Investment Analysis for Intelligent Investors

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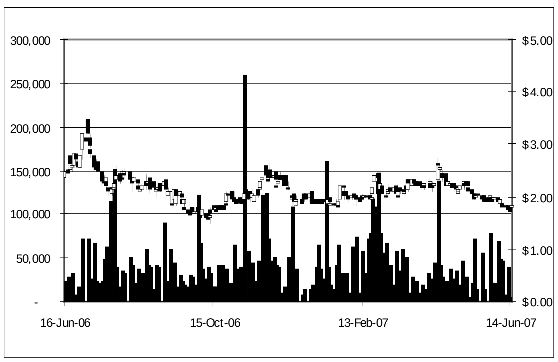
Avino Silver & Gold Mines Ltd. (TSXV:ASM, OTCBB: ASMGF, Frankfurt: GV6) – Initiating Coverage; Advanced Junior in Mexico

Sector/Industry: Mining **www.avino.com**

Market Data (as of June 25, 2007)

Current Price	C$1.74
Fair Value	C$2.20
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C$1.50 – C$3.20
Shares O/S	20,584,727
Market Cap	C$35.82 mm
Current Yield	N/A
P/E	N/A
P/B	1.84
YoY Return	-35.6%
YoY TSX	26.6%

*see back of report for rating and risk definitions



Investment Highlights

- The Avino Mine produced approximately 16 million oz silver, 100,000 oz gold, and 24 million pounds copper in its 27 years of operation.
- The mine closed down in 2001 as low commodity prices, and a lack of smelter capacity made the operation uneconomical. Current market conditions have led the company to pursue reopening the mine.
- Significant exploration potential exists on the property, and the company is aggressively drilling multiple vein structures.
- Drilling at the new San Gonzalo vein returned very high-grade gold and silver results, much higher than those at the main Avino vein.
- We believe this property has some of the best infrastructure and accessibility in Mexico. A 1,000 tpd mill and all related infrastructure could be brought back to operation very quickly.
- The company is well funded for their exploration activities in 2007.

Risks

- Avino is exposed to all of the risks associated with a junior exploration company. The success of drilling, expansion and determination of favorable resource estimates are important long-term success factors for the company.

Key Financial Data (FYE - January 31)

(C $)	2004	2005	2006	2007
Cash	2,832,457	2,283,535	3,067,011	11,045,106
Working Capital	2,561,619	1,997,847	2,871,446	9,780,917
Mineral Assets & PPE	228,134	318,324	489,511	11,779,683
Total Assets	3,522,548	3,219,431	3,901,160	23,295,039
Net Loss	(445,591)	(814,710)	(2,369,724)	(3,648,539)
Loss per Share	(0.06)	(0.08)	(0.22)	(0.20)

Avino Silver & Gold Mines Ltd has a long mining history. The Avino Mine in Mexico produced 16 million oz of silver, 100,000 oz of gold, and 24 million pounds of copper over 27 years. Significant exploration targets on the property indicate potential for resource delineation and future production in the near-term.

Company Overview

Avino Silver & Gold Mines is a company with a long history in the junior resource sector. The company was founded in 1968, and operated the Avino Silver Mine in the state of Durango, Mexico, from 1974 to 2001. The mine produced approximately 16 million oz of silver, 100,000 oz of gold, and 24 million lbs of copper until it was shut down in November 2001 due to low metal prices and the closure of the only toll copper smelter in Mexico. In 2001, silver prices averaged $4.40 per ounce and gold prices averaged $270 per ounce. The company always considered the closure of the mine temporary. Due to current metal prices, and the availability of smelters in Mexico, and globally, the company plans to recommence production on the property. With silver prices above $10/ounce, and gold prices above $600/ounce, the company is aggressively working to establish the best options to go back into production quickly and efficiently. All key infrastructure is in place, and we believe significant exploration potential exists on the property based on our site visit, as well as a 1993 study by Luismin that delineated a number of targets. Much of the 968 hectare property is completely unexplored, as the focus during the mine's 27 years of operation was production that exploited only one vein structure.

Source: Avino Silver & Gold Mines Ltd.

Company's Strengths

Avino Silver & Gold Mines has many strengths that are rare for a junior in the resource sector due to its long history of operations in Mexico.

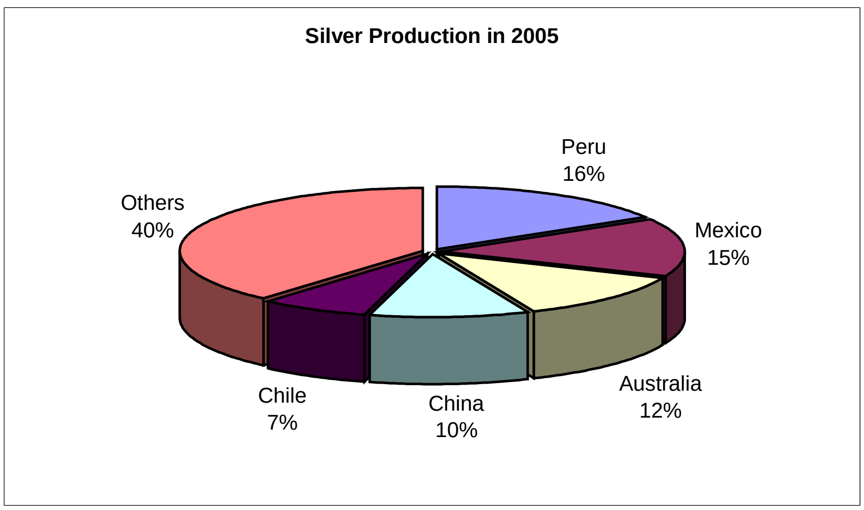
- The Avino property has accumulated excellent infrastructure and accessibility in Mexico over its 27 years of operations. The company is able to attract top-notch mining professionals due to its proximity to Durango, a major supply center, and its network of contacts in Mexico. The Avino property is fully outfitted with a 1,000 tpd mill, power, water, and all related infrastructure.

- The Avino property has operated for hundreds of years largely from one main vein structure. The company has only recently begun exploration on the many other vein structures on the property, with very high-grade silver, gold, lead, and zinc results.
- The company will be able to go back into production very quickly for a significantly lower capital cost than would be required for construction of a similar mill from scratch.

Mexico's Mining Outlook

Mexico is one of the best countries in the world for silver and gold mining, and is currently benefiting from the global mining boom.

Mexico has been producing silver for over 500 years, since the time of the Aztecs. However, we believe the potential there is still great, as modern exploration techniques have only started in the past 20 years when Mexico welcomed foreign investors to their mining projects. Historically, Mexico was the world's largest silver producer, but Peru surpassed Mexico in annual production in 2005. Mexico produced 92 million ounces of silver, 15% of the world's production in 2005. Silver production in Mexico is one of the fastest growing of any country, and they have increased production 12% from 2004 to 2005, according to The Silver Institute. Growth in production in both Mexico and Australia in 2005, pushed world silver production to a record high of 641.1 million ounces. The graph below shows the world's top silver producers. Production of silver in Mexico is usually a co-product of other metals, including gold.



Source: The Silver Institute

Mexico produces most of its gold as a co-product from copper and silver operations, and as a byproduct from polymetallic projects. They were the world's 19th largest producer in 2002. In 2005, Mexico produced 31.5 tonnes of gold, a 29% increase from 2004. We believe that new gold projects scheduled to be completed, and begin producing in 2007, and 2008, should continue to increase Mexico's gold production.

Mexico is mining friendly with a tax structure in place to support mining. There are some political risks, but Mexico is still a relatively stable country. The recently elected Mexican president, Felipe Calderon, is pro-business and mining friendly. Their location next to one of the world's largest importers of gold and silver (the United States) makes the country an ideal target for mining companies. Excellent infrastructure and a warm climate allow Avino to keep exploration and development costs low, and work on the property year-round. Northern Mexico, including the states of Sonora, Sinaloa, Chihuahua, and Durango, tend to be more prosperous and open to foreign investment and free trade. We believe it to be a better environment for mining than the poorer south where there is more political turmoil and anti-capitalist sentiment.

Avino's property is located in the State of Durango on the eastern edge of the Sierra Madre Occidental range. This mountain range is one of the world's largest precious metals deposits, running from southeast Arizona, U.S.A, to Guanajuato, Mexico, a distance of 1,500 kilometers. The Sierra Madre Occidental has been mined for hundreds of years. There are many historic and producing mines in the area of the Avino Mine. The Silver Trend encompasses famous and large producing mines the entire length of western Mexico, including the San Sebastian Mine, that produced up to 4 million ounces of silver per year until 2005, when Hecla (NYSE:HL) stopped production to focus on identifying new mineral resources.

Avino Silver-Gold-Copper Property

Property Overview: The Avino property is the company's flagship project and one of the oldest and largest silver projects in Mexico.

Ownership: When Avino was formed in 1968 to put the Avino deposit into production, foreign companies were not permitted to own more than 49% interest in Mexican companies. Thus, the company maintained a 49% interest in Cia Minera Mexicana de Avino, S.A. de C.V, whose sole asset is a 100% interest in the Avino Mine. Nine vendors, mostly members of the Ysita family of Mexico City, held the remaining interest. In March 2004, the company announced their intention to bring their interest in Cia Minera Mexicana de Avino to 100%, and make the Mexican company a wholly owned subsidiary of Avino. This process involves acquiring the remaining 51% interest from 9 vendors, and the company partially completed the process by acquiring an additional 39.25% in Cia Minera through the issuance of 3,164,702 shares at a deemed value of $1.00 per share. **The company currently holds an 88.25% interest in Cia Minera, with the intention to acquire a 100% interest.** This will involve settlement of an estate and tender of shares.

Accessibility: For Mexico, this property has excellent accessibility. It is located 82 kms northeast of Durango, a major center for mining supplies and general services. The drive can be made in about 1 hour, and most of the route is by 4 lane highway. A paved, well-maintained road leads to the property from the local villages. Two villages located nearby, Panuco de Coronado and San Jose de Avino, housed most of ASM's employees while the mine was in production. San Jose de Avino is located at the foot of ASM's property and the mill can be seen from the village. Due to its proximity to Durango, the company is able to attract top-notch geologists, engineers, and other mining personnel who live in the region and appreciate a local job. Additionally, ASM's long history of operation means that many of its former employees are anxious to come back and work for the company. We met several former employees of ASM while on our site visit that were forced to work far away from their family, and are pleased to hear the mine may be back in production soon.

The property is located at about 2,200 meters above sea level, and has a typical dry, desert scrub, characteristic of this region of Mexico. It has a short rainy season.

Mining Infrastructure: The decades of operations at Avino are the best evidence of its accessibility and infrastructure. After 30+ years of operation and exploration, the property has a fully established mill, plant, shop, office, laboratory, camp/hotel, and first-aid office. A recent engineering report prepared by Osborne & Associates, well known experts in processing plant engineering, assessed the value of the infrastructure at Avino at $40 million, which is the cost to establish a new, similar, 1,000 tpd mill. **The cost of rehabilitating the mill and bringing it back into production is relatively low, and will be a significant benefit to the economics of this project.** Osborne estimated total capital expenditures to achieve a 10 year operating plan to be around $3 million, and would take approximately 9 months to build. This includes $2 million to establish a new tailings pond, as the existing tailings pond is near capacity.

A view of the company's property from the village of San Jose de Avino. The large structure is the mill, and the white buildings to the right are made up of an office, laboratory, first aid station, core shack, and associated infrastructure.
Source: FRC

There is an adequate supply of water for mining operations on the property, with a small cost to upgrade infrastructure. A well, 4 kilometers to the west, provides more than sufficient water for processing operations, although some repair work will be required to bring it back into operation. Additionally, the company has installed a pipeline to the mine from a dam shared with the town of Panuco de Coronado, who utilizes approximately 40% of the water with the remaining 60% going to the mine. While in operation, the mine's water use was a combination of underground mine drainage, recirculation of tailings water, and the wells and dams. According to management, preference was given to minesite sources of water. Underground mine drainage requires treatment for acidity if it is not withdrawn for several days. Power is also readily available to the site, supplied from the Mexican grid. The line capacity is quoted as 4 MW, and the mill is easily operable within these limits.

Another advantage of the Avino property is the permitting status. The operation was fully permitted, although the operating permit was suspended upon suspension of operations. The permitting could be reinstated quickly providing there are no changes to operating methods or practices. Permitting is in place for blasting.

Historic Production: The Avino property has a very long history. Discovered in 1555 by a member of the Spanish Army, mining commenced 7 years later and the deposit has been in production intermittently since then. It is believed to be the first operating mine in Nueva Vizcaya, now Durango, and the company encouraged any investors who built in the area protection from the Indians. It was shut down in 1810 due to the beginning of the War for Independence. The deposit operated intermittently on a small scale until 1880, when Avino Mines Ltd was formed, and the property operated on a larger scale with financing from British and U.S. investors. A London company, Las Minas de Avino de Mexico, Cia Ltda, was organized in the late 1800s, and made the deposit the largest open pit mine in Mexico at the time. It was operating at 100 tonnes/day. Like many mining projects in Mexico, it was abandoned in 1912 as threats from the Mexican Revolution rose.

Avino acquired the property in 1968. The company signed a contract with Selco Mining and Development Ltd in 1970, which spent more than $1 million in exploration and feasibility studies before returning the property to Cia Minera in 1972. This was likely due to low metal prices at the time. Limited open pit mining began in 1970, and the ore was processed using flotation. Production records are irregular for the period from 1970 to 1975. A contract was signed with SCL Ltd and Sheridan Geophysics Ltd in 1973, to build a 500 tpd flotation plant, which was completed in May 1974. SCL Ltd was the operator until 1976, and from then the Ysita family operated the mine. Open pit mining continued until 1993, when the economic depth of the open pit was reached, leading the company to move to underground mining. Underground mining was continuous from 1993 to 2001. This mining exploited the main Avino Vein, although they were not mining strictly the vein but also the footwall and hanging wall breccia zones.

Cessation of Historic Production

Historic production was largely capital starved, and this likely lead to the eventual cessation of mining operations in 2001. Cia Minera did not keep up with exploration on the property, on areas both away from the mine site and in the mine through development; thus, they were unable to establish the best economic options for mining. Additionally, the low-grade nature of the Avino vein, and the high costs of operations resulting from poor precious metal recovery, likely lead to faster draw down of resources/reserves than was necessary. Additionally, the closing of the only toll smelter for copper in Mexico meant that Cia Minera did not have a market for their concentrate, and this led to the shutdown.

Production Records from the last 4 years of operation.

Year	Silver Production (troy ounces)	Gold Production (troy ounces)	Copper Production (pounds)
1998	876,621	8,710	2,824,000
1999	987,760	7,631	3,056,000
2000	912,726	7,958	3,411,000
2001	853,183	5,080	3,565,000

For a complete record of historic production from 1974 to 2001, please see the appendix.

Historic Exploration: According to management, Lou Wolfin, the founder of Avino, overheard a Mexican guest discussing the mining history and geology of Mexico while at a party in Beverly Hills in the 1960s. Lou sent a team of geologists to pour over the historic records in Mexico, and 5 prospects, including the Avino Mine, were generated from this research. Avino entered into a partnership with a Mexican family to finance and develop the Avino mine, as the laws at the time forbade foreign companies from owning more than 49% of Mexican companies.

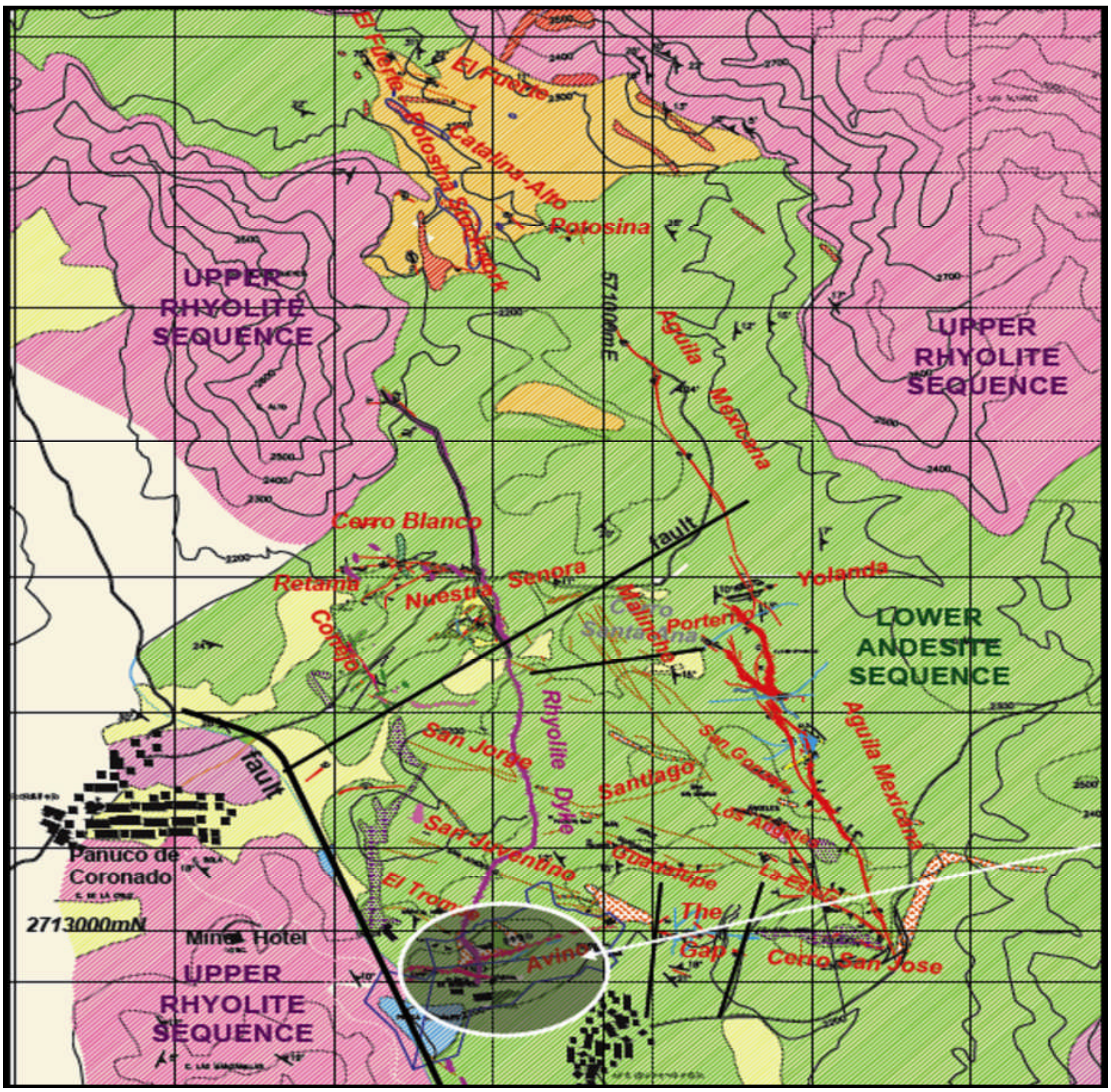
Luismin's Exploration

The focus of Cia Minera was always production, and therefore exploration on the property beyond keeping the mine in production was limited. Preproduction exploration carried out by Cia Minera and their partners covered 2,500 meters of drifting, and crosscuts, as well as 8,000 meters of surface and underground diamond drilling. The engineering branch of Luismin, one of Mexico's mining giants that was later acquired by Goldcorp, conducted the largest exploration program undertaken on the property in 1993. Avino commissioned LuisMin to assess exploration potential and define targets in the Avino vein that were being mined, as well as the rest of the property. Luismin's analysis and underground sampling focused on the Avino vein and the Potosina/El Fuerte area of the property, and recommended follow up drilling and trenching for these two areas as well as further underground development on the Avino vein. At the time, these recommendations were not implemented. According to management, exploration on the property, as conducted by Cia Minera, was largely designed to keep the mill running on a day-to-day basis and little else. The company is following up on Luismin's recommendations in their current exploration program, which is underway, with some very high-grade silver, lead, and zinc intercepts on several vein structures.

One service of LuisMin's exploration was a thorough, property scale geologic map and sampling program that mapped all of the known vein structures on the property (see next page). This mapping observed that the majority of mineralization on the property radiates out in a west-northwest direction from the Cerro San Jose, a volcanic rock overlying intrusive rocks. This could have been the source of fluids for epithermal mineralization. The exception to this trend is the Nuestra Senora and La Potosina/El Fuerte areas, the latter being one of Luismin's main priorities for follow-up. Luismin also concluded that the Avino vein is one of the strongest and widest structures on the property. It has three main ore shoots: San Luis, El Trompo (La Gloria/Hundido) and Chirombo. These zones are all open to depth, and the company recently followed up on Luismin's recommendations to explore the Avino vein down dip in their 2006 drilling program.

Tailings Resource

In the 1990s, the company began work on evaluating the oxide tailings for additional silver and gold resources. In the early days of production, the recovery rates were very poor. It is estimated that recovery began at 55% in the 1970s, and slowly improved to around 80% by the 1990s, when the oxide resource in the open pit was exhausted. Significant precious metals were lost to tailings, and the company began sampling to calculate a resource. In 2005, MineStart released a technical report estimating an inferred resource of 2 million tonnes of oxide tailings grading 95 g/t silver and 0.5 g/t gold. Wardrop followed up on this work in 2006 by conducting a scoping study that concluded that the oxide tailings resource was amenable to heap leaching for a capital cost of \$16.2 million and an operating cost of \$8.54/tonne. According to management, the company is not pursuing this option currently.



This map outlines a number of vein targets (in red). The area circled in white is the Avino vein, the only vein that has been mined on the property.
Source: Avino Silver & Gold Mines

Geology: The Avino property is a typical Mexican epithermal silver-gold system. The property covers a window into the Lower Volanic Andesite rocks, which host epithermal mineralization in the region. This mineralization is often covered by post mineralization rhyolites and basalts that can hinder exploration efforts, but a fault system has brought the mineralization sequence to the surface.

Mineralization: The upper portion (70 meters) of all of the epithermal veins on the property are weathered, leached, and oxidized as a result of contact with water and air. Economic minerals in this oxidized zone include argentite, chalcopyrite, chalcocite, and native copper, free gold, and native silver.

The economic focus of the Avino property and mining the low grade Avino vein thus far has been silver, gold, and copper. Higher silver and gold grades were found in the upper portion of the Avino vein, and grades generally decrease with depth, while copper grades were observed to increase with depth. Grades of all three metals are found to be high at vein intersections. Currently, the company is focusing their exploration efforts on the many other vein systems on the property. These veins systems have high-grade silver, lead, and zinc mineralization.

2006/2007 Drilling: The company has been drilling several vein targets on the property continuously since June 2006. Their initial program was designed to test the down dip continuity of the three principal areas of mineralization in the Avino system. **The results were generally low grade silver, with significant copper grades.**

The **San Luis** drill hole, whose results are shown below, was drilled below the San Luis workings on the western end of the Avino vein.

Drill Hole	Section	Length (not true)	Gold Grade (g/t gold)	Silver Grade (g/t silver)	Copper (% copper)
SL-06-01	Avino Vein	25 meters	1.42	40.1	0.31%

The **Elena-Tolosa** section is the main ore shoot on which the most recent underground mining has occurred. These four holes, shown below, were designed to explore the down dip and down plunge extension of the system. The first two holes intersected the Avino vein approximately 40 meters below Level 11½, the last level in production. The third and fourth holes intersected the ore-zone approximately 180 meters below Level 11½.

Drill Hole	Section	Length (not true)	Silver Grade (g/t silver)	Copper Grade (% copper)
ET 06-01	Avino Vein	14.65 meters	26.33	0.29%
ET-06-02	Avino Vein	17 meters	35.13	0.43%
ET-06-03	Avino Vein	18.4 meters	90.00	0.8%
ET-06-04	Avino Vein	21 meters	89.40	1.12%
	includes	3 meters	238.0	0.73%

The **Chirumbo** hole, shown below, intersected the Avino vein 180 meters below the original Chirumbo workings. It intersected both the main vein/breccia zone and the footwall breccia.

Drill Hole	Section	Length (not true)	Silver Grade (g/t silver)	Copper Grade (% copper)
CH-06-03				
	Avino Vein	12 meters	32.61	0.29%
	Footwall Breccia	12 meters	52.41 g/t	0.31%

Exploratory Drilling: Upon completion of the down dip drilling program on the Avino vein, the company moved the drill rig to other vein targets on the property.

The **San Gonzalo** vein is located 2 kilometers northeast of the Avino mine. Like many of the vein structures, it was exploited historically, as evidenced by stopes. Unlike the Avino vein, it is a silver, gold, lead, and zinc vein. It strikes northwest/southeast and dips very steeply (>85°). FRC representatives observed drilling on this vein during their site visit. The company reported the following results from the first 7 holes:

Drill Hole	Length (not true)	Silver Grade (g/t silver)	Gold Grade (g/t gold)	Lead (% lead)	Zinc (% zinc)
SG-07-01					
Santiago	2.70 m	227	1.19	>1	>1
San Gonzalo HW	4.85 m	343	0.64	0.36	0.63
San Gonzalo FW	2.4 m	712.4	2.41	0.50	0.13
SG-07-02					
San Gonzalo HW	4.45 m	583.8	6.11	1.4	2.54
San Gonzalo FW	3.35 m	21.1	6.91	1.55	2.33
SG-07-03	1.25 m	341	3.57	0.6	0.87
SG-07-04	6.45 m	364	0.21	--	--
Includes	1.05 m	990	.29	0.21	--
Cross vein	3.05 m	86	0.18	0.17	--
San Gonzalo HW	1.10 m	58	0.43	0.25	0.26
San Gonzalo FW	0.25 m	114	2.66	4.8	4.22
SG-07-05					
Santiago vein	3.1 m	201	0.49	--	--
Includes	0.70 m	272	1.54	--	--
SG-07-06					
Santiago Vein	3.50 m	226	0.40	--	--
Cross vein	0.25 m	2,120	0.50	7.82	--
San Gonzalo vein	3.85 m	11	0.10	--	--
SG-07-07					
San Gonzalo vein	2.60 m	351	2.85	1.04	0.66

The very high-grade silver, gold, zinc, and lead results from the San Gonzalo vein are very promising for the future of the company. These grades are much higher than

those of the main Avino vein, and hold potential to significantly improve the economics of the project. They provide potential for direct shipping ore, due to the very high grades.

In June 2007, the company announced further drilling results from other veins. The most interesting drilling results were from the Los Angeles, Nuestra Senora, and Santiago veins. The La Estela numbers for gold and silver were mostly low-grade, and the Cerro San Jose holes did not meet their target. There was one bonanza grade intercept at La Estela, including 3.95 g/t gold and 1,744 g/t silver over 0.5 meters. The Santa Ana, San Pedro, and San Paul holes did not intersect significant mineralization and assay results were not reported.

Current Status: Two drill rigs are operating continuously on several vein structures. According to management, the drill rigs have been moved back to San Gonzalo to delineate a NI 43-101 compliant resource in the indicated category. Currently, the company's focus is delineating resources in the other vein structures on the property, including San Gonzalo, before making a production decision. We believe the company will likely be drilling for much of 2007, but they will be able to go back into production quite quickly once a production decision is made.

2007 Drilling Program: The company has already drilled approximately 40 holes totaling over 8,000 meters in their 2007 exploration program. This includes the Santiago, Los Angeles, Santa Ana, Nuestra Senora, and the El Fuerte-La Potosina vein structures and mineralized zones. The company also followed up on the results of an IP geophysics survey conducted in the winter of 2006/2007 that provided a number of interesting magnetic and geophysical anomalies for analysis. For the locations of these veins, please see the map above in the geology section or consult the map in the appendix. One significant target that has not been drilled yet is the Gap Zone, an area between the historic mine workings and a number of vein targets that does not have any mineralization on the surface. Chris Sampson, P.Geo, has postulated that the Gap Zone is a down dropped fault block, which may indicate significant mineralization at depth. A strong magnetic and geophysical anomaly was identified at 300 meters depth.

There are 4 objectives the company has developed for reopening the Avino Property.

1) **Build resource in other epithermal veins on the property to be processed at the mill**
   Commentary: This is the company's main strategy at this time. Although this is a longer route to production, we believe this is the best long-term strategy due to the highly promising exploration potential on the property. High-grade drilling results thus far indicate potential to create a high-grade silver concentrate, which is very marketable in today's market. This will likely require changes to the metallurgical circuit of the processing plant.

2) **Expand resource in the Avino Vein to be processed at the mill**
   Commentary: The company is planning a drilling program on the Avino vein to calculate a resource below the current levels, and is calculating the cost to dewater the underground workings.

3) **Prepare to reopen the mine through infrastructure repair and upgrade**
   Commentary: The company contracted Osborne & Associates, well-known experts in processing plant engineering, to analyze the processing plant and the estimated timeline and cost to bring it back to full-scale production. If the company pursues objective #1, it will likely incur additional capital costs to change the metallurgical processing portion of the processing plant. This process will require the construction of a new tailings pond for an estimated cost of $2 million. The company is not planning to construct a tailings pond in 2007.

4) **Process Tailings**
   Commentary: Due to poor recovery rates for the oxide tailings, a significant gold and silver resource exists in the 6 million tonnes of oxide and sulfide tailings from the company's 27 years of production. The company calculated a resource estimate of 2 million tonnes grading 95 g/t silver and 0.5 g/t gold for the oxide tailings and contracted Wardrop to complete a scoping study. However, the company does not plan to process tailings at this time, as they have moved their focus to exploration on the other epithermal veins on the property. Upon commencement of production, the company may revisit the tailings resource.

Resource Estimate: The Avino property has an NI 43-101 compliant resource estimate for the tailings. We believe the high-grade drilling results indicate great potential for a resource at the San Gonzalo vein. Based on the company's drilling results and the known dimensions of the vein, we have calculated a preliminary resource estimate using conservative factors. For the purposes of our valuation, we have calculated a very rough tonnage estimate based on strike length, vein width, depth, and specific gravity known of the San Gonzalo vein. We used 1.5 g/t gold and 250 g/t silver to calculate a resource, which is roughly on the level of an inferred resource. We believe 250 g/t silver is conservative, as the drilling results have been very high-grade.

Total strike length: 350 meters
   Note: The company believes they have defined a 350 m meter strike length on the San Gonzalo vein through drilling that is still open to the north and south.
Depth: 300 meters
   Note: The company has drilled to at least 300 meters depth.
Vein width: 2 meters
   Note: 2 meters is the average vein width of the San Gonzalo vein.
Specific gravity: 2.8 tonnes/m^3
   Note: This is an average specific gravity typical of Mexican epithermal ore bodies.

350 m x 300 meters x 2 meters = 210,000 m^3 x 2.8 tonnes/m^3 = **588,000 tonnes ore**
588,000 tonnes ore x 250 g/t silver = **4,726,000 ounces silver**
588,000 tonnes ore x 1.5 g/t gold = **28,357 ounces gold**

Other Properties

When the Avino Mine closed at the end of 2001, the company acquired several early stage exploration properties in Canada, including several in the Bridge River Mining District of British Columbia. The company has conducted drilling programs in 2004, 2005, and 2006, on the Olympic-Kelvin and Minto properties.

Source: Avino Silver & Gold Mines

Minto Gold Property

Property Overview: The 346 hectare Minto property is adjacent to the Olympic-Kelvin property and was sampled and drilled by the company in 2005 and 2006. This property is a historic producer and hosts geology and mineralization similar to that of the legendary Bralorne-Pioneer mines, also in the Bridge River Mining Camp.

Ownership: The 346 hectare Minto property was acquired in 1985 and is 100% owned by the company.

Accessibility: The Minto property is located in the same region as the Olympic-Kelvin property, 5 kilometers northeast of Goldbridge, British Columbia.

Historic Exploration: A technical report prepared in 1987 recommended an exploration program. The company explored the property in June 2005 with a trenching program on the Minto North and Jumper zones. Seven trenches were excavated, sampled, and mapped. Chip samples from all of the trenches returned gold values ranging from anomalous to economic grades. One trench in the Minto North Zone averaged 14.76 g/t gold over 4.5 meters true width.

The company followed up this trenching with a 487 meter drill program in the fall of 2006. The drilling program was designed to explore down dip extensions of gold bearing structures originally discovered in the Minto North Zone trench discussed above. These drill results were very positive. The 4 holes intersected multiple very narrow vein structures up to 45 g/t gold.

Historic Production: The Minto Mine produced 17,558 ounces of gold and 50,582 ounces of silver from 88,900 tons of ore between 1934 and 1940. Several underground adits can be found on the property.

Geology: This property is located in the Bridge River Mining District, where the historic Bralorne Mine produced over 4 million ounces of gold at a grade of over 0.5 ounces/ton gold. The Minto property is cut by northwest trending faults sub-parallel to the Ferguson and Cadwallader structures that bound mineralization on the Bralorne property.

Current Status: The company is planning a small drill program on the property in 2007.

Resource Estimate: This property does not have any historic or NI 43-101 compliant resource estimates at this time. It is considered early exploration stage, although it is more advanced than the Olympic-Kelvin, Eagle, and Aumax properties.

Olympic Gold Property

Property Overview: The 662 hectare Olympic-Kelvin property has seen the most exploration of Avino's Canadian holdings. The company's two drilling programs on the property in 2004 and 2005 did not meet their targets, but there is significant evidence of gold mineralization in the region.

Ownership: This property is 100% owned by the company.

Accessibility: This property is located 5 kilometers northeast of Goldbridge, near Lillooet, British Columbia. An all weather, publicly maintained logging road runs from Goldbridge to the property. Accessibility to the Margarita zone is especially good, as a major logging road runs within 50 meters. This road was utilized for the company's two drilling programs.

Historic Exploration and Production: There is no evidence of historic production, but Olympic Gold Mines and Kelvin Gold Mines explored the property in the 1930s. This is evidenced by at least seven adits driven on the property. A mineralized zone in the Bridge Adit averaged 9.2 g/t gold over a 52 meter length and a 1.5 meter width.

The predecessor of Avino Silver & Gold, named Avino Mines and Resources, conducted an extensive trenching and diamond drilling program on the property in 1988. The company initiated a 4 hole, 480 meter diamond drill program in January 2004, based on trenching and sampling results from 1988. Their drilling aimed to extend the strike and depth of historic drilling results in the Margarita area, where one hole returned 24 g/t gold over 0.85 meters within a wider intersection of 8.2 g/t gold over 3.48 meters. These drill holes did not meet their targets and three holes were lost before they reached depth, although one drill hole intersected a new zone at a grade of 4.38 g/t over 2.8 meters. The company moved the location of their drill holes to target the Margarita zone in their 2005 single hole drilling program. One hole was lost at 21 meters due to bad ground. Results were very low-grade.

Geology: This property is located in the Bridge River Mining District, where the historic Bralorne Mine produced over 4 million ounces of gold at very high grades. The Olympic-Kelvin property is cut by northwest trending faults sub-parallel to the Ferguson and Cadwallader structures that bound mineralization on the Bralorne property.

Current Status: Historic exploration on the property indicates significant evidence of mineralization, although drilling results thus far has been poor. The company is currently focused on bringing the Avino Mine back to production, and this property is not a priority at this time. According to management, if drilling in the future were to intersect good grades, they would consider underground development and bulk processing of ore at the Bralorne Mill, located 19 kilometers away.

Resource Estimate: This property does not have any historic or NI 43-101 compliant resource estimates at this time. The property is considered early stage, as economic mineralization has not been identified through drilling.

Aumax Silver Property

Property Overview: The 980 hectare Aumax property is located 16 kilometers southwest of Lilooet, British Columbia.

Ownership: Avino acquired 100% interest in the Aumax property in December 2002 for $4,000 and 200,000 shares.

Historic Exploration: Exploration by the company's geologist has identified two gold zones: Aumax Silver/Gold Zone and Upper Gold Zone. Surface sampling on these two zones included highly anomalous silver and gold. In the Aumax Zone, vein samples included 630 g/t silver and quartz boulders on the surface included 2.7 kg/t silver and up to 8 g/t gold. In the Upper Zone, 1.2 kilometers southeast of the Aumax Zone, higher gold accompanies silver, including one result of 1 ounce/ton gold.

Geology: The exploration target at Aumax is quartz vein hosted silver and gold in the Bridge River Complex.

Current Status: The company is pursuing more advanced stage properties and Aumax is not a priority at this time. A proposed work program has been laid out for the time that the company does intend to pursue the property.

Resource Estimate: This property does not have any historic or NI 43-101 compliant resource estimates at this time. It is considered early exploration stage.

Eagle Silver Property

Property Overview: The 516 hectare Eagle silver property is located in the historic Keno Hill District, southeast Yukon Territory. Production at the United Keno Hill camp, from 1920 to 1988, was estimated at 4.79 million tons averaging 1.3 kg/t silver, 5.6% lead and 3.1% zinc from vein structures at a depth of 90-150 meters.

Historic Exploration: The Eagle property was first explored in 1964, and warranted further interest due to high-grade silver sampling and drilling results from the Eagle Vein. In 1964, one drill hole included 222 ounces/ton silver over 3.3 meters, and drilling in the same area in 1978 included intersections of 0.38 to 4.26 oz/ton silver over 10.9 meters.

Ownership: The company acquired the property in 2002 by issuing 200,000 shares at a price of 0.50 per share.

Current Status: The company has a proposed plan of action for exploration on the property outlined at the time of the acquisition, including geochemical and geophysical exploration to define drill targets. However, the company's priority is the Avino property, and no work is planned for this property at this time. The company has not released any information on exploration at Eagle since they acquired the property.

Resource Estimate: This property does not have any historic or NI 43-101 compliant resource estimates at this time. It is considered early exploration stage.

Members of Avino's technical and management team from Mexico and Canada, as well as FRC representatives at the portal to the Avino Mine's underground workings.
Site Visit: February 14, 2007
Source: FRC

Management

David Wolfin, President, Director

David Wolfin brings 21 years of experience in mining and finance to Avino's team. He learned the mining business from the ground up, starting as a geologists' assistant in Nevada, a metallurgist's assistant at the Avino mine in Mexico and later in a number of mining and exploration related capacities. In the mid 1980s, Mr. Wolfin worked on the floor of the Vancouver Stock Exchange and also for several brokerage houses, gaining a solid foundation in the finance side of the industry. Since 1990, Mr. Wolfin has worked for the Oniva Group of companies, including Avino Silver & Gold Mines. In his various roles, he has helped raise over C$50 million.

Louis Wolfin, Founder, CEO, Director
Mr. Wolfin, who founded Avino in the late 1960s, managed funding and development of the Avino Mine through its entire operational history from the 1970s until 2002. His career in management and finance spans more than 50 years and includes many notable achievements in exploration and mine production.

Lloyd Andrews, Director
Mr. Andrews, a former Washington State Senator, provides Avino with extensive experience in both the private and public sectors. He is a retired member of the Board of Smith Barney Mutual Fund and CitiGroup.

Michael Baybak, Director
Mr. Baybak has worked in public relations for more than 20 years, specializing in financial and market development.

Gary Robertson, Director
Mr. Robertson is a Certified Financial Planner. He has worked in the financial industry for the past 20 years, and presently serves on the board of several private companies as well as on the board of 6 Canadian junior gold mining companies: Bralorne Gold Mines Ltd., Avino Silver & Gold Mines Ltd., Coral Gold Resources Ltd., Mill Bay Ventures Inc., Levon Resources Ltd. and Sage Gold Inc.

Chris Sampson, P. Geo, Consulting Geologist
Mr. Sampson is a professional geologist who, in his 30+ years in the mining industry, has worked on hundreds of mineral projects worldwide. He has worked for Rio Tinto and Noranda Inc. (now Falconbridge).

JasmanYee, P.Eng, Metallurgist
Jasman has been a practical mineral processing engineer for the past 35 years. He is a Chemical Engineering graduate of the University of British Columbia, class of 1970.

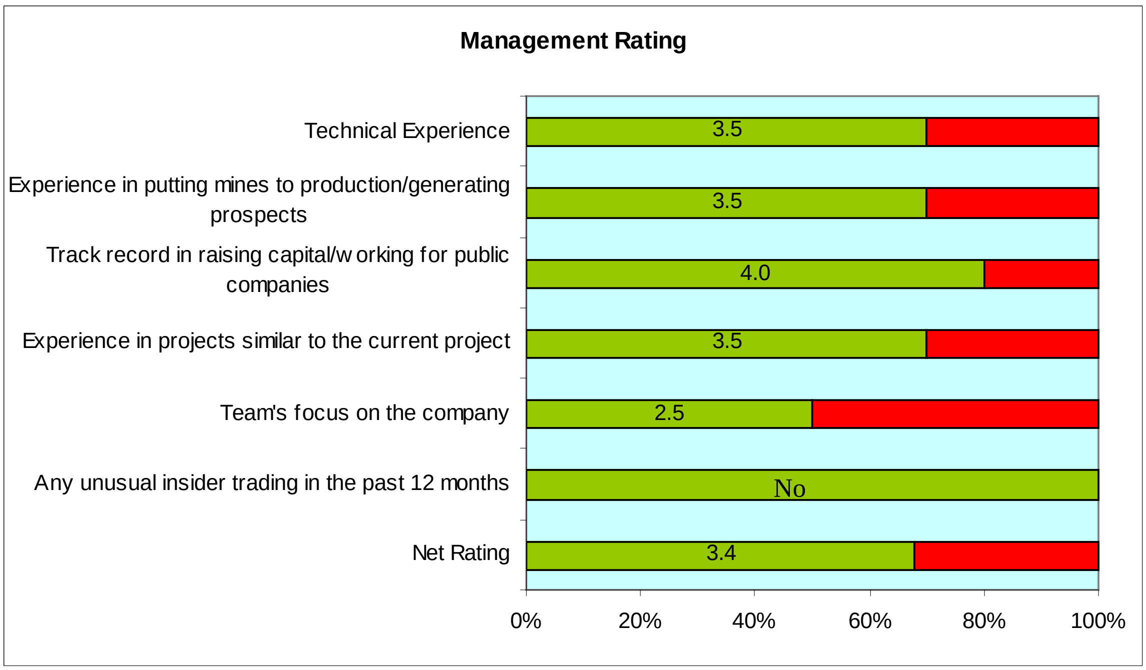
Connie Lillico, Corporate Secretary
Ms. Lillico was a paralegal in corporate and securities law with a national law firm for nine years, and has been working in management and administration of junior exploration companies since 2003. She is the Corporate Secretary of: Avino Silver & Gold Mines Ltd., Berkley Resources Inc., Bralorne Gold Mines Ltd., Coral Gold Resources Ltd., Mill Bay Ventures Inc., Gray Rock Resources Ltd. and Levon Resources Ltd.

Mercedes Ling, Administrator of Cia Minera
Mercedes has been the Mexico based administrator of Cia Minera for approximately 30 years and oversees all aspects of its operations.

J. Carlos Rodriguez M., Project Manager
Mr. Rodriguez is a graduate of the Colorado School of Mines and worked for Cia Minera at the Avino Mine before it was shut down. He rejoined the project in 2006 and oversees drilling at the Avino property.

Management Rating

We believe that the most important aspect of a junior mining company is its management, and is of vital importance to the success of a mining company. Therefore, we developed this system as a quantitative way to rate management based on a number of factors, including technical experience, the ability to raise financing, and management's time commitment to the company. We also analyzed trading records to identify evidence of insider trading by management. **Our net rating for Avino was 3.4, which we have rated average.** This rating was likely scaled downwards by the rating for "team's focus on the company", which we gave a lower rating because the management of Avino also is involved in the day to day operations of several other public companies. We rated the company above average for many other aspects of our rating, due to their many years of experience in managing public companies and proof of successful operation. **We believe Avino is well managed, as evidenced by the company's ability to operate the Avino mine for many years and their ability to attract experienced mining professionals with many years of technical experience.**



Strength of Board

The Toronto Stock Exchange recommends that the Board of Directors of every company include independent or unrelated directors who are free of any relationship or business that could materially interfere with the director's ability to act in the best interest of the company. An unrelated/independent director can be a shareholder. In this report, we introduce our strength of board rating for Avino, which uses information available from the company's annual "Management Information Circular" to ensure that the company has an independent Board of Directors, Audit Committee, and Compensation Committee. This report also identifies any non-arms length transactions and management's compensation.

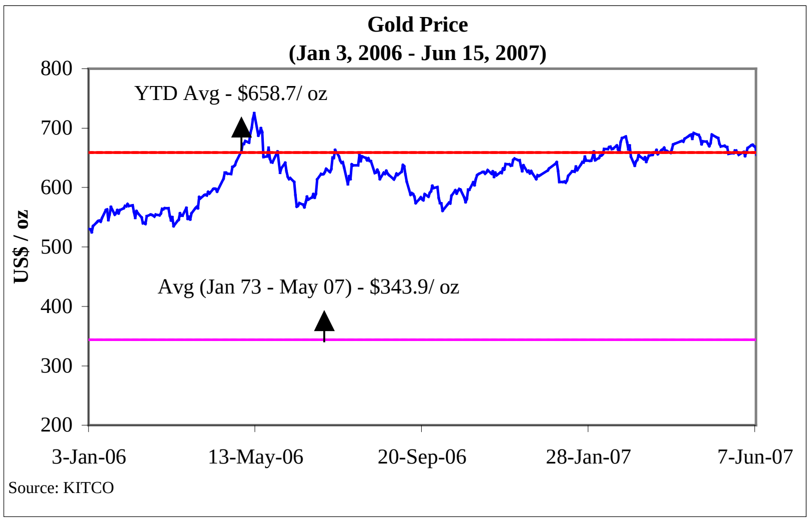
Avino's Board of Directors is made up of 5 individuals: Louis Wolfin, David Wolfin, Lloyd Andrews, Gary Robertson, and Michael Baybak. Lloyd Andrews is the only director that does not hold any shares in the company. The unrelated/independent board members are Gary Robertson, Lloyd Andrews, and Michael Baybak. David Wolfin and Louis Wolfin are not independent, as David receives compensation from the company and Louis is directly related to David. The Audit Committee is made up of David Wolfin, Gary Robertson, and Lloyd Andrews. The members of the Compensation Committee are not identified.

Transactions with related parties: The company is a part of a group of eight public mining and energy companies that operate with common management. Several of these public companies jointly operate a private company, which provides administrative support and office space to this group of public companies. This private company owns a private drilling company, ABC Drilling Services, which owns 2 drill rigs and conducts drilling on the company's Canadian properties. This is not an arm's length transaction.

Industry Outlook

Outlook for Gold

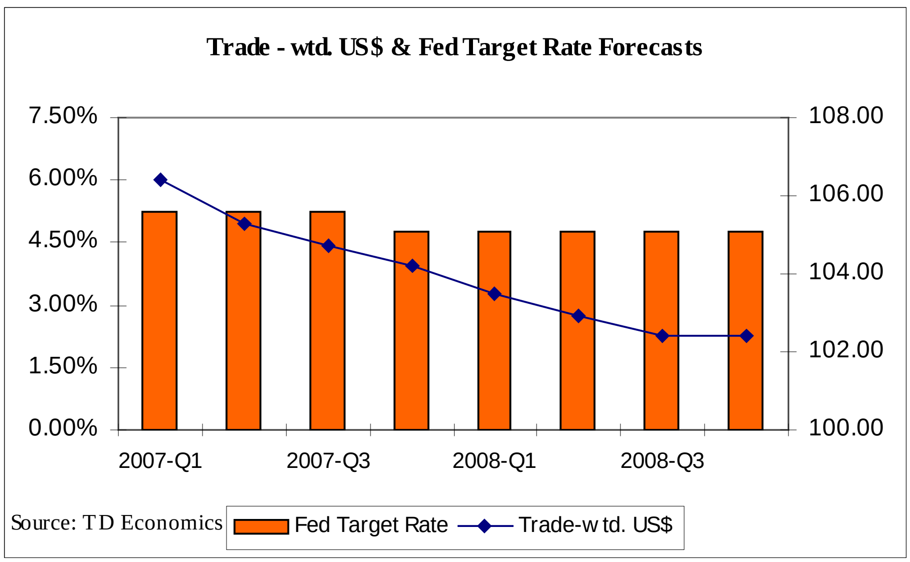
The chart below shows gold prices since January 2006. As of June 15, 2007, gold was trading at $653.10/oz, which reflects a yoy increase of 13.8%.



Prices have not dropped below the historical average price of $343.9/oz since April 2003. The next section presents our outlook on the macro-economic factors that affect gold prices in the long-term.

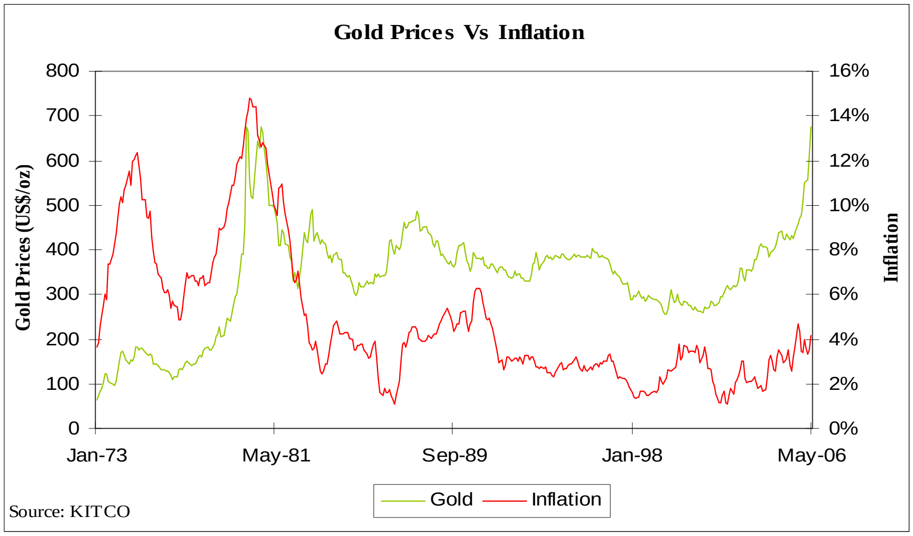
Projected depreciation of the U.S. dollar: Historically, gold prices have been negatively correlated to the U.S. dollar (shown below).

Based on rising global interest rates (U.K, Japan, Europe, Korea, and India) and a projected slowdown in the U.S. economy, the U.S. dollar is forecasted to depreciate with respect to other major global currencies. The chart below shows the forecasts of the U.S. Federal Reserve (Fed) target rates and the US$ against other major global currencies (trade – weighted US$).



As shown in the chart, the trade weighted US$ is expected to depreciate going forward (Note that the Fed is expected to cut interest rates to 4.75% by the end of 2007). The forecasted depreciation of the U.S. dollar, we believe, will support gold prices to high until the end of 2008.

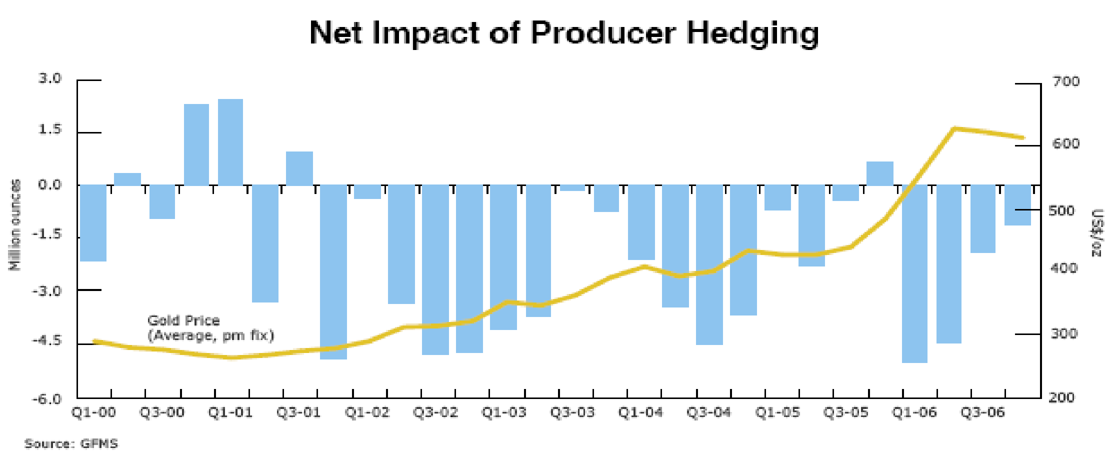
Gold –hedge against inflation and geopolitical risks: Gold is traditionally viewed as a safe-haven asset and regarded as a better hedge against the U.S. dollar and inflation than any other commodity. The chart below shows the relationship between gold prices and inflation. It can be noted from the chart that the price of gold is higher when inflation is higher.



The data indicates the risk-averse tendency of investors to move towards gold when other assets are volatile and more risky. **Additionally, there is also a tendency for investors to turn to gold as a capital preservation asset during times of higher global geopolitical tensions.**

Solid investment demand: As of June 15, 2007, total ETG assets held by two major exchanges, the New York Stock Exchange (NYSE: GLD) and the London Stock Exchange (LSE: GBS), were 18.13 million ounces, which reflects a yoy increase of 28.5% and ytd increase of 4.7% respectively. We believe that it is the steady rise in investment demand and not physical demand which will play a more significant role in setting gold prices going forward.

Continued Producer De-hedging: The chart below shows the increase in producer de-hedging since the beginning of the century.



Source: GFMS

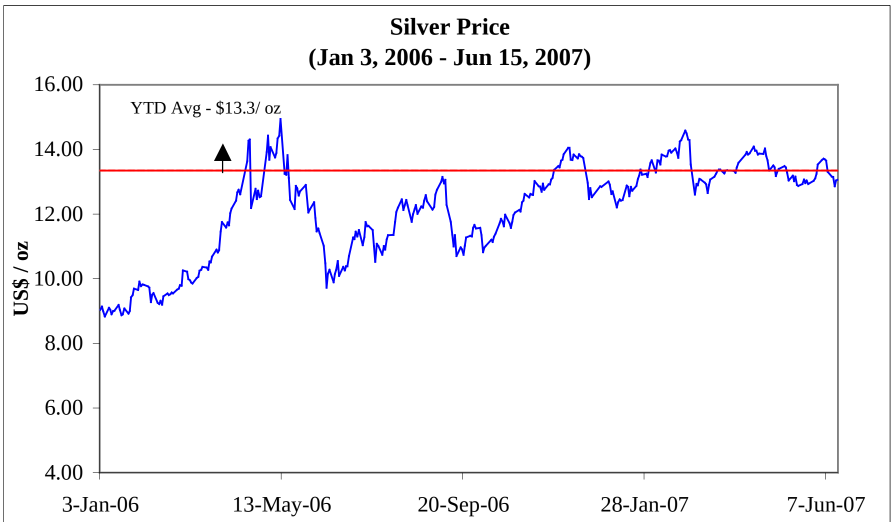
The chart also shows the increase in gold prices along with the increase in de-hedging.

Although de-hedging cannot drive gold prices up, we believe it supports the increase in prices. We expect the trend to continue (increasing producer de-hedging), which will support gold prices going forward.

Forecast: We believe that the long-term outlook on gold prices is positive and that prices will stay high. Based on a forecasted depreciation of the U.S. dollar and continued long-term demand for gold as a capital preservation asset, we believe that prices will stay above its historical average of $340/oz. The average forecasts for gold prices are $695/oz in 2007 and $750/oz in 2008.

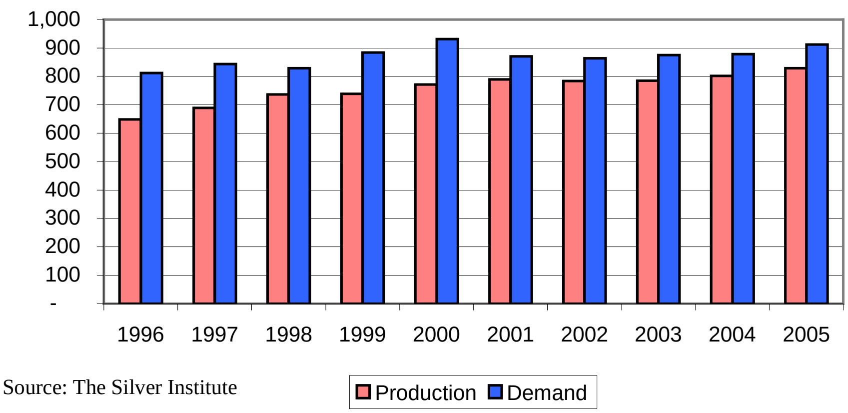
Outlook for Silver

As of June 15, 2007, silver was trading at $13.06/oz, which reflects a yoy increase of 27.0%. Prices in 2006 have ranged between $8.83/oz - $14.94/oz. The chart below shows silver prices since the beginning of 2006.



Source: KITCO

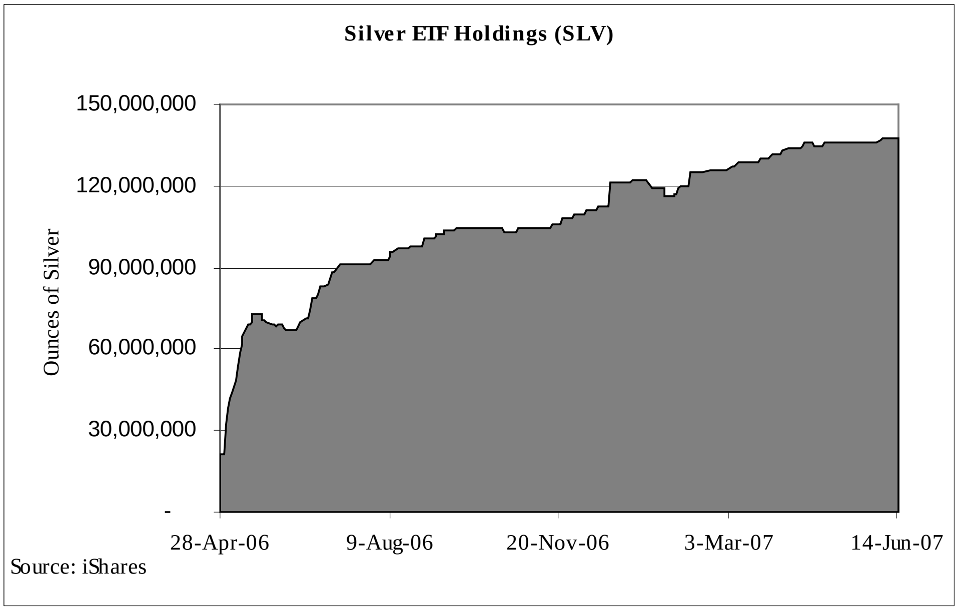
Historical demand versus supply: The chart below shows the gap between demand and supply (mine production and scrap) of silver during 1996 –2005. The chart shows that demand for silver has always been higher than supply during the period.



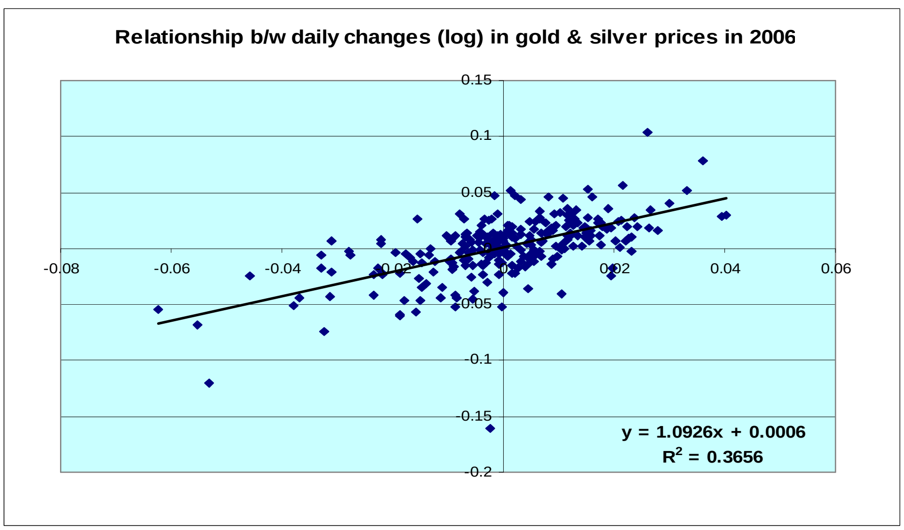
Source: The Silver Institute

Physical demand is expected to decrease: Based on expectations of slower global economic growth and decreasing demand for silver in the photographic industry, physical demand of silver is expected to decline yoy in 2007. According to the GFMS, although industrial demand (which constitutes about 45% of total demand) increased yoy in 2006, demand is expected to decrease in 2007, due to slower economic growth. Demand from jewelry fabrication (25% of total demand) and photography (17% of total demand) is also expected to drop. Demand for silver in the photographic industry is decreasing due to a general trend in shifting towards digital technology. Total fabrication demand was expected to fall by 3% in 2006, compared to 2005. We believe fabrication demand will decrease further as world GDP is expected to grow at a slower pace in 2007. Although physical demand of silver plays a significant role in setting prices, we believe that investment demand will also play a key role in driving silver prices going forward.

Strong investment demand: As of June 15, 2007, iShares Silver Trust assets were 137.75 million ounces, which reflected a 13.7% ytd increase, and 556.0% increase since the Silver ETF was introduced on April 28, 2006. We believe the increase in silver ETF holdings is a positive sign for the long-term demand for silver. The chart below shows ETF holdings since the introduction of the silver ETF.



Significant positive correlation between gold and silver prices: The chart below shows that silver prices were positively correlated with gold prices in 2006. Our study shows a statistically significant coefficient of correlation (0.61) and R2 (36.6%) existed between daily log changes of gold and silver prices.



Forecasts: Although the supply and demand fundamentals of silver play a key role in setting prices, we believe silver prices will continue to follow gold. We believe that strong investment demand for silver, amidst decreasing physical demand, will help keep prices high. Silver prices have moved in tandem with gold prices in the past, and we believe that this will continue in 2007. We believe the increasing demand for silver ETFs will offset flat physical demand keeping prices high going forward. The average forecasted prices are $13.80/oz in 2007 and $14.50/oz in 2008.

Financials

Operations: In FY2007, the company had a net loss of $3.65 million (eps: -$0.20), compared to $2.37 million (eps: -$0.22) in FY2006. Net loss increased primarily due to a considerable increase in stock based compensation, from $0.73 million in FY2006, to $2.86 million in FY2007. We estimate a burn rate (sum of negative cash flows from operating and investing activities) of about $0.13 million per month in FY2007 versus $0.10 million per month in the previous year.

Cash Position and Liquidity: At the end of FY2007 (end of January 2007), the company had cash and working capital of $11.05 million and $9.78 million, respectively, compared to $3.07 million and $2.87 million at the end of FY2006 (end of January 2006).

	2004	2005	2006	2007
Working Capital	2,561,619	1,997,847	2,871,446	9,780,917
Current Ratio	9.4	6.9	12.8	7.7
LT Debts/ Assets	-	-	-	-
Burn Rate (incl exploration costs)	(31,236)	(82,059)	(101,090)	(132,519)
Cash from financing activities	3,187,183	435,789	1,996,557	9,568,325

Financings: In January 2006, Avino raised $10 million dollars through a non-brokered private placement of 5 million units at $2.00 per unit. Each unit consists of 1 common share and one half non-transferable share purchase warrant.

Stock Options and Warrants Outstanding: At the end of January 2007, the company had 2.50 million warrants outstanding with an exercise price of $2.50 expiring in March 2008. The company also had 1.48 million outstanding stock options with a weighted average exercise price of $3.25 and expiring between October 2008 and April 2011.

Conclusion: We believe the company is in an excellent cash position and has sufficient cash to fund its exploration activities in 2007.

Valuation

We believe that the value of the company at this time should come exclusively from the Avino property. We have used a discounted cash flow (DCF) model, a real options model and a comparables analysis to determine the value of the Avino property.

Although the company intends to expand the resource estimate of the Avino property before it is put into production, we value the project based on the currently known resource estimate (of the tailings and our self-calculated resource estimate of the San Gonzalo zone). The table below shows the known resource estimate of the project at this time.

	Resource (in tonnes)	Silver (in troy oz)	Gold (in troy oz)
Tailings	2,000,000	6,108,642	32,151
Grade (in g/t)		95	0.5
San Gonzalo Zone	588,000	4,726,160	28,357
Grade (in g/t)		250	1.5
Total	**2,588,000**	**10,834,802**	**60,508**

Our valuation of Avino based on a DCF model is $1.66 per share.

DCF Valuation Summary - Avino Silver-Gold-Copper Property	
Resource (in tonnes)	2,588,000
Recovered Gold (in troy oz)	49,470
Recovered Silver (in troy oz)	8,476,544
Production Commencement	2009
Mill Processing (tpd)	1,000
Mine Life (in years)	8
Long-term Gold Price (in US$/oz)	$550
Long-term Silver Price (in US$/oz)	$11
Average Operating Costs ($/tonne)	$15/t (San Gonzalo Zone) & $9/t (Tailings)
Capital Costs - in $mm	$20.00
Discount Rate	12%
Net Present Value	**$27,565,375**
Avino's Interest	88.25%
Avino's Share	**$24,326,444**
Working Capital	$9,780,917
No. of Shares	20,584,727
Value per share	**$1.66**

For valuation purposes, we have assumed that production will commence on the San Gonzalo zone in 2009. Our capital cost estimate of $20 million includes costs to set up a heap leach operation ($16.2 million), and costs to bring the processing plant to full capacity at 1,000 tpd ($3.1 million). All other assumptions and inputs are shown in the table above.

Our valuation of Avino based on a real options valuation model is $2.44 per share. The real options valuation model serves as a check to the DCF valuation. We believe that the real options valuation model is very appropriate for valuing early stage mining companies, as it accounts for the volatility in commodity prices, and the value of management's flexibility to abandon or pursue projects.

Real Options Valuation Model - Avino Silver-Gold-Copper Property						
	Resources (in tonnes)	**Au -Grade (g/t)**	**Ag - Grade (g/t)**	**Au (in troy oz)**	**Ag (in troy oz)**	**Value (C$)**
Tailings	2,000,000	0.50	95.00	32,151	6,108,642	74,642,741
San Gonzalo Zone	588,000	1.5	250	28,357	4,726,160	68,142,362
Gold Price (US$/oz)	625.00			Total Value (C$)		$142,785,103
Silver Price (US$/oz)	11.00			Operating Costs (C$)		$28,161,000
C$/US$	1.15			**Net Value (C$)**		**$114,624,103**

Inputs relating to the underlying asset				
Estd. Mineral Resources (in tons)				2,588,000
Estd.Value of Minerals if extracted today				$114,624,103
Annualized Standard Deviation of Mineral prices				35.2%
Capital Investment				$20,000,000
Estd. Mine Life (years)				8.0
Riskfree Rate				4.20%
Output				
Stock Price	$114,624,103		T.Bond rate	4.20%
Strike Price	$20,000,000		Variance	0.12
Expiration (in years)	8.0		Annualized div yield	8.27%
			Value of Option	$45,763,066
			Avino's Share	$40,385,906
d1 =	1.924		Working Capital	$9,780,917
N(d1) =	0.973		Debt	-
d2 =	0.929		No of outstanding shares	20,584,727
N(d2) =	0.823		**Value per Share**	**$2.44**

The table below shows our comparables valuation. All the peer companies primarily target silver in Mexico/Peru. **Based on an average ratio of enterprise value (EV) to resources (in troy oz), we believe that the fair value of Avino, based on its current resource estimate, is $2.44 per share.** As shown in the table, the company is undervalued compared to two of the three comparables that we have used in the analysis.

Comparables Valuation						
		SYM	**Price**	**Enterprise Value (EV)**	**Resources (Ag eq.)**	**EV / Resources**
1	**Silver Eagle Mines Inc.**	SEG	$1.23	$64,578,890	12,601,000	**5.12**
2	**Fortuna Silver Mines**	FVI	$3.10	$187,807,121	54,206,102	**3.46**
3	**Avino Silver and Gold Mines**	ASM	$1.74	$24,772,319	12,595,693	**1.97**
4	**Orko Silver Corp.**	OK	$0.86	$68,103,102	35,800,000	**1.90**
					Average	**3.11**
				Fair Value of ASM's Stock		**$2.44**

Note: Stock prices and Market Capitalizations are as of June 25, 2007

Valuation Summary: The table below shows a summary of the three valuation models that we have used to value the company. Both the real options valuation model and comparables analysis clearly indicate that Avino is undervalued at current price levels. *(As of June 18, 2007, Avino was trading at $1.82 per share).* However, our DCF valuation suggests that the company is currently trading above its fair value.

Valuation Summary	
DCF Valuation	$1.66
Real Options Valuation	$2.44
Comparables Valuation	$2.44
Average Price	**$2.18**

The average fair value, based on all the three valuation models, is $2.18 per share.

Rating

We believe the potential for the future success of Avino lies in their multiple vein targets on the property. Drilling results from the San Gonzalo vein indicate the potential for the production of high-grade silver-zinc-lead concentrate, which is very marketable in today's resource market. The company is drilling at San Gonzalo now to determine a NI 43-101 compliant resource. We believe the company will likely be drilling for the duration of 2007 to define a mineable resource, but will be able to bring the Avino processing plant back to full capacity in several months for a cost of approximately $3.1 million.

Based on our valuation models and analysis of the company's projects, we initiate coverage on Avino with a BUY rating and a fair value estimate of $2.20 per share. Our fair value estimate reflects an upside potential of 26.4% from current price levels. Note that our valuation at this time does not account for any significant upside potential at the San Gonzalo or other veins. Continued good results at the San Gonzalo vein in particular could easily drive the share price higher. Our valuation would also increase if and when the company delineates a resource on the other veins on the property.

Risks

The following risks, though not exhaustive, may cause our estimates to differ from actual results:

- The company has not defined any NI 43-101 compliant resource estimates and does not currently have any operating mines. However, they are significantly advanced compared to many juniors due to their historic production and associated infrastructure.

- The success of drilling, expansion and determination of favorable resource estimates are important long-term success factors for the company.

- The value of the company depends on commodity prices.

We rate the shares Risk 5 (Highly Speculative).

Appendix

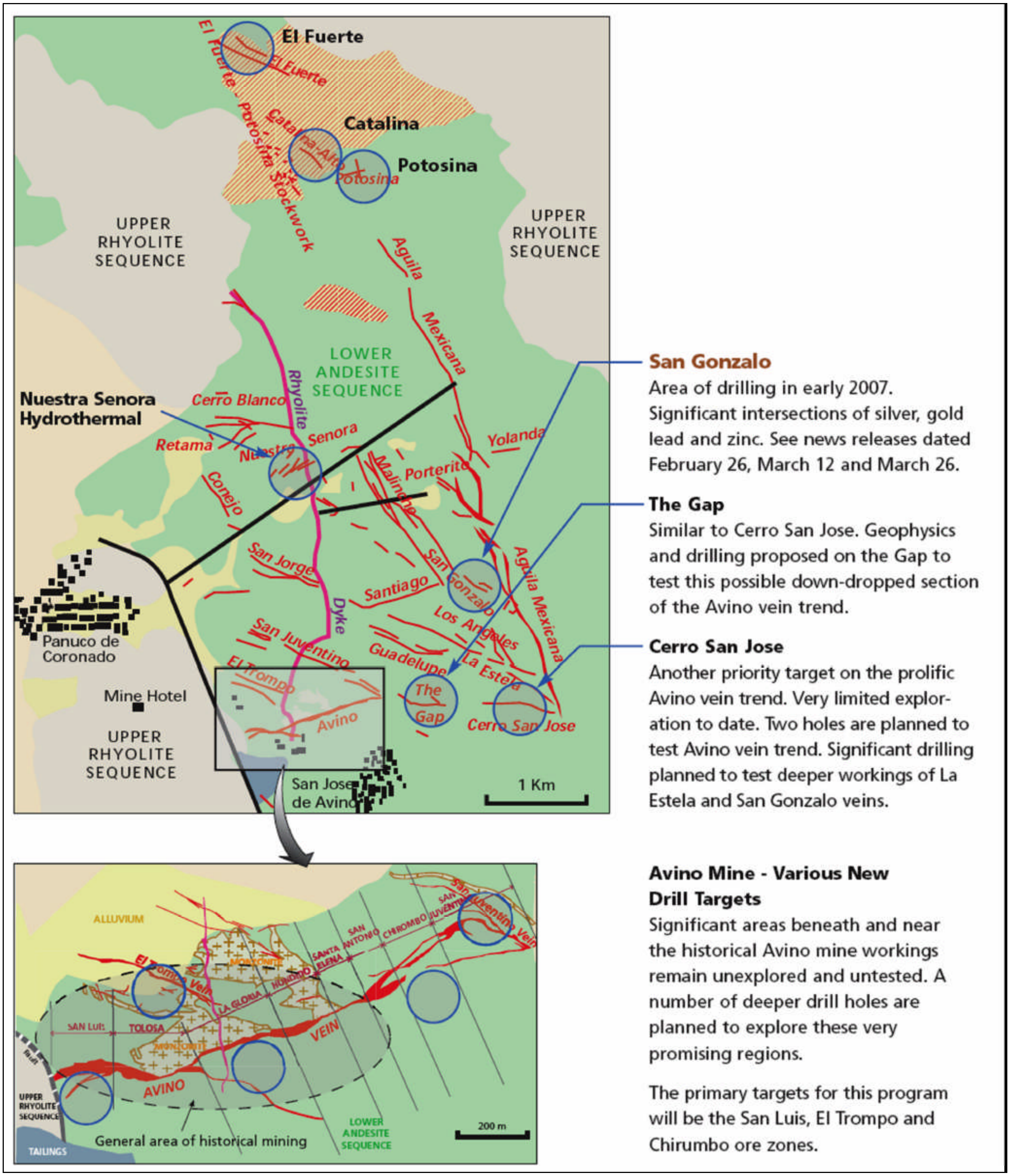
Table 3-4 Avino Mine Production as concentrate shipped ex sulphides ore[36]

	mined t	Con shipped t	Silver g/t	Gold g/t	Copper %
U/g sulphides					
1993	217 276	3 659	5 719.8	57.2	8.0
1994	287 662	5 571	5 091.8	53.7	12.3
1995	325 236	6 643	5 031.7	43.4	19.1
1996	304 420	5 413	4 438.4	35.1	20.6
1997	363 937	6 260	4 648.3	38.0	24.8
1998	364 319	6 603	4 129.3	41.0	19.4
1999	383 739	6 514	4 715.5	36.4	21.3
2000	351 216	6 477	4 382.9	38.2	23.9
2001	338 628	7 430	3 571.6	21.3	22.3

Table 3-5 Avino Mine Production as concentrate shipped ex open-cut ore[37]

	mined t	Con shipped t	Silver g/t	Gold g/t
Open-cut oxides				
1976		1 332	5 343.8	20.5
1977		1 059	7 773.9	17.1
1978		1 014	8 941.8	21.9
1979		1 337	6 653.4	16.1
1980		1 635	5 175.4	20.1
1981		1 645	7 770.8	24.2
1982		1 661	7 845.7	29.0
1983		1 277	10 239.8	43.8
1984		1 306	9 837.2	28.6
1985		1 570	9 383.0	33.2
1986		749	9 261.5	48.6
1987	138 112	1 096	13 177.0	62.2
1988	153 254	1 139	15 184.4	67.0
1989	259 836	2 040	13 258.5	60.4
1990	235 129	3 041	9 587.6	40.0
1991	176 340	1 082	21 261.6	100.5
1992	180 744	2 034	10 795.5	50.0

Production records from the Avino mine, 1976-2001. Note that the grades listed are not the grades mined, but the grades in the concentrate.
Source: MineStart Technical Report, dated October 2005 and available on SEDAR



The company's exploration targets for 2007.
Source: Avino Silver & Gold Mines

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Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk
Hold – Annual expected rate of return is between 5% and 12%
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Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

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2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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