean the statute in force, as amended from time to time, and any regulation in force or promulgated thereunder, unless otherwise expressly provided;
- (d) the use of headings is for convenience of reference only and shall not affect the construction of this Agreement;
- (e) when calculating the period of time within which or following which any act is to be done or step taken, the date which is the reference day in calculating such period shall be excluded. If the last day of such period is not a Business Day, the period shall end on the next Business Day;

- (f) unless otherwise specified herein, all dollar amounts are expressed in Canadian dollars, and “US\$” or “USD” is intended to denote the lawful currency of the United States of America;
- (g) “**ordinary course of business**”, “**ordinary course of business consistent with past practice**”, or any similar reference, means, with respect to an action taken by a person, that such action is consistent with the past practices of such person and is taken in the ordinary course of the normal day-to-day business and operations of such person; provided that in any event such action is not unreasonable or unusual; and
- (h) where any representation or warranty contained in this Agreement is expressly qualified by reference to the “knowledge” or the “awareness” of the party making such representation or warranty, it shall be deemed to refer to the actual knowledge of the President & Chief Executive Officer and Chief Financial Officer of the party, and all knowledge which such person would have if he or she made due enquiry into the relevant subject matter.

1.3 Accounting Principles

Wherever in this Agreement reference is made to IFRS, such reference shall be deemed to be the International Financial Reporting Standards from time to time approved by the Chartered Professional Accountants of Canada (or any successor institute) applicable as at the date on which such calculation is made or required to be made in accordance with IFRS.

1.4 Schedules

The following are the Schedules annexed hereto, incorporated by reference herein and deemed to be part of this Agreement:

Schedule 1.1(pp)	-	Investor Rights Agreement
Schedule 2.1(c)	-	Talisker Warrants Certificate
Schedule 3.2(f)	-	Capitalization
Schedule 6.2.2(d)	-	Bralorne Form 11 Notice of Alteration
Schedule 6.2.2(f)	-	Form of Bralorne Shareholders Agreement

2. PURCHASE AND SALE OF THE PURCHASED SHARES

2.1 Purchase and Sale of Purchased Shares

Subject to the terms and conditions of this Agreement, at the Time of Closing, the Vendor shall sell to the Purchaser 100% of the Purchased Shares, and the Purchaser shall purchase from the Vendor 100% of the Purchased Shares, in consideration of:

- (a) the payment of \$8,700,000 in cash on the Closing Date (the “**Closing Cash Payment**”);

- (b) the issuance of that number of Talisker Shares (the “**Consideration Shares**”) to the Vendor (or as the Vendor may designate in writing prior to the Closing Date) on the Closing Date that results in Vendor holding 9.9% of the outstanding Talisker Shares immediately after the Closing Date; and
- (c) the issuance of that number of Talisker Share purchase warrants (“**Talisker Warrants**”) to the Vendor (or as the Vendor may designate in writing prior to the Closing Date) on the Closing Date that is equal to 50% of the number of Consideration Shares issued pursuant to Section 2.1(b), in the form of certificate representing the Talisker Warrants attached hereto as Schedule 2.1(c).

The Parties hereby acknowledge and agree that any and all cash held by Bralorne on the Closing Date shall be for the account of Purchaser.

3. REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Vendor

Vendor hereby represents and warrants to the Purchaser (and acknowledge that the Purchaser is relying on such representations and warranties in completing the transactions contemplated hereby) that:

3.1.1 With respect to Vendor:

- (a) Vendor’s Corporate Matters: Vendor is a corporation duly incorporated and organized and is validly subsisting under the laws of British Columbia and has all necessary corporate power, authority and capacity to enter into this Agreement, the Investor Rights Agreement and to perform its obligations hereunder and thereunder.
- (b) Authorization of Agreement: This Agreement has been duly authorized, executed and delivered by Vendor, and constitutes a legal, valid and binding obligation of Vendor, enforceable against it in accordance with its terms (subject, however, to limitations with respect to the enforcement of remedies, to bankruptcy, reorganization, insolvency, moratorium and other laws relating to or affecting creditors’ rights generally and to the availability of equitable remedies such as specific performance and injunction).
- (c) Validity of Transactions: The execution and delivery of this Agreement and the Investor Rights Agreement by Vendor, the consummation of the transactions contemplated hereby and thereby and the fulfilment by Vendor of the terms, conditions and provisions hereof will not:
 - (i) contravene or violate or result in the breach (with or without the giving of notice or lapse of time, or both) or acceleration of any obligations of Vendor under:
 - (A) the Laws applicable to Vendor,

- (B) any judgment, order, writ, injunction or decree of any Authority, court, tribunal, instrumentality or arbitrator, which is presently applicable to Vendor,
 - (C) the articles, notice of articles or any resolutions of Vendor, or any amendments thereto or restatements thereof, or
 - (D) the provisions of any Contract to which it is or its assets are bound; or
- (ii) relieve any other party to any Material Contracts of Bralorne of its obligations thereunder or enable it to terminate its obligations thereunder.
- (d) Ownership of Purchased Shares: Vendor is the sole legal and beneficial owner of and has good title to 100% of the Purchased Shares, free and clear from all Encumbrances other than the Samsung Security Interest. There is no agreement, contract, option, commitment, right of privilege or other right of another binding upon, or which at any time in the future may become binding upon, the Vendor to sell, transfer, assign, pledge, subject to lien, charge, grant a security interest in, mortgage or in any other way dispose of or encumber any of the Purchased Shares other than pursuant to this Agreement and the Samsung Security Interest.
- (e) No Bankruptcy/Insolvency: Vendor is not insolvent, has not committed an act of bankruptcy, proposed a compromise or arrangement to its creditors generally, had any petition for a receiving order in bankruptcy filed against it, taken any proceeding with respect to a compromise or arrangement, taken any proceeding to have itself declared bankrupt or wound-up, taken any proceeding to have a receiver appointed over any part of its assets, had any encumbrancer take possession of any of its property, or had any execution or distress become enforceable or become levied upon any of its property.
- (f) Litigation: There is no civil, criminal or administrative suit, action, proceeding, investigation, review or inquiry pending or threatened against or affecting Vendor that relates to the Bralorne Mine Property or Bralorne, nor is there any judgment, decree, injunction, rule or order of any Authority or arbitrator outstanding against or affecting Vendor that, if successful, either individually or in the aggregate, could delay the ability of Vendor to consummate the transactions contemplated by this Agreement.
- (g) Brokers: Vendor has not entered into any agreement which would entitle any Person to any valid claim against the Purchaser for a brokers' commission, finder's fee or any like payment in respect of the purchase and sale of the Purchased Shares.

- (h) Samsung Security Interest: Vendor and Samsung C&T U.K. Limited (“**Samsung UK**”) have entered into a binding agreement in respect of the discharge of the Samsung Security Interest on or prior to the Closing Date subject to the following conditions: delivery of an original instrument ratified before a notary public in Mexico of a share pledge agreement (the “**Mexican Share Pledge Agreement**”) pursuant to which the Vendor grants a first ranking security interest in favour of Samsung UK over such number of shares in Compañía Minera Mexicana de Avino, S.A. de C.V. (“**CMMA**”) equal to 33% of all of the shareholdings of Avino in CMMA, evidence of all formalizations, filings and registrations for the Mexican Share Pledge Agreement, evidence of full payment of all governmental and notarial duties, fees and expenses for the perfection of the relevant security pursuant to the Mexican Share Pledge Agreement, certified copies of the consent resolutions of the board of directors of the Vendor approving and authorizing the Mexican Share Pledge Agreement and any other relevant documents, original titles of all shares of CMMA subject to the Mexican Share Pledge Agreement, certified copies of the consent resolutions of the board of directors of CMMA approving and authorizing the Mexican Share Pledge Agreement and the creation of the pledge of the relevant shares of the Vendor, and a certified true copy of the officer’s certificate of CMMA regarding the pledge to be created over the relevant shares and its entry in CMMA’s Shares’ Registry Book. Vendor has no knowledge of any impediment to the discharge of the Samsung Security Interest on or prior to the Closing Date.

3.1.2 With respect to Bralorne

- (a) Bralorne’s Corporate Matters: Bralorne is a corporation duly incorporated and organized and is validly subsisting under the laws of British Columbia and has all necessary corporate power, authority and capacity to own or lease its assets and to carry on the Business as presently conducted. Neither the nature of the Business nor the location or character of the assets owned (including the Bralorne Mine Property) by Bralorne requires Bralorne to be registered, licensed or otherwise qualified in any jurisdiction, except for those already obtained. The minute books of Bralorne and other corporate records made available to Purchaser for review are true and correct in all material respects and have been maintained in accordance with applicable Laws. All corporate proceedings and actions reflected in the minute books of Bralorne have been conducted or taken in accordance with applicable Laws, the articles of Bralorne and the notice of articles of Bralorne.
- (b) Regulatory Approvals: Bralorne has obtained all Regulatory Approval, has filed with, given notice to, or registered with any Authority as may be required to be made or obtained by Bralorne: (i) in connection with the execution and delivery of, and performance by the Vendor of its obligations under this Agreement or the consummation of the transactions contemplated hereby; (ii) in order to maintain any Mining Concessions or License which is currently existing in full force and effect and in good standing; and (iii) to permit Bralorne to carry on the Business as the Business is currently carried on by Bralorne.
- (c) Consents: No Consent is required to be obtained or notice to be given by Bralorne or the Vendor under any Material Contracts of Bralorne in connection with the execution and delivery of, and performance by the Vendor of its obligations under this Agreement or the consummation of the transactions contemplated hereby in order to maintain all rights of Bralorne under such Material Contracts of Bralorne.

- (d) Capitalization: The Vendor is the registered owner of all of the issued and outstanding shares of Bralorne. All such shares have been, and the Class A Shares will be, duly and validly issued and are, and the Class A Shares will be, issued and outstanding as fully paid and non-assessable shares in the capital of Bralorne. Other than the Class A Shares which will be issued, there are no outstanding securities issued by Bralorne which are convertible into or exchangeable or exercisable for any shares of the share capital of Bralorne, nor has Bralorne issued any rights to subscribe for or to purchase, or any options for the purchase of, or any agreements providing for the issuance of, any shares of its share capital or any securities convertible into or exchangeable or exercisable for any shares of its share capital. At Closing the Purchased Shares and the Class A Shares will constitute all of the issued shares in the share capital of Bralorne.
- (e) Interests in other Entities: Bralorne does not own, directly or indirectly, nor has it agreed to acquire any of the outstanding shares or securities convertible into shares of any other corporation, or any participating interest in any partnership, joint venture or other business enterprise.
- (f) Compliance with Laws: To the knowledge of the Vendor, Bralorne is in compliance, in all material respects, with all Laws, or other requirements applicable to it or the Business and has filed in all material respects all reports or returns required under all Laws applicable to it and the Business.
- (g) Liabilities: As of the Closing Time, Bralorne will not have any outstanding indebtedness or any liabilities or obligations (whether accrued, absolute, contingent or otherwise, matured or unmatured, including under any guarantee of any debt) other than environmental and permitting costs, and the Reclamation and Rehabilitation Costs and the royalties as set out in Schedule 3.1.2(g) of the Disclosure Letter.
- (h) Mining Concessions:
- (i) Bralorne is the sole legal and beneficial owner or holder of all Licenses listed in Schedule 1.1(uu) of the Disclosure Letter which are necessary for the lawful operation of the Business as presently conducted. All such Licenses are valid and subsisting and in good standing. No material violations have been recorded in respect of any such Licenses and no proceeding is pending or, to the best of Vendor's knowledge, information and belief, threatened to revoke or limit any thereof.
- (ii) Schedule 1.1(uu) of the Disclosure Letter lists all mineral rights and properties, including the Mining Concessions, owned by Bralorne, and all such concessions are in good standing as of the date hereof. There are no open fractional undersurface rights areas in respect of the Bralorne Mine Property between the boundaries of the Crown grants owned by Bralorne that are not otherwise subject to a mineral claim tenure registered in the name of Bralorne as to an undivided 100% interest. Bralorne is the registered owner in fee simple as to a 100% undivided interest in and to the surface rights to all of the properties on which all buildings and other fixed infrastructure owned by the Company and used in connection with the Bralorne Mine and the Bralorne Mine Property are located. Access to and egress from the Bralorne Mine Property is by open public highway owned, operated and maintained by the government of the Province of British Columbia.

- (iii) Schedule 1.1(uu) of the Disclosure Letter lists all royalty interests, net profits interests or other similar interests in the Bralorne Mine Property.
- (iv) Bralorne holds title to the Bralorne Mine Property free and clear of all Encumbrances other than Permitted Encumbrances and has the exclusive right to deal with the Bralorne Mine Property. Bralorne's title to the Bralorne Mine Property is not subject to any unregistered transfers, agreements, leases or other rights, other than the Permitted Encumbrances.
- (v) Except as disclosed in Schedule 1.1(uu) of the Disclosure Letter, no person has any interest in the Bralorne Mine Property or any right to acquire any such interest. There are no back-in rights, earn-in rights, rights of first refusal, preferential rights, royalty rights or similar provisions which would affect, burden or encumber Bralorne's interest in the Bralorne Mine Property.
- (vi) Neither Vendor nor Bralorne has received any notice, whether written or oral, from any Authority or any Person with jurisdiction or applicable authority of any default under, or of any revocation or intention to revoke, any part of the Bralorne Mine Property.
- (vii) All material notices, filings and payments (including, for greater certainty, annual assessment reports, fees, real property taxes and other taxes) required to be made with respect to the mining concessions listed in Schedule 1.1(uu) of the Disclosure Letter, including the Mining Concessions, hereto required to be made by Bralorne under applicable Laws have been made.
- (viii) All material notices, filings and payments (including, for greater certainty, annual assessment reports, fees, real property taxes and other taxes) required to be made by Bralorne with respect to the Bralorne Mine Property and the mining concessions listed in Schedule 1.1(uu) of the Disclosure Letter under applicable Laws have been made.
- (ix) Bralorne has all of the rights, contracts and licenses materially necessary or appropriate to authorize and enable it to carry on the mineral exploration activities as currently being undertaken, or are intended to be undertaken, by or on behalf of Bralorne, including, without limitation, those being undertaken, or are intended to be undertaken, by or on behalf of Bralorne on the Bralorne Mine Property, and Bralorne is not in default of such rights, titles, and interests, contracts and licenses.

- (x) All assessments or other work required to be performed by Bralorne in relation to the exploration and related rights and claims, mining concessions (including the Mining Concessions), the mining rights and options, contracts and licenses of Bralorne taken as a whole in order to maintain its interest therein has been performed to date. All such exploration rights and claims, mining concessions, mining rights, contracts and licenses are in good standing in all material respects.
 - (xi) There are no expropriations or similar proceedings or any challenges to title or ownership or access or its ability to carry out mining operations, actual or threatened, of which Bralorne has received written notice (or of which a senior officer of Bralorne has received verbal notice of) against its exploration or related rights or claims, mining concessions, including the Mining Concessions, and mining rights or options or any part thereof.
 - (xii) The exploration and other mining operations on the properties of Bralorne or on the properties in respect of which Bralorne has rights, including, without limitation, on the Bralorne Mine Property, have been conducted in all material respects in accordance with good mining and engineering practices and all applicable worker's compensation and health and safety and workplace laws, regulations and policies have been duly complied with in all material respects.
- (i) Financial Statements:
- (i) True and correct copies of the Bralorne Financial Statements are attached as Schedule 1.1(i) of the Disclosure Letter. The Bralorne Financial Statements present, fairly, in all material respects, the financial position of Bralorne as at the dates and for the periods indicated in such financial statements, in accordance with IFRS. The Statements of Financial Position present fairly, in all material respects, the financial condition and assets and liabilities (whether accrued, absolute, contingent or otherwise) of Bralorne as at the dates indicated in such statements and the statement of income (loss) forming part of the Bralorne Financial Statements accurately sets forth, in all material respects, the results of the operations of Bralorne and the source and application of the funds thereof throughout the periods covered thereby, as at the dates and for the periods indicated in such financial statements.
 - (ii) The Bralorne Financial Statements are complete and accurate in all material respects and accurately disclose, in accordance with IFRS the assets, liabilities and financial condition of Bralorne as at the dates thereof and for the periods covered thereby.

- (iii) The Bralorne Financial Statements contain or reflect adequate accruals in accordance with IFRS for all liabilities and obligations of any nature whatsoever, whether accrued, absolute, contingent or otherwise, matured or unmatured, including under any guarantee of any debt.
 - (j) Absence of Changes: Since December 31, 2018, there has not been any material adverse change in the condition, operations, affairs, or the assets or financial condition of Bralorne other than changes in the ordinary and normal course of business and since December 31, 2018 the Business has been conducted in the ordinary course of business.
 - (k) Title to Assets: Bralorne has good and valid title to, or a valid leasehold interest in, all of its assets used in connection with the Bralorne Mine Property, including personal property, machinery, equipment, motor vehicles, facilities, buildings, structures, improvements and fixtures, which are set out in Schedule 3.1.2(k) of the Disclosure Letter, free and clear from all Encumbrances other than Permitted Encumbrances and the Samsung Security Interest. There is no agreement, contract, option, commitment, right of privilege or other right of another binding upon, or which at any time in the future may become binding upon, Bralorne to sell, transfer, assign, pledge, charge, subject to lien, grant a security interest in, mortgage or in any other way dispose of or encumber any of its assets.
 - (l) Real Property
 - (i) Schedule 3.1.2(l) of the Disclosure Letter contains a complete and accurate list of all real property (the “**Real Property**”) owned or leased by Bralorne. No real property is leased by Bralorne.
 - (ii) Schedule 3.1.2(l) of the Disclosure Letter contains a complete and accurate list of all easements which have been granted to Bralorne and such easements are in good standing and Bralorne is not aware of any matter that could result in their suspension, modification or revocation.
 - (iii) Bralorne has the exclusive right to occupy and use the Real Property, subject to Permitted Encumbrances.
 - (iv) Except as set out in Schedule 3.1.2(l) of the Disclosure Letter, Bralorne does not own or lease any real property.
 - (m) Environmental Matters: Except as set forth in Schedule 3.1.2(m) of the Disclosure Letter:
 - (i) Bralorne is, and the Business is being carried on in compliance in all material respects with all Environmental Laws, Environmental Orders and Environmental Regulations applicable to Bralorne.
 - (ii) Schedule 3.1.2(m) of the Disclosure Letter sets forth a true and complete list of all Environmental Permits held by Bralorne. All such Environmental Permits are valid, in good standing, and in full force and effect and are sufficient to enable Bralorne to carry on the Business as presently conducted and Bralorne is not in material violation thereof and to the best of the Vendor’s knowledge, information and belief, no proceedings are pending or threatened in writing to revoke or limit any of the Environmental Permits.
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- (iii) Other than as disclosed in the Schedule 3.1.2(m) of the Disclosure Letter, Bralorne has not received any written notice, report or other written information regarding any actual or alleged material violation by Bralorne of any applicable Environmental Laws, Environmental Regulation or Environmental Order. There are no penalties or similar payments in respect of violations by Bralorne of any Environmental Laws, Environmental Regulation or Environmental Order outstanding and Bralorne has paid in full all such penalties or similar payments to the applicable Authority.
 - (iv) To the knowledge of Vendor, no Release of any Hazardous Substances has occurred on or off-site from the place or places where Bralorne carries on the Business, and all wastes and substances disposed of, treated or stored by Bralorne, on or off-site, at such places of business, have been and are disposed of, treated and stored in material compliance with all applicable Environmental Laws, Environmental Regulations or Environmental Orders.
 - (v) There are no environmental audits, evaluations, assessments, studies or tests relating to Bralorne of which Vendor is aware that have not been delivered to the Purchaser except for ongoing audits, evaluations, assessments, studies or tests conducted in the ordinary course of business and which are not complete and are not material.
 - (vi) Schedule 3.1.2(m) of the Disclosure Letter describes all Surety Arrangements maintained by Vendor, Bralorne or any Affiliate thereof with respect to the operation, closure, reclamation, remediation or rehabilitation of the Bralorne Mine Property (“**Vendor Surety Arrangements**”). Vendor has made available to Purchaser a copy of each such Vendor Surety Arrangement. All Vendor Surety Arrangements are in full force and effect. The Authorities have not called on the Vendor Surety Arrangements.
- (n) Insurance:
- All current insurance policies of Bralorne are listed in Schedule 3.1.2(n) of the Disclosure Letter.
- (o) Contracts of Bralorne:
- (i) As at the Closing Date, Bralorne will not be a party to or bound by any Contract which is material to the Business or which involves the expenditure of more than \$10,000 or which is not terminable by Bralorne on 30 days’ notice without financial or other liability exceeding \$10,000 other than the contracts and agreements referred to in Schedule 3.1.2(o) of the Disclosure Letter (the “**Material Contracts of Bralorne**”), a full and complete copy of each of which has been delivered by or on behalf of Bralorne to the Purchaser. Each of the Contracts of Bralorne is in good standing and in full force and effect and Bralorne is entitled to all benefits, rights and privileges thereunder. Bralorne has not received any written notice that any party has breached, intends to breach or intends to discontinue any of the Contracts of Bralorne. Bralorne has not assigned, sub-leased or sub-licensed any of its rights under any of the Material Contracts of Bralorne.

- (ii) As at the Closing Date, Bralorne will not be a party to or bound by any off-take agreement, joint venture agreement, earn-in agreement, joint exploration agreement, partnership agreement or royalty agreement in respect of the Bralorne Mine Property other than the royalties set out in Schedule 1.1(uu) of the Disclosure Letter.
 - (iii) Bralorne is not a party to or bound by any land-use and access agreements in respect of the Bralorne Mine Property.
- (p) Tax Matters:
- (i) Provision has been made by Bralorne in the applicable Statement of Financial Position for any Taxes due and unpaid by Bralorne at the date of such Statement of Financial Position, any Tax instalments due in respect of the current taxation year of Bralorne. Except to the extent reflected or reserved against in the Bralorne Financial Statements, Bralorne is not liable for any Taxes. Income tax assessments or reassessments have been received by Bralorne covering all past periods through the 2018 fiscal year and Bralorne has paid all such assessments and reassessments. There are no notices of objection or appeals outstanding with respect to any assessment, reassessment or determination of Bralorne by any Authority. There are no actions, suits, audits, investigations, claims or other proceedings pending against Bralorne or proposed, of which Vendor or Bralorne are aware, in respect of any Taxes. There are no agreements, waivers or other arrangements providing for an extension of time with respect to the filing of any Tax Return or the payment of any Taxes by Bralorne.
 - (ii) Bralorne has filed in a timely manner all Tax Returns required to be filed by Bralorne under applicable Laws and all such Tax Returns are true, correct and complete. Bralorne has not and is not required to file any Tax Returns in any jurisdiction outside of Canada. Bralorne has delivered or caused to be delivered to the Purchaser copies of all Tax Returns filed by Bralorne for all fiscal years ending after December 31, 2015.
 - (iii) Bralorne has withheld and remitted to the proper Authority in the time, manner and form required under the applicable taxing legislation amounts in respect of Taxes required to be withheld and remitted by it.

- (iv) Bralorne has not acquired property or services from, or disposed of property or provided services to, a person with whom Bralorne does not deal at Arm's Length for an amount that is other than the fair market value of such property or services or has been deemed to have done so for purposes of the Tax Act.
- (v) Vendor is not a non-resident of Canada within the meaning of the Tax Act.
- (vi) For all transactions between Bralorne and any Person not resident in Canada for purposes of the Tax Act with whom Bralorne was not dealing at Arm's Length, Bralorne has made or obtained records or documents that meet the requirements of sections 247(4)(a) to (c) of the Tax Act. There are no transactions to which section 247(2) or (3) of the Tax Act may reasonably be expected to apply.
- (vii) No Person or group of Persons other than Vendor has ever acquired control of Bralorne.
- (viii) None of section 78, 80, 80.01, 80.02, 80.03 or 80.04 of the Tax Act, or any equivalent provision of the Tax Law of any province, territory or any other jurisdiction, has applied or will apply to Bralorne at any time up to and including the Closing Date in a manner that would give rise to material incremental Tax liabilities or material reduction in Tax attributes.
- (ix) Bralorne is not a party to, or bound by, any Tax indemnity, Tax sharing or Tax allocation agreement.
- (x) No Tax rulings have been requested or issued by any Tax authority with respect to Bralorne.
- (xi) Bralorne has no outstanding obligations to incur and renounce FT Expenses pursuant to flow-through subscription agreements entered into between Vendor and Bralorne other than in the amount of \$2,342,833 as at October 31, 2019 and all expenses incurred to date by Bralorne in order to satisfy its obligations to the Vendor pursuant to such agreements have qualified as FT Expenses.
- (q) Litigation: There is no civil, criminal or administrative suit, action, dispute, proceeding, investigation, review, or inquiry pending or threatened against or affecting Bralorne, its assets, the Business or the Bralorne Mine Property nor is there any judgment, degree, injunction, rule or order of any Authority or arbitrator outstanding against or affecting Bralorne, its assets, the Business or the Bralorne Mine Property.
- (r) Employment Matters:
 - (i) All wages, salaries, vacation pay, bonuses, commissions and other emoluments relating to the officers, Employees, consultants or independent contractors of Bralorne have been recorded in Bralorne's payroll in all material respects and are reflected and accrued in the records of Bralorne in all material respects.

- (ii) Bralorne has withheld from each payment made to any of its officers and Employees, and its former officers and Employees recorded in their payroll, the amount of all Taxes and other deductions (including income taxes, and pension plan, and disability contributions) required to be withheld, and has paid the same together with the social security contributions paid by Bralorne as the employer, to the proper Authority and other receiving officers within the time required under applicable legislation.
- (iii) Schedule 3.1.2(r) of the Disclosure Letter hereto sets forth the list of Bralorne's Employees, consultants and independent contractors which indicates: (A) the titles of all Employees, consultants and independent contractors and the location of their employment; (B) the date each Employee, consultant and independent contractor was hired; (C) which Employees, consultants and independent contractors are subject to a written employment or consulting agreement with Bralorne; (D) the annual or hourly wage of each Employee, consultant and independent contractor at the date of such list, any bonuses paid to each Employee, consultant and independent contractor since the end of Bralorne's last completed financial year and before the date of such list and all other bonuses, incentive schemes, benefits, commissions and other compensation to which each Employee, consultant and independent contractor is entitled; (E) the vacation days to which each Employee, consultant and independent contractor is entitled on the date of such list; and (F) the severance amount payable as a result of termination of each Employee. There are no Employees, consultants and independent contractors of Bralorne that are not actively working on the date of this Agreement due to leave of absence, illness, injury, accident or other disabling condition.
- (iv) Schedule 3.1.2(r) of the Disclosure Letter hereto contains a complete list of all written contracts or arrangements for the employment of any officer, Employee, agent, consultant or independent contractor to which Bralorne is a party. No such contracts or arrangements provide for severance, termination or similar payments or entitlements, including on a change of control of Bralorne to any officer, employee, agent, consultant or independent contractor of Bralorne. There are no oral contracts or arrangements for the employment of any Person to which Bralorne is a party.
- (v) All of the employee benefit plans and arrangements to which Bralorne is a party are listed in Schedule 3.1.2(r) of the Disclosure Letter and all such benefit plans and arrangements are in good standing and Bralorne has made all payments required to be made by it in connection therewith. Except as disclosed in Schedule 3.1.2(r) of the Disclosure Letter, there are no employee plans requiring funding on the part of Bralorne in accordance with the term thereof or applicable legislation.

- (vi) There are no stock option plans in existence for Bralorne.
 - (vii) As of the date of this Agreement, Bralorne has 29 officers and Employees. There are no consultants or independent contractors currently engaged by Bralorne other than as set out in Schedule 3.1.2(o) of the Disclosure Letter.
 - (viii) Bralorne does not have any obligation to pay any change-in-control, sale, completion, incentive, stay, retention and similar bonuses or payments to any current or former Employee as a result of the transactions contemplated by this Agreement.
 - (ix) No Employee, consultant or independent contractor has stated that he or she will resign or retire or cease to provide work or services because of the closing of the transactions contemplated by this Agreement.
 - (x) Bralorne is in compliance in all material respects with applicable Laws relating to employment or contracting of labour.
 - (xi) There are no outstanding assessments or amounts due and owing pursuant to any workplace safety and insurance or workers' compensation insurance requirements. There are no charges against Bralorne pending, threatened or anticipated under applicable health and safety legislation.
- (s) Labour Unions:
- (i) Bralorne has not made any agreements with any labour union or employee association or made commitments to or conducted negotiations with any labour union or employee association with respect to any future agreements, and the Vendor is not aware of any current attempts to organize or establish any labour union or employee association relating to Bralorne or of any such attempt in the past;
 - (ii) there are no unfair labour practice, successor employer or related employer applications, charges or complaints pending or, to the best of the Vendor's knowledge, information and belief, threatened against or otherwise affecting Bralorne;
 - (iii) there is no material labour strike, work slow-down, work stoppage, dispute, lock-out or other labour controversy in effect, or, to the best of the Vendor's knowledge, information and belief, threatened against or otherwise affecting Bralorne;
 - (iv) no grievance is pending or, to the best of the Vendor's knowledge, information and belief, threatened and there are no pending or outstanding arbitration awards; and

- (v) no action, suit, complaint, charge, arbitration, enquiry, prosecution, proceeding or investigation by or before any court, governmental ministry, governmental agency, administrative agency, commission or tribunal brought by or on behalf of any employee, labour organization or other representative of the Employees of Bralorne is pending or, to the best of the Vendor's knowledge, information and belief, threatened against Bralorne including, without limitation, any labour relations board.
- (t) Books and Records: All records of Bralorne are maintained, in all material respects, in accordance with applicable legal requirements. All material financial transactions relating to Bralorne have been accurately recorded in all material respects in the records.
- (u) Bank Accounts, etc.: Schedule 3.1.2(u) of the Disclosure Letter sets forth a true and complete list of each bank or other depository in which Bralorne maintains any bank account, trust account or safety deposit box and the names of all Persons authorized to draw thereon or who have access thereto.
- (v) National Instrument 43-101 Compliance: Vendor made available to the authors of the Bralorne Technical Report, for the purpose of preparing the Bralorne Technical Report, all information requested, and no such information contained any material misrepresentation as at the relevant time the relevant information was made available. The Bralorne Technical Report complied in all material respects with the requirements of NI 43-101 as at the date of such report and as of the date hereof there is no new material scientific or technical information concerning the Bralorne Mine Property that is not included in the Bralorne Technical Report or that would make the disclosure of mineral resources in the Bralorne Technical Report inaccurate or misleading. Vendor is in compliance, in all material respects, with the provisions of NI 43-101 and has filed all technical reports required thereby and, at the time of filing, all such reports complied, in all material respects, with the requirements of NI 43-101. There has been no material reduction in the amount of estimated mineral resources from the amounts disclosed in the Bralorne Technical Report.
- (w) Aboriginal Matters: Neither the Vendor nor Bralorne has received any written or oral notice of any Aboriginal Claim which relates to, affects, or could reasonably be expected to affect or impair Bralorne's right, title or interest in the Bralorne Mine Property. To the knowledge of the Vendor, other than the Aboriginal Claim made by the St'at'imc Nation over the territory which includes the Bralorne Mine property, no other Aboriginal Claim has been threatened by any Aboriginal Peoples which relates to, affects, or could reasonably be expected to affect or impair, Bralorne's right, title or interest in the Bralorne Mine Property. To the knowledge of the Vendor, there are no current or pending Aboriginal Claims that could reasonably be expected to prevent or impair the exploration, development, construction and operation of Bralorne's right, title or interest in the Bralorne Mine Property. To the knowledge of the Vendor, no aboriginal blockade, occupation, illegal action or on-site protest has occurred or has been threatened in connection with the activities on the Bralorne Mine Property. There is no memorandum of agreement, exploration, impact and benefit or any other agreement between Bralorne and any Aboriginal Peoples respecting the Bralorne Mine Property. Other than the St'at'imc Nation's Aboriginal Claim, no Aboriginal Information has been received by the Vendor or Bralorne which could reasonably be expected to have a material adverse effect on Bralorne or the Bralorne Mine Property.

- (x) Contracts with Non-Arm's Length Persons: There are no existing contracts or arrangements to which Bralorne is a party in which Vendor, any director or officer of Bralorne or Vendor or any Person not dealing at Arm's Length with Vendor, Bralorne or any director or officer of Bralorne or Vendor has an interest, directly or indirectly, including arrangements for the payment of management or consulting fees of any kind whatsoever, which would continue beyond the Closing Date or which would require payment by Bralorne after the Closing Date.
- (y) Powers of Attorney: Bralorne has not given any power of attorney to any Person for any purpose whatsoever.
- (z) No Guarantees: As of the Time of Closing, Bralorne will not have guaranteed or otherwise given security for or agreed to guarantee or give security for any liability, debt or obligation of any other person, firm or corporation.
- (aa) No Bankruptcy/Insolvency: Bralorne is not insolvent, has not committed an act of bankruptcy, proposed a compromise or arrangement to its creditors generally, had any petition for a receiving order in bankruptcy filed against it, taken any proceeding with respect to a compromise or arrangement, taken any proceeding to have itself declared bankrupt or wound-up, taken any proceeding to have a receiver appointed over any part of its assets, had any encumbrancer take possession of any of its property, or had any execution or distress become enforceable or become levied upon any of its property.
- (bb) Brokers: Bralorne has not entered into any agreement which would entitle any Person to any valid claim against the Purchaser for a brokers' commission, finder's fee or any like payment in respect of the purchase and sale of the Purchased Shares.
- (cc) Disclosure. No representation and warranty by Vendor in this Agreement and no statement contained in the schedules to this Agreement or any certificate or other document furnished or to be furnished to Purchaser under this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading. The Vendor has disclosed to the Purchaser all material information in respect of Bralorne, the Business and the Bralorne Mine Property.

3.2 Representations and Warranties of Purchaser

The Purchaser hereby represents and warrants to Vendor (and acknowledges that Vendor is relying on such representations and warranties in completing the transactions contemplated hereby) that:

- (a) Corporate Matters: The Purchaser is a corporation validly subsisting under the laws of Ontario and has all necessary corporate power, authority and capacity to enter into this Agreement and the Investor Rights Agreement and to perform its obligations hereunder and thereunder and to own or lease its assets and to carry on the Purchaser's Business as presently conducted. Neither the nature of the Purchaser's Business nor the location or character of the assets owned or leased by the Purchaser requires the Purchaser to be registered, licensed or otherwise qualified in any jurisdiction except where the failure to do so would have a Purchaser Material Adverse Effect.
- (b) Regulatory Approvals: No Regulatory Approval, filing with, notice to, or registration with any Authority is required to be made or obtained by the Purchaser in connection with the execution and delivery of, and performance by the Purchaser of its obligations under this Agreement and the Investor Rights Agreement or the consummation of the transactions contemplated hereby or thereby.
- (c) Authorization of Agreement: This Agreement has been duly authorized, executed and delivered by Purchaser and constitutes a legal, valid and binding obligation of Purchaser enforceable against Purchaser in accordance with its terms (subject, however, to limitations with respect to the enforcement of remedies, to bankruptcy, reorganization, insolvency, moratorium and other laws relating to or affecting creditors, rights generally and subject to the availability of equitable remedies such as specific performance and injunction).
- (d) Validity of Transactions: The execution and delivery by Purchaser of each of this Agreement and the Investor Rights Agreement, the consummation of the transactions contemplated hereby and thereby and the fulfilment by Purchaser of the terms, conditions and provisions hereof will not contravene or violate or result in the breach (with or without the giving of notice or lapse of time, or both) or acceleration of any obligations of Purchaser under:
 - (i) the Laws applicable to Purchaser;
 - (ii) any judgment, order, writ, injunction or decree of any Authority, court, tribunal, instrumentality or arbitrator, which is presently applicable to Purchaser;
 - (iii) Purchaser's articles, by-laws or any resolutions, or any amendments thereto or restatements thereof; or

- (iv) the provisions of any Contract which Purchaser is a party or by which it is bound except where such contravention, violation or breach is not reasonably likely to have a Purchaser Material Adverse Effect.
- (e) **Brokers:** The Purchaser has not entered into any agreement which would entitle any Person to any valid claim against the Vendor for a broker's commission, finder's fee or any like payment in respect of the purchase of the Purchased Shares.
- (f) **Capitalization:** As of the date of this Agreement, the authorized share capital of the Purchaser consists of an unlimited number of Talisker Shares, of which 91,240,074 Talisker Shares are issued and outstanding as fully paid and non-assessable. The issued and outstanding Talisker Shares have been duly and validly issued and are issued and outstanding as fully paid and non-assessable shares in the capital of the Purchaser. Except as otherwise set out in Schedule 3.2(f) or as may be issued in connection with the Equity Financing, there are no outstanding securities convertible into or exchangeable or exercisable for any Talisker Shares, nor does the Purchaser have outstanding any rights to subscribe for or to purchase, or any options for the purchase of, or any agreements providing for the issuance of, any Talisker Shares or any Talisker Securities convertible into or exchangeable or exercisable for any Talisker Shares. The Talisker Shares constitute all of the issued shares in the Purchaser. Except as otherwise set out in Schedule 3.2(f) or as may be issued in connection with the Equity Financing, no Person has any option or other right to acquire or receive Talisker Shares or any agreement or option or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement or option for the purchase, subscription or issuance of any Talisker Securities or securities convertible into, exchangeable for, or which carry the right to purchase Talisker Securities.
- (g) **Issuance of Talisker Securities:** The issuance by the Purchaser of the Consideration Shares and Talisker Warrants to Vendor as required by the terms of this Agreement has been duly and validly authorized by the Purchaser and at the Time of Closing, the Consideration Shares will be validly issued as fully paid and non-assessable common shares in the capital of the Purchaser and the Purchaser has authorized and reserved for issuance any Talisker Shares which are issuable pursuant to this Agreement including pursuant to the exercise of any Talisker Warrants.
- (h) **Reporting Issuer Status:** The Purchaser is a "reporting issuer" under applicable securities Laws in the provinces of British Columbia, Alberta and Ontario, is not in default of any requirement of any such Laws or the rules and policies of the CSE. No delisting, suspension of trading in or cease trading order with respect to any securities of and, to the knowledge of Purchaser, no inquiry or investigation (formal or informal) of any Authority, is in effect or ongoing or, to the knowledge of the Purchaser, expected to be implemented or undertaken. The Purchaser is in compliance and up to date with all filings under applicable corporate and securities Laws and stock exchange rules and policies.

- (i) Listing of Talisker Shares: The Talisker Shares are listed for trading on the CSE under the symbol “TSK”.
- (j) Public Record: The documents and information comprising the Purchaser’s Disclosure Documents, as of their respective dates, (i) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, and (ii) complied in all material respects with the requirements of applicable securities Laws. The Purchaser has not filed any confidential material change report with any securities authorities that remains confidential.
- (k) Business of the Purchaser: The Purchaser does not have any material assets other than the Purchaser’s Business as disclosed in the Purchaser’s Disclosure Documents.
- (l) Compliance with Laws: The Purchaser is in compliance, in all material respects, with all Laws, or other requirements applicable to it or the Purchaser’s Business and has filed in all material respects all reports or returns required under all Laws applicable to it and the Purchaser’s Business.
- (m) Absence of Changes: Since April 18, 2019, there has not been any material adverse change in the condition, operations, affairs or the assets or financial condition of the Purchaser other than such changes in the ordinary and normal course of business.
- (n) Litigation: There is no civil, criminal or administrative suit, action, proceeding, investigation, review or inquiry pending or threatened against or affecting Purchaser, nor is there any judgment, decree, injunction, rule or order of any Authority or arbitrator outstanding against or affecting Purchaser that, if successful, either individually or in the aggregate, could delay the ability of Purchaser to consummate the transactions contemplated by this Agreement.
- (o) Books and Records: All records of the Purchaser are maintained, in all material respects, in accordance with applicable legal requirements. All material financial transactions relating to the Purchaser have been accurately recorded in the records.
- (p) Loans with Non-Arm’s Length Persons: There are no loans or other indebtedness outstanding which has been made by any shareholder, director, officer or employee of the Purchaser or any Person not dealing at Arm’s Length with the Purchaser.
- (q) No Bankruptcy/Insolvency: The Purchaser is not insolvent and has not committed an act of bankruptcy, proposed a compromise or arrangement to its creditors generally, had any petition for a receiving order in bankruptcy filed against it, taken any proceeding with respect to a compromise or arrangement, taken any proceeding to have itself declared bankrupt or wound-up, taken any proceeding to have a receiver appointed over any part of its assets, had any encumbrancer take possession of any of its property, or had any execution or distress become enforceable or become levied upon any of its property.

4. COVENANTS

4.1 Conduct of Business/Interim Period Covenants of Vendor and Bralorne

The Vendor and Bralorne hereby covenant with and to the Purchaser that except as contemplated by this Agreement or with the prior written consent of the Purchaser, during the period from the date of this Agreement until the Closing Date (the “**Interim Period**”), Vendor and Bralorne will:

- (a) operate the Business only in the ordinary course;
- (b) take all commercially reasonable actions to ensure that the representations and warranties in Sections 3.1.1 and 3.1.2 hereof remain true and correct in all material respects at the Time of Closing, with the same force and effect as if such representations and warranties were made at and as of the Time of Closing (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), and to satisfy or cause to be satisfied the conditions in Section 6.2.2 hereof;
- (c) promptly advise the Purchaser of any facts that come to their attention which would cause any of the Vendor’s or Bralorne’s representations and warranties herein contained to be untrue or incorrect in any material respect;
- (d) maintain all of the material tangible properties and assets of Bralorne in the same condition as they now exist, ordinary wear and tear excepted;
- (e) maintain the books, records and accounts of Bralorne in the ordinary course and record all transactions on a basis consistent with past practice;
- (f) maintain good relations with all Authorities and all customers, suppliers, counterparties, employees, Aboriginal Peoples and others having business relationships with Bralorne;
- (g) not incur any new commitments for exploration expenditures on the Bralorne Mine Property other than the existing commitments of Bralorne described in the budget attached as Schedule 4.1(g) of the Disclosure Letter;
- (h) not create, incur or assume any Encumbrance (other than any Permitted Encumbrance) upon or any of the assets of Bralorne;
- (i) not dispose of the Bralorne Mine Property or any of the other assets of Bralorne;
- (j) not terminate or waive any default under any Contracts of Bralorne;
- (k) keep in full force all of the current insurance policies of Bralorne;

- (l) take all commercially reasonable actions to ensure that Bralorne performs all of its obligations falling due during the Interim Period under all Material Contracts of Bralorne;
- (m) take all commercially reasonable actions to ensure that Bralorne complies with all obligations imposed by the Authorities;
- (n) take all commercially reasonable actions to cause the conditions to discharge the Samsung Security Interest, including without limitation the conditions set out in Section 3.1.1(h), to be fulfilled and to cause the Samsung Security Interest to be settled and discharged, in each case on or prior to the Closing Date;
- (o) all of the leases and other financial contracts to which Bralorne is a party to shall be assigned to the Vendor by Bralorne prior to the Closing Date in consideration of the Vendor assuming all of the liabilities and obligations under the respective leases and other financial contracts and the counterparty thereto releasing Bralorne of all present and future obligations with respect to such leases and financial contracts and the Vendor shall arrange for each such counterparty to discharge all registrations against Bralorne including, without limitation, all *Personal Property Security Act* (British Columbia) and similar registrations, with respect to the foregoing;
- (p) cause all outstanding indebtedness, liabilities and obligations (whether accrued, absolute, contingent or otherwise, matured or unmatured, including under any guarantee of any debt) of Bralorne, other than Reclamation and Rehabilitation Costs and the royalties set out in Schedule 1.1(uu) of the Disclosure Letter, to be extinguished prior to the Closing Date;
- (q) not enter into any agreement, settlement or take any other action which could adversely affect the interests of Bralorne in relation to any suits, action, dispute, civil or criminal litigation, arbitration, legal, administrative or other proceeding or governmental investigation;
- (r) not enter into any new Contracts;
- (s) not grant any powers of attorney;
- (t) not increase, in any manner, the compensation or employee benefits of any of the Employees of Bralorne, or pay or agree to pay to any of them any pension, severance or termination amount or other employee benefit (other than any payment required by Law or pursuant to the terms of any contract or agreement existing as of the date hereof);
- (u) if requested by Purchaser, cooperate with and assist the Purchaser by providing at the sole cost and expense of Purchaser financial statements of Bralorne or a technical report addressed to Purchaser in respect of the Bralorne Mine Property required by applicable Laws;

- (v) use commercially reasonable efforts to obtain all necessary Consents and Regulatory Approvals prior to Closing and in any event by the Outside Date; and
- (w) not, directly or indirectly, discuss, negotiate, or enter into any legal act, pact, agreement, contract, option and/or grant any direct or indirect right, current or future, to any Person over Bralorne, the Business or the Bralorne Mine Property.

4.2 Interim Period Covenants of Purchaser

The Purchaser hereby covenants with and to the Vendor that except as contemplated by this Agreement or with the prior written consent of Vendor, during the Interim Period, the Purchaser will:

- (a) take all commercially reasonable actions to ensure that the representations and warranties in Section 3.2 hereof remain true and correct in all material respects at the Time of Closing, with the same force and effect as if such representations and warranties were made at and as of the Time of Closing (except for those representations and warranties made as of a specified date, the accuracy of which shall be determined as of the date specified), and to satisfy or cause to be satisfied the conditions in Section 6.2.1 hereof;
- (b) use all commercially reasonable efforts to obtain all necessary Consents and Regulatory Approvals prior to Closing and in any event by the Outside Date;
- (c) use all commercially reasonable efforts to arrange for and substitute Surety Arrangements on or prior to Closing for each of the Vendor Surety Arrangements in form and amount acceptable to each of the Authorities that hold or are benefitted by the Vendor Surety Arrangements (the **“Purchaser’s Surety Arrangements”**); and
- (d) not, directly or indirectly, do or permit to occur any of the following (and shall not publicly announce any intention to undertake any of the following) at any time from the date hereof until the Closing Date without the prior consent of Vendor, such consent not to be unreasonably withheld or delayed:
 - (i) amend its articles or by-laws or the terms of the Talisker Shares in a manner that could have a material adverse effect on the market price or value of the Talisker Shares; or
 - (ii) split, consolidate or reclassify any of the Talisker Shares.

5. INDEMNIFICATION

5.1 Survival of Vendor's Representations and Warranties

The representations and warranties of the Vendor contained in this Agreement shall survive the Closing for the benefit of the Purchaser:

- (a) with respect to the warranties and representations contained in Sections 3.1.1(d) [*Ownership of Purchased Shares*], 3.1.2(d) [*Capitalization*], and 3.1.2(g) [*Liabilities*], indefinitely;
- (b) as to all other warranties and representations not relating to Taxes, for a period ending on the date that is 24 months following the Closing Date; and
- (c) as to matters relating to liability for Taxes prior to the Closing Date, and any assessment or re-assessment relating thereto, for the period commencing on the Closing Date and ending on the date in which the last applicable limitation period under any applicable income tax or other tax legislation expires with respect to any taxation year which is relevant in determining any liability under this Agreement with respect to tax matters,

and any claim in respect thereof, except a claim based on fraud which can be made at any time after Closing, shall be made in writing within the time so limited for survival in which case the representation and warranty to which such notice applies shall survive in respect of that claim until the final determination or settlement of that claim.

5.2 Survival of Purchaser's Representations and Warranties

The representations and warranties of the Purchaser contained in this Agreement shall survive the Closing for the benefit of the Vendor for a period ending on the date that is 24 months following the Closing Date and any claim in respect thereof, except for:

- (a) a claim based on the Purchaser's indemnification under Section 5.4(e) below, which will continue for the period commencing on the Closing Date and ending on the date in which the last applicable limitation period under any applicable income tax or other tax legislation expires with respect to any taxation year which is relevant in determining any liability under this Agreement with respect to the tax matters described in Section 5.4(e) below; or
- (b) a claim based on fraud which can be made at any time after Closing,

shall be made in writing within the time so limited for survival in which case the representation and warranty to which such notice applies shall survive in respect of that claim until the final determination or settlement of that claim.

5.3 Indemnification by Vendor

Subject to the limits set forth in Sections 5.5, Vendor covenants and agrees with the Purchaser to indemnify and save harmless the Purchaser, effective as and from the Time of Closing, from and against any claims, demands, proceedings, fines, losses, damages, liabilities, deficiencies, costs and expenses (including all reasonable legal fees (including those on a solicitor and own client basis) and other reasonable professional fees and disbursements, interest, penalties, judgments and amounts paid in settlement) but excluding consequential loss, loss of profit and/or special or punitive damages arising directly or indirectly as a consequence of such matter (hereinafter called “Claims”) which may be made by or brought against the Purchaser or which the Purchaser may suffer or incur as a result of, in respect of, or arising out of:

- (a) any non-fulfilment of any covenant on the part of the Vendor or Bralorne contained in this Agreement, the Investor Rights Agreement or in any other agreement, certificate or instrument delivered by the Vendor or Bralorne pursuant to this Agreement;
- (b) any misrepresentation or inaccuracy in any of the Vendor’s representations or warranties contained in this Agreement, the Investor Rights Agreement or in any other agreement, certificate or instrument delivered by the Vendor or Bralorne pursuant to this Agreement;
- (c) all liabilities and obligations arising out of or relating to ownership of Bralorne or the ownership or operation of, or activities conducted on, the Bralorne Mine Property by Bralorne prior to Closing, except those that are subject to indemnification by Purchaser pursuant to Section 5.4; and
- (d) the Net Proceeds Royalty, including all liabilities, obligations and payments thereunder.

5.4 Indemnification by Purchaser

Subject to the limits in Section 5.5, the Purchaser covenants and agrees with the Vendor to indemnify and save harmless the Vendor, effective as and from the Time of Closing, from and against any Claims which may be made or brought against Vendor, or which Vendor may suffer or incur as a result of, in respect of, or arising out of:

- (a) any non-fulfilment of any covenant on its part contained in this Agreement, the Investor Rights Agreement or in any other agreement, certificate or instrument delivered by it hereunder or thereunder;
- (b) any misrepresentation or inaccuracy in any of its representations or warranties contained in this Agreement, the Investor Rights Agreement or in any other agreement, certificate or instrument delivered by it pursuant to this Agreement;
- (c) all liabilities and obligations arising out of or relating to ownership of Bralorne or the ownership or operation of, or activities conducted on, the Bralorne Mine Property by Bralorne following Closing, except those that are subject to indemnification by Vendor pursuant to Section 5.3(d);
- (d) the Reclamation and Rehabilitation Costs; and
- (e) any Claim made by any purchaser of Flow-Through Shares issued by Vendor pursuant to the tax indemnity given by Vendor to such purchaser under a FT Agreement, provided the indemnity in this Section 5.4(e) shall be limited to and only apply to any indemnity payments required to be made by Vendor to such purchaser which result solely from Bralorne’s failure to incur and renounce the FT Expenses to Vendor.

5.5 Indemnification Limitations

- (a) The indemnity obligations of Vendor under Section 5.3 shall be limited in the following respects:
 - (i) Vendor shall only be liable under Section 5.3(b) for a Claim made by the Purchaser on or before the applicable expiry dates for the survival of such representations and warranties as set out in Section 5.1; and
 - (ii) For greater certainty, the limitations in this Section 5.5(a) shall have no application to any Claim made against Vendor that is based on (i) fraud or (ii) the Investor Rights Agreement.
- (b) The indemnity obligations of the Purchaser under Section 5.4 shall be limited in the following respects:
 - (i) The Purchaser shall only be liable for a Claim made by the Vendor under Section 5.4(b) on or before the applicable expiry dates for the survival of such representations and warranties as set out in Section 5.2; and
 - (ii) For greater certainty, the limitations in this Section 5.5(b) shall have no application to any Claim made by Vendor against the Purchaser that is based on (i) fraud, or (ii) the Investor Rights Agreement.

5.6 Procedure for Indemnification

- (a) Claims Other Than Third Party Claims: Following receipt from the Vendor or the Purchaser, as the case may be (the “**Indemnified Party**”), of a written notice of a claim for indemnification which has not arisen in respect of a Third Party Claim (as defined in Subsection 5.6(b)), the party who is in receipt of such notice (the “**Indemnifying Party**”) shall have thirty (30) days to make such investigation of the claim as the Indemnifying Party considers necessary or desirable. For the purpose of such investigation, the Indemnified Party shall make available to the Indemnifying Party, the information relied upon by the Indemnified Party to substantiate the claim. If the Indemnified Party and the Indemnifying Party agree at or prior to the expiration of such 30-day period (or any mutually agreed upon extension thereof) to the validity and amount of the claim, the Indemnifying Party shall immediately pay to the Indemnified Party the full agreed upon amount of the claim. If the Indemnified Party and the Indemnifying Party do not agree within such period (or any mutually agreed upon extension thereof), such dispute shall be resolved by an action in a court of law.

(b) **Third Party Claim:** The Indemnified Party shall notify the Indemnifying Party, in writing, as soon as is reasonably practicable after being informed, in writing, that facts exist which may result in a claim originating from a Person other than the Indemnified Party (a “**Third Party Claim**”), the estimated quantum of the claim, if known, and in respect of which a right of indemnification given pursuant to this Section 5 may apply. The omission so to notify the Indemnifying Party shall not relieve the Indemnified Party from any duty to indemnify and hold harmless which otherwise might exist with respect to such cause unless (and only to that extent) the omission to notify materially prejudices the ability of the Indemnifying Party to exercise its right to defend as provided in this Article 5. The Indemnifying Party shall have the right to elect, by written notice delivered to the Indemnified Party within ten (10) days of receipt by the Indemnifying Party of the notice from the Indemnified Party in respect of the Third Party Claim, at the sole expense of the Indemnifying Party, to participate in or assume control of the negotiation, settlement or defence of the Third Party Claim, provided that:

- (i) such will be done at all times in a diligent and bona fide matter;
- (ii) such right shall be subject to the rights of any insurer or other third party who has potential liability in respect of such Third Party Claim;
- (iii) the Indemnifying Party acknowledges, in writing, its obligation to indemnify the Indemnified Party in accordance with the terms contained in this Agreement in respect of that Third Party Claim; and
- (iv) the Indemnifying Party shall pay all reasonable out-of-pocket expenses incurred by the Indemnified Party as a result of such participation or assumption.

If the Indemnifying Party elects to assume such control, the Indemnified Party shall cooperate with the Indemnifying Party and its counsel and shall have the right to participate in the negotiation, settlement or defence of such Third Party Claim at its own expense. If the Indemnifying Party does not so elect or, having elected to assume such control, thereafter fails to proceed with the settlement or defence of any such Third Party Claim, the Indemnified Party shall be entitled to assume such control. In such case, the Indemnifying Party shall cooperate where necessary and at its own expense with the Indemnified Party and its counsel in connection with such Third Party Claim and the Indemnifying Party shall be bound by the results obtained by the Indemnified Party with respect to such Third Party Claim.

- (c) Without the prior written consent of the Indemnified Party, the Indemnifying Party shall not enter into or cause any compromise or settlement of any Third Party Claim unless:
- (i) the Indemnified Party receives, as part of the compromise and settlement, a legally binding and enforceable unconditional satisfaction or release, which is in form and substance satisfactory to the Indemnified Party, acting reasonably; and
 - (ii) the Third Party Claim and any claim or liability of the Indemnified Party with respect thereto is being fully satisfied because of the compromise and settlement and the Indemnified Party is being released from any and all obligations or liabilities it may have with respect to the Third Party Claim and any claim or liability which may arise in respect thereof to other Persons as a result of the claim being asserted against such other Persons by the Person making the Third Party Claim.

5.7 Rights Cumulative

The rights of indemnification contained in this Article 5 are cumulative and are in addition to every other right or remedy of the parties contained in this Agreement and the Investor Rights Agreement or otherwise.

5.8 Reductions and Subrogation

If the amount of any loss in respect of a Claim incurred by an Indemnified Party at any time subsequent to the making of a payment by the Indemnifying Party (an "**Indemnity Payment**") is reduced by any recovery, settlement or otherwise under or pursuant to any insurance coverage, or pursuant to any claim, recovery, settlement or payment by or against any other Person, the amount of such reduction (less any costs, expenses (including taxes) or premiums incurred in connection therewith), together with interest thereon from the date of payment thereof at the Prime Rate, shall promptly be repaid by the Indemnified Party to the Indemnifying Party. Upon making a full Indemnity Payment, the Indemnifying Party shall, to the extent of such Indemnity Payment, be subrogated to all rights of the Indemnified Party against any third party that is not an Affiliate of the Indemnified Party in respect of the loss to which the Indemnity Payment relates but only if the Indemnifying Party shall then be in compliance with its obligations under this Agreement in respect of the Claim in respect of such loss. Until the Indemnified Party recovers full payment of its Claim, any and all Claims of the Indemnifying Party against any such third party on account of such Indemnity Payment shall be postponed and subordinated in right of payment to the Indemnified Party's rights against such third party. Without limiting the generality or effect of any other provision hereof, the Indemnified Party and Indemnifying Party shall duly execute upon request all instruments reasonably necessary to evidence and perfect such postponement and subordination.

6. CLOSING & POST-CLOSING

6.1 Location

The Closing will be completed at the offices of Cassels Brock & Blackwell LLP, 2100 Scotia Plaza, 40 King Street West, Toronto, Ontario, Canada at the Time of Closing or at any other such place as the Purchaser and Vendor may agree upon.

6.2 Conditions

6.2.1 Notwithstanding anything herein contained, the obligation of the Vendor to complete the transactions provided for herein will be subject to the fulfilment of the following conditions at or prior to the Time of Closing, and the Purchaser covenants to use its commercially reasonable efforts to ensure that such conditions, to the extent under the control of the Purchaser, are fulfilled:

- (a) The consideration payable pursuant to Sections 2.1(a), 2.1(b) and 2.1(c) to Vendor for the acquisition of the Purchased Shares shall be delivered by the Purchaser.
- (b) All representations and warranties of the Purchaser as contained in this Agreement shall be true and correct in all material respects to the extent not qualified by materiality or Purchaser Material Adverse Effect and in all respects to the extent qualified by materiality or Purchaser Material Adverse Effect as of the Closing Date as if made on and as of such date (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date).
- (c) All covenants to be performed by the Purchaser by the Closing Date as contained in this Agreement shall have been performed and the Purchaser shall have complied in all material respects with its covenants in this Agreement.
- (d) All Consents and Regulatory Approvals required to be obtained by the Purchaser in connection with this Agreement and the Investor Rights Agreement and the transactions contemplated hereunder and thereunder shall have been obtained on terms and conditions satisfactory to Vendor, acting reasonably.
- (e) There shall not exist any prohibition under Law, including a cease trade order, injunction or other prohibition or order at law or under applicable legislation, against Purchaser which shall prevent the consummation of the transactions contemplated hereby or prevent the trading of the common shares of the Purchaser.
- (f) Since the date of this Agreement, there shall not have been any Purchaser Material Adverse Effect.
- (g) The Purchaser executing and delivering in favour of Vendor the Investor Rights Agreement.
- (h) The Purchaser shall deliver to the Vendor all in form and substance acceptable to Vendor, acting reasonably:
 - (i) a certificate of incumbency with respect to Purchaser;
 - (ii) a copy of the resolution of its Board of Directors (certified by a duly appointed officer as true and correct), authorising the signature of and the performance by Purchaser of its obligations under this Agreement, the Investor Rights Agreement, and each of the other documents (if any) to be executed by Purchaser pursuant to this Agreement or any of the foregoing agreements; and
 - (iii) a certificate by Purchaser confirming that (i) all representations and warranties made pursuant to Section 3.2 of this Agreement are true and correct in all material respects to the extent not qualified by materiality or Purchaser Material Adverse Effect and in all respects to the extent qualified by materiality or Purchaser Material Adverse Effect as of the Closing Date as if made on and as of such date (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date) and (ii) all covenants to be performed by the Purchaser by the Closing Date as contained in this Agreement have been performed and the Purchaser has complied in all material respects with its covenants in this Agreement.

(i) The Purchaser shall have delivered to Vendor all documentation required under the policies of the CSE relating to the issuance of Talisker Securities to Vendor pursuant to Section 2.1.

(j) The Samsung Security Interest shall have been discharged.

6.2.2 Notwithstanding anything herein contained, the obligation of the Purchaser to complete the transactions provided for herein will be subject to the fulfilment of the following conditions at or prior to the Time of Closing, and Vendor and Bralorne, as the case may be, covenant to use their commercially reasonable efforts to ensure that such conditions are fulfilled:

(a) All representations and warranties of Vendor in this Agreement shall be true and correct in all material respects to the extent not qualified by materiality or material adverse effect and in all respects to the extent qualified by materiality or material adverse effect as of the Closing Date as if made on and as of such date (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date).

(b) All covenants to be performed by the Vendor or Bralorne by the Closing Date as contained in this Agreement shall have been performed in all material respects and the Vendor or Bralorne, as the case may be, shall have complied in all material respects with its covenants in this Agreement.

(c) All Consents and Regulatory Approvals required to be obtained by Bralorne or Vendor in connection with this Agreement and the transactions contemplated hereunder shall have been obtained on terms and conditions satisfactory to Purchaser, acting reasonably.

(d) Vendor shall have caused Bralorne to file a notice of alteration in the form attached hereto as Schedule 6.2.2(d) to create the Class A Shares and Vendor shall have subscribed for that number of the Class A Shares for nominal consideration to provide Vendor with 50.1% of the outstanding votes required to elect Bralorne's directors immediately after the Closing.

(e) Bralorne's directors shall have tendered their resignations.

(f) Vendor and Purchaser shall have entered into a shareholders agreement that is not a "unanimous shareholders agreement" pursuant to the *Business Corporations Act* (British Columbia), that will: (i) specify the size of Bralorne's board of directors and provide that Purchaser, as the holder of all of the outstanding common shares of Bralorne, will be entitled to nominate all of the directors of Bralorne; and (ii) provide that any matters requiring shareholder approval while Vendor holds Class A Shares must be approved by a special resolution of all shareholders, which shareholders agreement shall be in the form attached hereto as Schedule 6.2.2(f).

- (g) Vendor shall deliver, or cause Bralorne to deliver, as the case may be, to the Purchaser, among other documents, all in form and substance acceptable to the Purchaser:
- (i) the Books and Records of Bralorne within its possession or control;
 - (ii) the share certificates (duly endorsed for transfer to the Purchaser or, as the Purchaser may direct, the Purchaser's nominee) representing the Purchased Shares and shall cause Bralorne to register the transfer of the shares;
 - (iii) a certificate of incumbency with respect to the Vendor;
 - (iv) evidence satisfactory to Purchaser of the discharge of the Samsung Security Interest;
 - (v) evidence satisfactory to Purchaser that Bralorne has sufficient cash on hand on the Closing Date to at a minimum satisfy the FT Expenses;
 - (vi) evidence satisfactory to the Purchaser that the requirements of Section 4.1(o) have been satisfied in its sole discretion;
 - (vii) evidence satisfactory to the Purchaser that the requirements of Section 4.1(p) have been satisfied in its sole discretion;
 - (viii) a certificate of good standing or equivalent with respect to Bralorne;
 - (ix) a mutual release between the directors and officers, on the one hand, and Bralorne, on the other hand, with effect from the Time of Closing, of those claims by and against Bralorne, as applicable, in the form satisfactory to Purchaser;
 - (x) a mutual release between Vendor and Bralorne with effect from the Time of Closing of those claims by and against Bralorne, in the form satisfactory to Purchaser;
 - (xi) a certificate executed by a senior officer of Vendor confirming that (A) all representations and warranties of Vendor in this Agreement are true and correct in all material respects to the extent not qualified by materiality or material adverse effect and in all respects to the extent qualified by materiality or material adverse effect as of the Closing Date as if made on and as of such date (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date); (B) all covenants to be performed by the Vendor or Bralorne by the Closing Date as contained in this Agreement have been performed in all material respects and each of the Vendor and Bralorne, as the case may be, has complied in all material respects with its covenants in this Agreement; and (C) as of the Closing Time, Bralorne has no outstanding indebtedness or any liabilities or obligations (whether accrued, absolute, contingent or otherwise, matured or unmatured, including under any guarantee of any debt) other than Reclamation and Rehabilitation Costs and the royalties set out in Schedule 1.1(uu) of the Disclosure Letter;

- (xii) an opinion of Vendor's legal counsel addressed to the Purchaser as to certain legal matters relating to Vendor and Bralorne, including corporate existence, authorization and enforceability relating to the transactions contemplated hereby, the authorized and issued share capital of Bralorne and the shareholders of Bralorne as at the Time of Closing and the transfer of the Purchased Shares to the Purchaser, free and clear of any and all Encumbrances, in form and substance satisfactory to the Purchaser and its counsel, acting reasonably, and which is consistent in all material respects with the draft of such opinion that has been provided to the Purchaser and its counsel prior to the execution of this Agreement; and
- (xiii) the Pro Forma Balance Sheet.
- (h) Vendor executing and delivering in favour of Purchaser the Investor Rights Agreement.
- (i) Vendor and Bralorne shall have completed the reorganization set out in Schedule 6.2.2(i) of the Disclosure Letter.

6.2.3 The conditions precedent set out in Section 6.2.1 (except for the Regulatory Approvals required to be obtained in Sections 6.2.1(c) and 6.2.1(d), which are provided for the mutual benefit of the Purchaser and Vendor) are inserted for the sole benefit of Vendor and the conditions precedent set out in Section 6.2.2 (except for the Regulatory Approvals required to be obtained in Sections 6.2.2(b) and 6.2.2(c), which are provided for the mutual benefit of the Purchaser and Vendor) are inserted for the sole benefit of the Purchaser. Either of the Purchaser or the Vendor may refuse to proceed with the closing of the purchase and sale of the Purchased Shares if the conditions precedent inserted for its benefit are not fulfilled to its reasonable satisfaction prior to the Closing Date and it shall incur no liability to any other party by reason of such refusal.

6.2.4 The foregoing conditions precedent may be waived in whole or in part by the party for whose benefit they are inserted in that party's absolute discretion. No such waiver shall be of any effect unless it is in writing signed by the Party granting the waiver.

6.3 Post-Closing Covenants

6.3.1 Flow-Through Expenses. After the Closing Date, the Parties will cause Bralorne to incur and renounce to Vendor expenses on the Mining Concessions, which expenses will qualify as "flow-through mining expenditures" as defined under section 127(9) of the Tax Act and section 4.721(1) of the *Income Tax Act* (British Columbia) and will be in the amount that is equal to \$2,342,833 less the dollar amount of "flow-through mining expenditures" incurred on the Mining Concessions prior to the Closing Date (the "**FT Expenses**"). Purchaser acknowledges that as of October 31, 2019, Bralorne must incur \$42,833 in FT Expenses by December 31, 2019 and renounce such FT Expenses to Vendor by February 29, 2020, and Bralorne must incur an additional \$2,300,000 in FT Expenses by December 31, 2020 and renounce such expenses to Vendor by March 1, 2021 or Bralorne will not have satisfied its obligations under existing flow-through subscription and renunciation agreements entered into by the Vendor (the "**FT Agreements**"). Bralorne will be responsible for all costs, charges and expenses incurred by Bralorne in respect of its obligations under the FT Agreements.

6.3.2 Redemption of Class A Shares. The Parties agree to take all necessary action to cause all of the Class A Shares to be redeemed for nominal consideration immediately after Bralorne has incurred and renounced the FT Expenses pursuant to Section 6.3.1. During the period of time after the Closing Date that the Class A Shares are issued and outstanding, the Vendor agrees that the Purchaser shall be permitted to issue additional shares in its capital stock provided that after each such issuance the Vendor owns shares that entitle the Vendor to greater than 50% of all outstanding votes required to elect Bralorne's directors.

6.3.3 Purchaser's Surety Arrangements. As expeditiously as possible following Closing, Purchaser shall take all actions necessary to implement the Purchaser's Surety Arrangements to replace any then remaining Vendor Surety Arrangements and obtain the final release and return to Vendor of the Vendor Surety Arrangements.

6.3.4 Production Payment. On or prior to the fifth (5th) Business Day after the commencement of commercial production of the Mining Concessions, Purchaser shall pay US\$2,500,000 in cash to Vendor (the "**Production Payment**").

6.3.5 Employee Termination Costs. Vendor agrees to reimburse Bralorne for 50% of the total termination cost associated with the termination of employment of any Employee after but within three (3) months of the Closing Date, provided that the Vendor shall not be required to reimburse Bralorne more than \$300,000 in aggregate for all such terminations. Reimbursement shall be made by cheque or money order within ten (10) Business Days of a written request for reimbursement, if made to the Vendor within one hundred and twenty (120) days of the Closing Date, together with backup documentation confirming the payments made by Bralorne. Termination costs shall include all notice of termination, termination pay, severance pay and damages for wrongful dismissal.

7. TERMINATION

7.1 Rights of Termination

The transactions contemplated herein may be terminated at any time, but not later than at the Time of Closing:

- (a) by mutual consent of the Purchaser and Vendor;
- (b) by Vendor, if any of the conditions contained in Section 6.2.1 is not satisfied, and such conditions are not capable of being satisfied by the Outside Date provided that Vendor is not in breach of this Agreement at such time so as to cause any of the conditions set forth in Section 6.2.1 not to be satisfied;

- (c) by the Purchaser, if any of the conditions contained in Section 6.2.2 is not satisfied, and such conditions are not capable of being satisfied by the Outside Date provided that the Purchaser is not then in breach of this Agreement so as to cause any of the conditions set forth in Section 6.2.2 not to be satisfied; and
- (d) by Vendor or Purchaser, if the Closing does not occur by the Outside Date, except that the right to terminate this Agreement under this Section 7.1(d) shall not be available to any Party whose failure to fulfill any of its obligations or covenants or whose breach of any of its representations and warranties under this Agreement has been the cause of, or resulted in, the failure of the Closing Date to occur by such Outside Date.

7.2 Consequence of Termination

In the event of termination pursuant to Section 7.1 hereof, written notice thereof shall forthwith be given to the other parties and the transactions contemplated by this Agreement shall be terminated, without further action by any of the parties hereto. If the transactions contemplated in this Agreement are terminated as provided herein, this Agreement shall become void and of no effect without liability of any Party (or any shareholder, director, officer, employee, agent, consultant or representative of such Party) to any other Party hereto, except as otherwise expressly contemplated hereby; provided further that neither the termination of this Agreement nor anything contained in this Section 7.2 shall relieve a Party from any liability arising prior to such termination and any party may bring an action against any other party for damages suffered by such party where the non-performance, non-fulfillment or non-compliance of or with the relevant condition is a result of a breach of covenant, representation or warranty by the other party.

8. GENERAL

8.1 Public Notice

All public notices to third parties and all other publicity concerning the transactions contemplated by this Agreement shall be jointly planned and coordinated by Vendor and the Purchaser and no party shall act unilaterally in this regard without the prior approval of Vendor and the Purchaser or the other of them, except as may be required by applicable Laws. In this regard, Vendor and the Purchaser acknowledge that each of them is a public company and reporting issuer subject to securities Laws that requires each of them to disclose publicly the transactions contemplated by this Agreement.

8.2 Expenses

Except as otherwise set out in this Agreement, each of the parties shall be responsible for its own fees, costs and expenses (including the fees and disbursements of legal counsel) incurred in connection with this Agreement and the transactions contemplated hereby.

8.3 Entire Agreement

With respect to the subject matter of this Agreement, this Agreement and the Confidentiality Agreement constitutes the entire agreement between the parties and supersedes all prior understandings and communications between the parties or any of them, oral or written.

8.4 Further Assurances

The parties shall do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated hereby, and each party shall provide such further documents or instruments required by any other party as may be reasonably necessary or desirable to effect the purpose of this Agreement and carry out its provisions, whether prior to or following the Closing.

8.5 Notices

All payments and communications which may be or are required to be given by any party to any other party, shall be in writing and (a) delivered personally or by prepaid courier (b) sent by mail or (c) sent by facsimile or other similar means of electronic communication to the parties at their following respective address:

For Vendor:

Avino Silver & Gold Mines Ltd.
Suite 900, 570 Granville Street
Vancouver BC V6C 3P1
Canada

Attention: David Wolfin, President
e-mail: dwolfin@avino.com
Facsimile: (604) 682-3600

with a copy to:

Harper Grey LLP
3200 – 650 W. Georgia Street
Vancouver BC V6B 4P7
Canada

Attention: Paul Bowes
e-mail: pbowes@harpergrey.com
Facsimile: (604) 669-9385

For Purchaser:

Talisker Resources Ltd.
100 King Street West
Suite 7010 Toronto, Ontario M5X 1A0
Canada

Attention: Terry Harbort
e-mail: terry.harbort@taliskerresources.com
Facsimile: (416) 361-2821

with a copy to:

Cassels Brock & Blackwell LLP
2100 Scotia Plaza
40 King Street West
Toronto, Ontario M5H 3C2
Canada

Attention: Jay Goldman
e-mail jgoldman@cassels.com
Facsimile: (416) 644-9337

Any such notice so given shall be deemed conclusively to have been given and received when so personally delivered, sent by prepaid courier, or sent by facsimile or other electronic communication or on the fifth (5th) day following the sending thereof by mail. Any party may from time to time change its address hereinbefore set forth by notice to the other parties in accordance with this Section.

8.6 Governing Law

This Agreement and the rights, obligations and relations of the parties shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, excepting its laws relating to conflict of laws. The parties agree that the courts of the Province of Ontario, Canada shall have exclusive jurisdiction to entertain any action or other legal proceedings based on any provision of this Agreement. Each party does hereby irrevocably attorn to the jurisdiction of the courts of the Province of Ontario, Canada.

8.7 Assignment

Except as expressly provided in this Agreement, no party hereto may assign this Agreement in whole or in part or any rights and obligations hereunder without the other party's prior written consent. The Purchaser may assign and transfer its rights and obligations to an affiliate without the prior written consent of the Vendor, and provided that the Vendor may demand as a condition of its acceptance of any assignment or transfer by the Purchaser to any assignee (the "Assignee") that such Assignee will: (i) execute and deliver to the Vendor its agreement to be bound by the terms and conditions of this Agreement, including for greater certainty the payment of the Production Payment, and (ii) any further disposition of the interest acquired by such assignment or transfer must be subject to the restrictions set out in this section.

8.8 Effectiveness and Benefit of the Agreement

This Agreement shall enure to the benefit of and be binding upon the respective successors and permitted assigns of the parties. This Agreement is not intended to, and shall not, confer upon any other person any rights or remedies hereunder.

8.9 Time of the Essence

Time is of the essence to every provision of this Agreement. Extension, waiver or variation of any provision of this Agreement shall not be deemed to affect this provision and there shall be no implied waiver of this provision.

8.10 Amendment

This Agreement may be amended only by written agreement of the parties. Each party acknowledges that it shall have no right to rely upon any amendment, promise, modification, statement or representation made or occurring subsequent to the execution of this Agreement unless the same is in writing and executed by the parties hereto.

8.11 Waiver

The failure of any party to enforce at any time any of the provisions of this Agreement or any of its rights with respect thereto or to insist upon strict adherence to any term of this Agreement shall not be considered to be a waiver of such provision, right or term or in any way to affect the validity of this Agreement or deprive the applicable party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. The exercise by any party of any of its rights under this Agreement shall not preclude or prejudice such party from exercising any other right it may have under this Agreement, irrespective of any previous action or proceeding taken by it hereunder. Any waiver by any party of the performance of any of the provisions of this Agreement shall be effective only if in writing and signed by a duly authorized representative of such party.

8.12 Severability

If any provision of this Agreement is invalid or unenforceable, such provision shall be severed and the remainder of this Agreement shall be unaffected thereby but shall continue to be valid and enforceable to the fullest extent permitted by law.

8.13 Survival

Notwithstanding any other provisions of this Agreement, if this Agreement is terminated (whether by a Party or automatically or otherwise), the provisions of Sections 7.2 and Article 8 (subject to any time limitations referred to therein) shall survive such termination and remain in full force and effect, along with any other provisions of this Agreement which expressly or by their nature survive the termination hereof.

The provisions of Article 2, Article 5, and Section 6.3, and Article 8 shall survive the Closing Date and remain in full force and effect, along with any other provisions of this Agreement which expressly or by their nature survive the Closing Date.

8.14 Counterparts

This Agreement may be executed by the parties in separate counterparts (by original, facsimile signature, or other form of electronic signature) each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF the parties have hereunto duly executed this Agreement on the date first above written.

TALISKER RESOURCES LTD.

Per: /s/ Terence Harbort
Authorized Signatory

AVINO SILVER & GOLD MINES LTD.

Per: /s/ David Wolfen
Authorized Signatory

BRALORNE GOLD MINES LTD.

Per: /s/ David Wolfen
Authorized Signatory

List of Subsidiaries

Subsidiary	Ownership Interest	Jurisdiction
Oniva Silver and Gold Mines S.A. de C.V.	100%	Mexico
Nueva Vizcaya Mining S.A. de C.V.	100%	Mexico
Promotora Avino, S.A. de C.V. (Promotora)	79.09%	Mexico
Compa a Minera Mexicana de Avino, S.A. de C.V. (Avino Mexico)	98.45% direct 1.22% indirect (Promotora) 99.67% effective	Mexico
Bralorne Gold Mines Ltd.*	100%	Canada

* Sold to Talisker Resources Ltd. on December 13, 2019.

CERTIFICATION

I, David Wolfin, certify that:

1. I have reviewed this Annual Report on Form 20-F of Avino Silver & Gold Mines Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 25, 2020

By: /s/ David Wolfin
David Wolfin,
Principal Executive Officer

CERTIFICATION

I, Nathan Harte, certify that:

1. I have reviewed this Annual Report on Form 20-F of Avino Silver & Gold Mines Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 25, 2020

By: /s/ Nathan Harte

Nathan Harte,
Principal Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Avino Silver & Gold Mines Ltd. (the "Company") on Form 20-F for the period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Wolfen, Principal Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 25, 2020

By: /s/ David Wolfen
David Wolfen,
Principal Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Avino Silver & Gold Mines Ltd. (the "Company") on Form 20-F for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nathan Harte, Principal Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 25, 2020

By: /s/ Nathan Harte

Nathan Harte,
Principal Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference of our report dated February 26, 2020, relating to the consolidated financial statements of Avino Silver & Gold Mines Ltd. included in the Annual Report on Form 20-F of Avino Silver & Gold Mines Ltd. for the year ended December 31, 2019 to the Company's Registration Statements on Form S-8 (SEC File No.: 333-195120) and Form F-3 (SEC File Nos.: 333-226963).

/s/ Manning Elliott LLP

Vancouver, Canada
March 25, 2020

CONSENT OF EXPERT

We hereby consent to the use of our name contained in the technical report on the Property in the Durango Mining District of Mexico dated February 21, 2018 entitled "Mineral Resource Estimate Update for the Avino Property, Durango, Mexico dated February 21, 2018" by Tetra Tech Canada Inc. and subsequently amended on December 19, 2018 entitled Amended Mineral Resource Estimate Update for the Avino Property, Durango, Mexico dated December 19, 2018 and the reference as an expert contained in the Annual Report of Avino Silver & Gold Mines Ltd. on Form 20-F for the fiscal year ended December 31, 2019 and incorporated by reference to the Company's Registration Statements on Form S-8 (SEC File No.: 333-195120) and Form F-3 (SEC File No.: 333-226963).

TETRA TECH CANADA INC.

Dated: March 25, 2020

By: /s/ Hassan Ghaffari

Hassan Ghaffari, P.Eng.

CONSENT OF EXPERT

We hereby consent to the use of our name contained in the technical report on the Property in the Durango Mining District of Mexico dated February 21, 2018 entitled "Mineral Resource Estimate Update for the Avino Property, Durango, Mexico dated February 21, 2018" by Tetra Tech Canada Inc. and subsequently amended on December 19, 2018 entitled Amended Mineral Resource Estimate Update for the Avino Property, Durango, Mexico dated December 19, 2018 and the reference as an expert contained in the Annual Report of Avino Silver & Gold Mines Ltd. on Form 20-F for the fiscal year ended December 31, 2019 and incorporated by reference to the Company's Registration Statements on Form S-8 (SEC File No.: 333-195120) and Form F-3 (SEC File No.: 333-226963).

RED PENNANT COMMUNICATIONS CORP.
(previously AUSENCO ENGINEERING CANADA
INC.)

Dated: March 25, 2020

By: */s/ Michael O'Brien*

Michael O'Brien, P. Geo