

### Avino Silver & Gold Mines Ltd.

(ASM – TSX Venture, ASGMF – OTCBB, GV6 – Frankfurt & Berlin)

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Jeff Howlett is a financial analyst who for over the past 10 years has provided research services to companies lacking adequate coverage. Mr. Howlett was previously affiliated with a major Canadian investment firm specializing in Mergers & Acquisitions and has received a B.Sc. in Economics from the Wharton School of the University of Pennsylvania.

Current multi-faceted program at historic Avino Property, Mexico

- ➊ expand resources at the Avino mine/examine scenarios to resume mining,
- ➋ exploit the tailings resource,
- ➌ explore other areas.

Since 1968, Avino's main asset has been an interest in Cia Minera Mexicana de Avino, SA de CV (Cía Minera) of Durango Mexico, whose principle asset is the Avino property, a historic silver producer (with significant copper and gold). Roughly 5 million tons of ore were mined from 1976 – 2001 (16 mm oz Ag; 96,000 oz Au; 24 mm lbs Cu). The mine shut down in 2001 due to low commodity prices and the smelter closing for toll processing (since re-opened). About 2 million tons of oxides were mined from an open pit until 1992, with 3 million tons of sulfide material mined underground thereafter. An inferred resource has been established for the oxide resource (3.5 mm oz Ag, 31,000 oz Au - see below). The company has over \$12 million in cash to execute a multi-faceted exploration strategy.

#### A. Continuing Potential at the Avino Mine

- ➊ When mining was suspended the deepest level mined was at the 2070 m level (330 m below surface). Blocked out resources stood at over 162,000 tons @ 157 g/t Ag, 0.65 g/t Au and 0.71% Cu. Previous drilling in the late 1960s (4 holes over 400 m) pointed to resources extending to at least the 1950 m level. Another hole to the west returned 73.9 g/t Ag, 9.34 g/t Au, 0.75% Cu over 2.1 m (see p. 6 for diagram).
- ➋ **There is clear potential at depth with the three main ore shoots of the Avino vein system (San Luis, El Trompo, and Chirumbo). All 3 areas are the subject of the current 9 hole, 3200 m drill program.**
- ➌ **Scenarios are also being examined for resuming operations.**

#### B. The Mine's Tailing Resource – Good "Base" Value for Avino

- ➊ A 2004 field study (14 sample pits, 86 samples) to investigate / confirm results from a 1990 sampling program (34 vertical holes to bedrock in 7 fences, 461 samples) established an inferred resource and identified treatment options for the 2 million tonne oxide resource. Implied values were estimated at US \$47.3 million, capx of US \$16.2 million, and **net revenues of US \$31.4 million**. Although early stage, **the 2005 scoping study showed sufficient potential to proceed with feasibility.**

	Tonnes	Ag (g/t)	Au (g/t)	Ag oz	Au oz
Cia Minera - 1990	2,092,178	93.0	0.50		
Minestart - 2005	2,091,074	95.5	0.53	3.5 million	31,000

#### C. Explore the Surrounding Concessions

- ➊ The Avino concessions have various showings and former producing mines and a 1993 investigation by mining giant Luismin S.A. de C.V. Identified several targets. Avino has an IP program slated for 2006, with follow up drilling expected.



#### Share Data (\$Cdn):

Recent Price: \$2.15  
 52-week Price Range: \$1.20 - \$4.48  
 Shares Outstanding (8/1/06) (1): 20.5 million  
 Fully Diluted Shares (2): 24.6 million  
 (1) Incl. 3,164,702 shares for add'l 39.25% interest in Cia Minera.  
 (2) Incl. 3.9 million options & warrants @ \$1.20 - \$3.99.

#### Capitalization (\$Cdn):

Market Capitalization: \$44.1 million  
 Total Debt (8/1/06): \$0.004 million

#### Corporate Information:

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### AVINO – SEVERAL ATTRACTIVE FEATURES WITH POTENTIALLY FAR REACHING NEAR TERM RESULTS.

- ➊ **The "base" value attributable to the 2mm tonne oxide tailings project which affords some downside protection. The 3 mm tonne sulfide tailings also have good potential to make this project much more attractive.**
- ➋ **The current drilling program could result in an accelerated development program (i.e. good results could lead into an aggressive development and feasibility-oriented effort).**
- ➌ **The company had over \$12 million in cash as of 4/30/06 – Avino has the resources to carry out an extensive program.**
- ➍ **Avino increasing its interest in Cia Minera to 88.25% is also a very positive development.**
- ➎ **Longer term, the significant number of exploration targets and near term ability to establish drill targets.**

**BACKGROUND – THE AVINO MINE (88.25% interest)**

*Ownership & Access*

Since 1968, Avino's main asset has been an interest in Compañie Minera Mexicana de Avino, SA de CV (*Cia Minera*) of Durango Mexico, whose principle asset is the *Avino property*, a core mineral concession block located about 82 km northeast of the city of Durango and covering about 980 hectares. Access is excellent, with paved local highways (including the relatively new federal route 40 toll highway leading from Durango) and a network of gravel roads. The mine-site, which lies between the towns of Panuco de Coronado and San José de Avino, is at an elevation of about 2,200 m at the gatehouse and office. Relief is estimated at about 100 m ranging from the bottom bench of the tailings to the top of the former open-cut. A number of graveled roads cross the property.

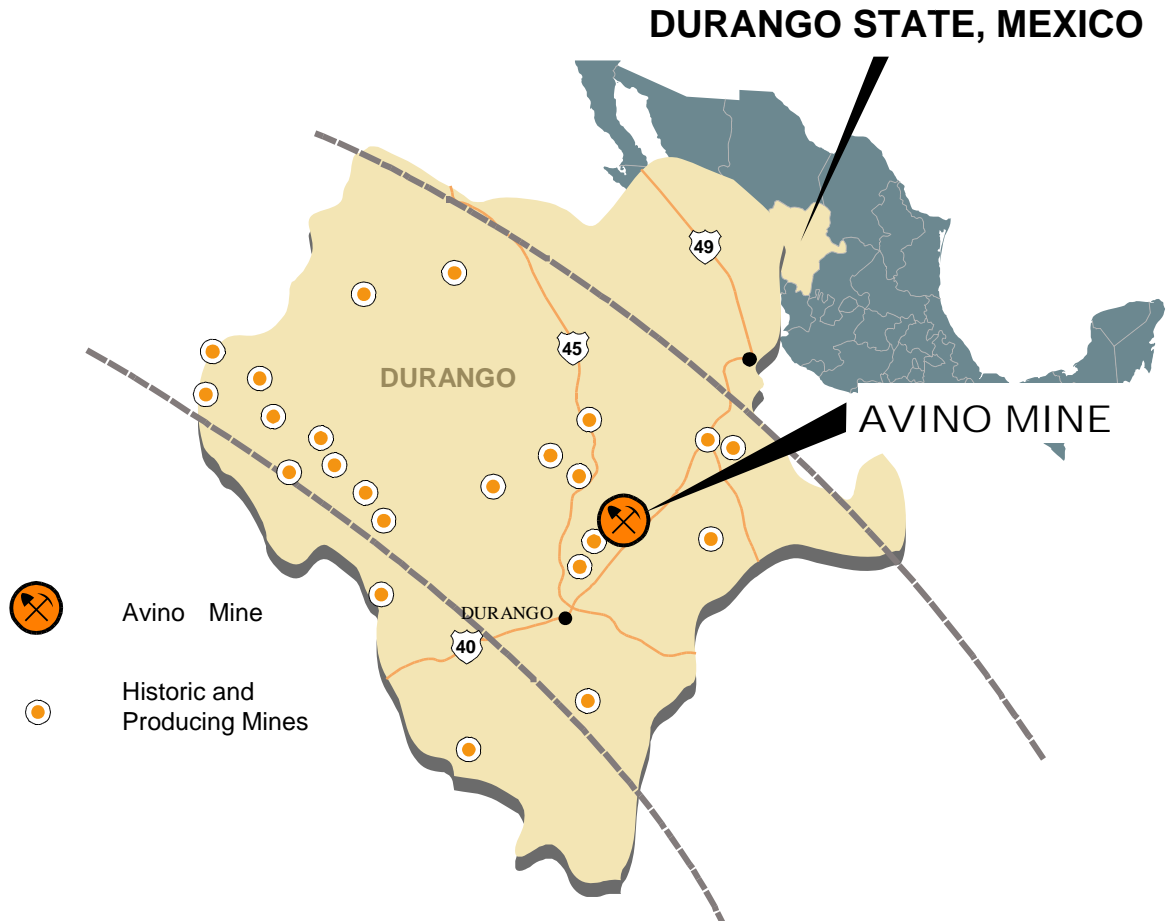
On July 25, 2006, Avino announced that it had completed the previously announced acquisition of a further 39.25% equity interest in Cia Minera for 3,164,702 common shares – bringing its interest from 49% to **88.25%**.

Royalties are payable on production as follows: 1) 3.5% on mineral extracted, processed and sold from Unification La Platosa, concession, and 2) 3.5% on mineral extracted, processed and sold from the San Carlos and San José concessions.

*Lengthy History of Production*

The Avino Mine underground workings have a history going back 100 years or more, having been developed over 1,200 m on strike and some 400 m deep.

Between 1976 and 2001, when the Avino mine was in continuous operation, a nominal *5 million tons of processed tailings were deposited into the tailings pond*, of which *2 million is described as oxide (originating from the open pit until 1992)* and the remaining *3 million tons from subsequent underground mining*, where the ore was predominantly sulfide.



PROJECT HISTORY	
<b>Pre-Cia Minera</b>	
Early	<ul style="list-style-type: none"> <li>• Silver and gold were discovered at what is now the Avino mine in 1555, with mining starting 7 years later. Avino is believed to have been the first operating mine in Nueva Vizcaya, now Durango.</li> <li>• The mine was shut down in 1810 at the onset of the War for Independence. From 1810, mining was carried out intermittently as small underground operations.</li> </ul>
1880 - 1912	<ul style="list-style-type: none"> <li>• The deposits were merged into Avino Mines Ltd. and worked on a larger scale with new equipment and technology, financed with British and U.S. capital. In the early <b>1890s</b> there were about 600 employees reported to be living locally with their families.</li> <li>• Operations were abandoned in 1912 as the threat of revolution loomed.</li> </ul>
<b>Avino – Exploration, Development, &amp; Production</b>	
1968 - 1976	<ul style="list-style-type: none"> <li>• The Ysita family of Mexico City and <i>Avino Mines and Resources Ltd.</i> jointly formed Cia Minera, which acquired the mine and surrounding property (at that time foreigners could not own more than 49%).</li> <li>• In 1970, a contract was signed with <i>Selco Mining and Development Limited</i>, who spent more than US \$1 million in exploration and feasibility studies. Extensive rehabilitation work underground included <ul style="list-style-type: none"> <li>• As part of about <b>2,500 m of drifting</b> and cross-cuts, continuity of strike was proved by Cía Minera when they connected three of the old mine workings.</li> <li>• An extensive rehabilitation program, followed by <b>a complete channel sampling program</b> of all of the available old workings.</li> <li>• <b>8,000 m of surface and underground diamond drilling</b>. Selco drilled a series of 10 holes below the old underground workings.</li> </ul> </li> <li>• <b>Limited open-pit mining and flotation concentration</b> was started in <b>1970</b>.</li> <li>• The property was returned to Cia Minera in 1972, reportedly due to low metal prices.</li> <li>• In October, 1973, a contract was signed with <i>S.C.I. Ltd.</i> and <i>Sheridan Geophysics Ltd.</i> Under this accord a <b>500 tpd plant</b> was completed in May, 1974.</li> <li>• In mid-1976, the 1974 mill operating agreement with S.C.L. was terminated.</li> </ul>
1976 - 2001	<ul style="list-style-type: none"> <li>• From mid-<b>1976 - 2001</b>, the mine was operated by the Ysita family (holder of 51% of Cia Minera. Production was continuous until 1993 when, in expectation of reaching the economic depth of the open pit (increasing strip ratio), underground development started.</li> <li>• In <b>1990</b>, Cia Minera carried out a sampling program across the then exposed surface of the tailings. The company drilled 34 vertical holes in 7 fences on the tailings. A total of 461 samples were, for the most part, cut at 1 m vertical increments and assayed for silver and gold at the mine assay lab.</li> <li>• In <b>1992</b>, <i>Luismin</i>, the engineering arm of <i>Cia Minera de San Luis</i>, was contracted to review the geology and mine reserves of the Avino Mine and surrounding potential areas. An extensive underground sampling program and geophysical surveys were completed.</li> <li>• In the <b>1990s</b>, a larger ball mill was installed, which provided a more efficient <b>1,000 tpd</b> throughput in the mill.</li> <li>• Operations were suspended in November, 2001 owing to low metal prices, delays in smelter payments for concentrates, and closure of the smelter for toll processing.</li> </ul>
<b>Avino – Post Production – Tailings Study &amp; Current Program</b>	
2004	<ul style="list-style-type: none"> <li>• Avino commissioned a field program on the oxide tailings to provide data for independent investigation of the 1990 drilling results as to assay grades and volume and examine the metallurgical characteristics. This study identified an <b>inferred resource of 2 million tonnes of 95 g/t Ag and 0.53 g/t Au for the oxide portion of the Avino mine tailings for which a trial 90 day column leach of a composite sample indicated 73% Ag and 79% Au recovery</b> (see below).</li> <li>• In 2006, Avino has started a <b>9 hole, 3,200 m core drilling program</b> at the former mine to explore its downdip extensions and is mobilizing an <b>IP geophysical team</b> to run surveys over various showings and former producing mines in the mine area.</li> </ul>

## AVINO MINE PRODUCTION

### Production

From the start of systematic production in 1976, ore processing has been by flotation. The oxidized ore, ex open pit, was processed to produce a lead concentrate which was then sold to the Penoles smelter at Torreon with credits for silver and gold. Open pit mining occurred from roughly the 2400 m level to the 2300 m level (100 m). Because of the increasingly high stripping ratio, an underground mine was developed in the deeper, sulphide zone, where the deepest level reached to 2001 was about the 2070 m level (12½ level). Mining is relatively easy – ore bodies worked occur as silicified fault breccia whose dip 60-70° southwards favors trackless, sub-level stoping and serviced from a spiral ramp. A flotation plant on site has a reported capacity of 1,000 t/d and since 1993 has produced a copper concentrate which has been sold, with credits paid for the silver and gold, to Asarco's San Luis Potosi toll smelter. Delays in smelter payments for concentrates and closure of the smelter for toll processing led to the suspension of mine operations at the end of 2001. It is our understanding that issues resulting in the suspension of toll smelting have been solved and the facility is once again available for 3<sup>rd</sup> party concentrates.

#### Production Highlights

- Higher Ag grades in near surface oxides, appearing to stabilize lower in the sulfides. Higher Cu at depth in the sulfides. Variable Au grades.
- No credits given for Cu when a lead concentrate was produced.
- Significantly better recoveries in the sulfides (i.e. >75% for all three metals) vs. oxides (i.e. given the high 95 g/t inferred Ag resource in the oxide tailings).
- Increased throughput over time to rated capacity (1,000 tpd).
- Reopening of Cu smelter for toll smelting.

Open-cut Oxides	Tonnes	Con	Tails	Head Grades		
	Mined	Shipped (t)	(t)	Ag (g/t)	Au (g/t)	Cu (%)
1976		1,332				
1977		1,059				
1978		1,014				
1979		1,337				
1980		1,635				
1981		1,645				
1982		1,661				
1983		1,277				
1984		1,306				
1985		1,570				
1986		749				
1987	138,112	1,096	137,016	169.80	0.91	
1988	153,254	1,139	152,115	185.00	0.92	
1989	259,836	2,040	257,796	169.00	0.91	
1990	235,129	3,041	232,088	200.00	0.99	
1991	176,340	1,082	175,258	217.00	1.07	
1992	180,744	2,034	178,710	198.00	0.96	
<b>U/G Sulfides</b>						
1993	217,276	3,659	213,617	153.00	1.46	0.27%
1994	287,662	5,571	282,091	136.00	1.41	0.31%
1995	325,236	6,643	318,593	133.00	1.20	0.50%
1996	304,420	5,413	299,007	106.00	0.87	0.48%
1997	363,937	6,260	357,677	108.00	0.88	0.53%
1998	364,319	6,603	357,716	92.00	0.94	0.40%
1999	383,739	6,514	377,225	101.00	0.80	0.41%
2000	351,216	6,477	344,739	106.00	0.90	0.51%
2001	338,628	7,430	331,198	103.70	0.61	0.57%

Since 1992, exploration in / for the mine has been limited to traditional underground mine development with associated sampling and planning for production feed. Mine tonnage allocated for production at November, 2001 was as follows (note – it is not known if they include allowances for either mine losses or dilution or mine / mill recover and cannot be relied on).

	Tonnes	Ag (g/t)	Au (g/t)	Cu (%)
Avino Hanging & Footwall	93,420	182	0.71	0.88%
Foot-wall breccia	68,637	123	0.58	0.48%
<b>Total</b>	<b>162,057</b>	<b>157</b>	<b>0.65</b>	<b>0.71%</b>

**EXPLORATION**

Historically, there has been a high degree of emphasis placed on the most prominent structure in the Avino mine area – the vein / breccia zone (the Avino deposit), a zone that strikes almost due east-west and dips at 50° to 70° to the south.

1969  
Cannon-Hicks  
Study

Much information was gathered from 1968 through 1970, when a major program was instituted.

- The mineralized zone had been traced over a horizontal length of 1,250 m with widths ranging from 12 – 60 m and averaging about 33 m.
- **Four diamond drill holes intersected the zone at a depth of 480 m below outcrop, over a horizontal length of 400 m with no significant change in mineralization** (see diagram on following page).

HOLE #	Interval (m)	Ag (g/t)	Au (g/t)	Cu (%)
DDH – 1	8.5	73	0.35	1.83
DDH – 2	15.8	79	0.16	0.64
Incl.	8.3	71	0.1	0.93
DDH – 3	10.4	204	0.22	0.69
DDH – 4	10.0	90	2.94	0.48

- The longitudinal boundaries had not been defined – an IP survey carried out in the spring of 1969 successfully outlined the mineralized breccia zone but failed to establish limits. To the **east**, there were indications of continued mineralization but one diamond drillhole in this area, which failed to locate the breccia, did encounter some zinc, and some evidence of faulting. The strength of the breccia zone suggests a good probability of finding extensions.
- An interpolated fault lies at the most westerly end of the known mineralization where there is a possibility of a substantial throw to the breccia zone and consequently the ore zone. This possible structure had not been investigated.

**Results.** It was recognized in the study that while a considerable amount of work had been carried out, much of it was of a preliminary nature. Also, because of the size of the zone, the sampling carried out in the old workings and by diamond drilling was necessarily wide spaced. Thus, it was not possible to reach firm conclusions. However, a calculation of "reserves" was made based on sampling of existing underground workings and from surface diamond drilling (which could not be classified as "proven" as testing was at widely spaced intervals).

Category	Million			
	Tons	Ag opt	% Cu	
"Reasonably Assured"	12.61	3.97	0.83%	above 2200 level where sampling of old workings supplemented diamond drilling
"Drill Indicated"	12.82	2.08	0.60%	Material below 2200 level (intersected only in drill holes)
"Geologically Inferred"	15.0	at drill indicated grades		To cover probable lateral extensions beyond the area drilled.

*(note – these historic mineral resource / reserve estimates cited above are presented for the purpose of historic background only and do not represent defined mineral resources on the property – the classification of these historic figures also do not conform to National Instrument 43-101). It was noted that any economic assessment made at that time must be speculative because none of the necessary parameters had been firmly established.*

*Assaying was completed for Ag and Cu only (i.e. the presence of Au, Pb and Zn were noted and re-assaying was planned.*

**Exploration Programs**

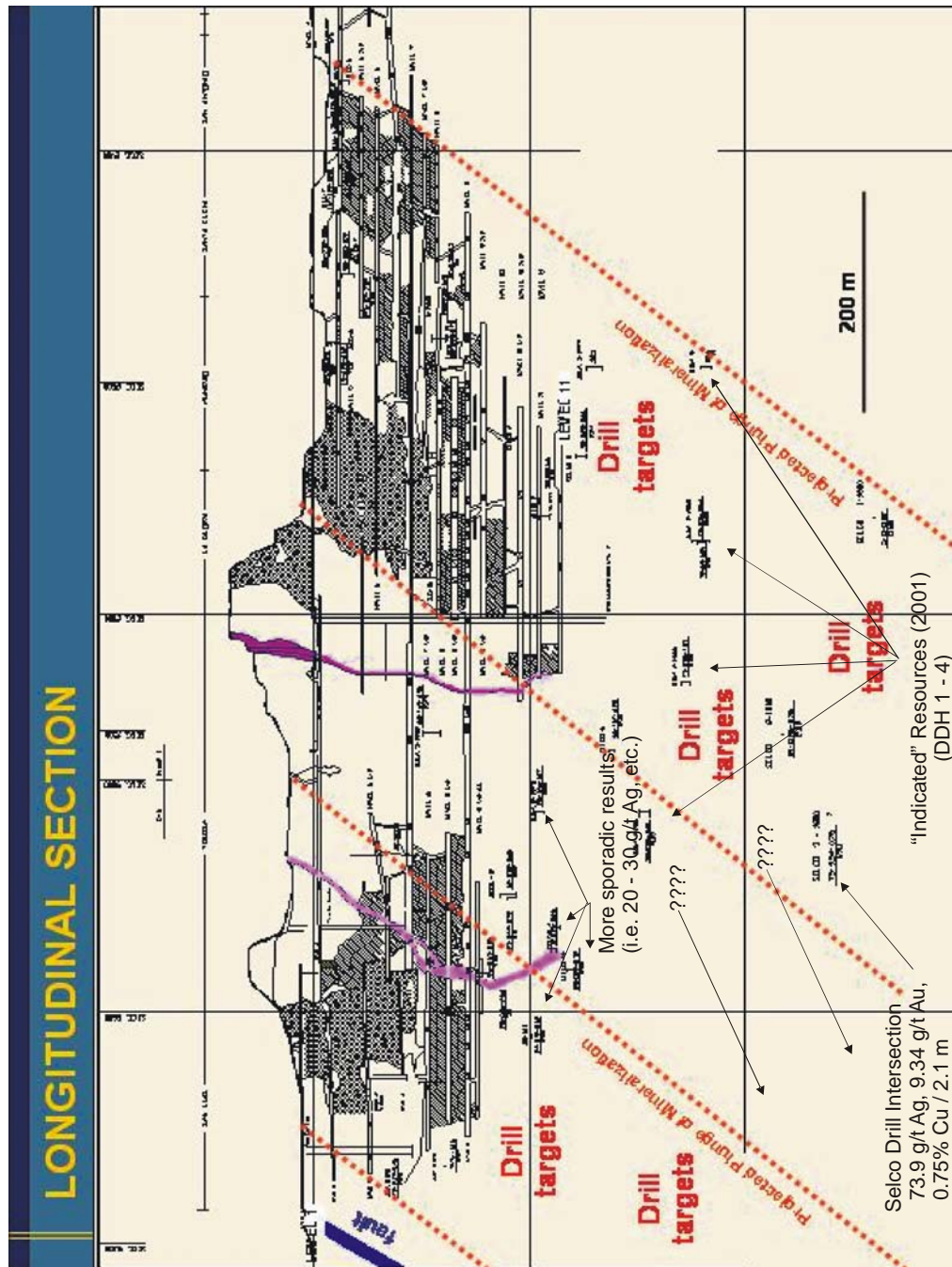
1. Significant 1968 – 1970 program on main Avino mine area, followed by early mining and leading to full scale production.
2. 1993 Luismin study, when oxide reserves were being depleted and a change in mining was necessitated.
3. 1990 and 2004 study of the oxide tailings resource.

Exploration Sept. / 68 through the report date Nov / 69 included:

- Surface geological survey
- IP survey over the mineralized zone with extensions over other areas.
- Timbering for access to all of the available workings in the old mines.
- Surveying of these underground workings.
- Complete channel sampling of all of the available old workings.
- Surface diamond drilling – **15 holes with an aggregate length of 13,828'**
- Rehabilitation of San Carlos #2 shaft to the #7 level at a depth of 100m including new headframe and preparation of this level for east and west drifting.
- Drifting west (60 m) on San Antonio adit.
- Start on metallurgical testwork.

Efforts also included equipment purchases, camp extension, hydrological survey, etc.

***It was noted that the strength of the geologic structure and the comparative uniformity and vertical range of the valuable mineralization over the full horizontal and vertical range tested permit the drawing of a very strong inference concerning the untested portions of the zone.***



**Correlation with Later Mining.** The early report appears to tie in well with later mining at Avino. We know that:

- Open pit mining occurred in the "Reasonably Assured" category (above the 2200 m level) and mined head grades appear to correlate well with those predicted in the 1969 study (i.e. 169 + g/t in the later years – given in the table above – which is actually higher than the 4 opt given in the "Reasonably Assured" category). (note – 1 troy ounce = about 31.1 grams). Early study was proving accurate and the "Reasonably Assured" material was in fact there.
- Underground mining began at about the 2300 level and as underground mining continued through the 2200 level and – also as predicted – Ag grades began to drop – leveling off at about the 100 g/t level (vs. the 2.0 opt level predicted in the "Drill Indicated" category – below the 2200 m level. Copper grades seem to match well at about the 0.60% level.

Levels Reached	
●	2400 m level – top of open cut
●	2300 m level – beginning of underground mining.
●	2070 m level – lowest level mined in 2001 (11½ level).

- Mining was occurring in 2001 at about the 11½ level (about 30 m below the 2100 level). Head grades were continuing at previous levels (i.e. 2001 year to date head grades of 101.52 g/t Ag, 0.61 g/t Au, 0.57% Cu).
- Deeper drilling (see table above) appeared to confirm that mineralization was continuing at depth (i.e. to a depth of at least 480 m below outcrop (well below the 2000 level). Thus, we do not know how deep the system goes.
- Both to the east and west of the mined area (i.e. El Trompo vein) there was no drilling – this constituted the "Geologically Inferred" category in the 1969 study – which was offered in consideration of the apparent strength and uniformity of the zone over the full range tested to date in 1969.

**Why is this important?**

1. With 20/20 hindsight (i.e. experience from actual mining), it appears as though this early study was fairly accurate – which bodes well from a future exploration perspective.
2. Once mining began, emphasis was placed on delineating resources for extraction and not on large scale resource definition – so this is the best information we have at this point.

***Mining experience, drill results, and the observed strength of the system all appear to point a zone(s) that appears to continue at depth – and the question becomes one of defining just how large and continuous it is, along with what the grades are (which seem to vary from drillhole to drillhole - witness the 4 holes drilled 480 m below surface). These are the subject of the current program.***

**Current Program.** Avino's initial program in 2006 will consist of ***9 NQ diameter diamond drill core holes totaling 3200 metres.*** The holes will explore the down dip extension of silver, copper, gold ore shoots in the Avino Vein system, which were mined by the Company during the period 1976 to 2001. These will target the three three main ore shoots – *San Luis, El Trompo (La Gloria/Hundido) and Chirombo.*

**1993 Luismin  
Study**

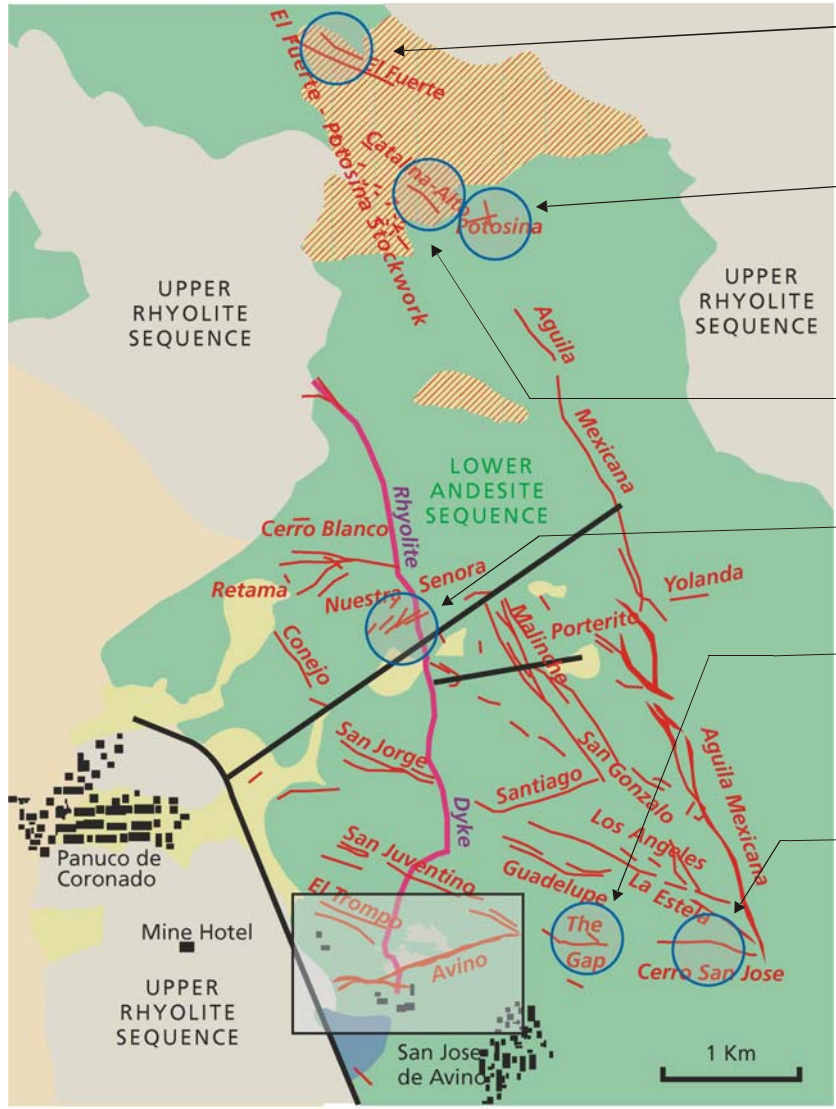
The 1969 study appears focused exclusively on the immediate area to be mined and the only recorded property exploration, apart from limited prospecting, is that documented in a 1993 report by *Servicios Administratos Luismin, SA de CV ("Luismin")*, the engineering arm of Cía Minera de San Luis Exploration.

The study reported on detailed analysis and sampling of the then known showings on the property with the emphasis on the *Avino vein* and *Potosina/El Fuerte area*. The report made recommendations for followup for drilling and underground development for the main Avino vein (which obviously was done). Trenching and drilling were recommended for the Potosina/El Fuerte area.

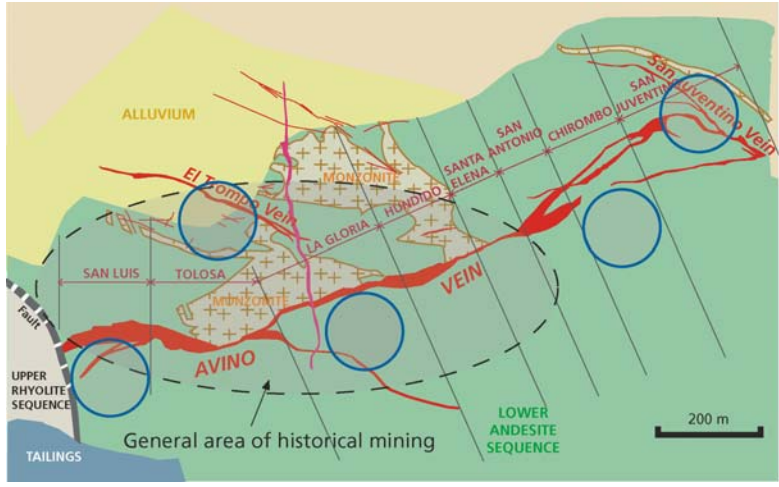
As shown below, the mine area has various showings and former producing mines in the mine area. For example, the *Potosina Vein* was the original vein worked in the state by the Spanish in the mid-1500s. With the *Alto* and *Catalina* veins exposed on the eastern side of the Potosina stockwork mineralization, this could represent the same vein yielding a strike length of over 1.1 km. Based on the higher temperature characteristics of the Potosina vein tailings, it is believed that significant potential exists at depth on this system.

**Current Program.** Because several interesting exploration scenarios exist such as this one at the property, Avino is now mobilizing an IP geophysical team who will run a number of surveys, followed by drilling.

### Exploration: Principal Targets of the Avino Mine Property



- El Fuerte**  
Encouraging values intersected in shallow drilling. Deeper and infill drilling planned.
- Potosina**  
One of the veins mined by the early Spaniards who extracted very high grade silver. A good copper prospect, as well. Deeper drilling proposed to get under the old workings.
- Catalina - Alto Veins**  
Strong geophysical signature. An area with high potential but never tested.
- Nuestra Señora Hydrothermal**  
Priority target because of its strong hydrothermal signature.
- The Gap**  
Similar to Cerro San Jose. Geophysics and drilling proposed on the Gap to test this possible down-dropped section of the Avino vein trend.
- Cerro San Jose**  
Another priority target on the prolific Avino vein trend. Very limited exploration to date. Two holes are planned to test Avino vein trend. Significant drilling planned to test deeper workings of La Estela and San Gonzalo veins.



- Avino Mine - Various New Drill Targets**  
Significant areas beneath and near the historical Avino mine workings remain unexplored and untested. A number of deeper drill holes are planned to explore these very promising regions. The primary targets for this program will be the San Luis, El Trompo and Chirumbo ore zones.

## OXIDE TAILINGS PROJECT

### Re-treatment of Oxide Tailings from Previous Milling Operations.

In 1990 Cía Minera carried out a sampling program across the then exposed surface of the tailings. The company drilled **34 vertical holes in seven fences** on the tailings. A total of **461 samples** were, for the most part, cut at 1 m vertical increments and assayed for silver and gold at the mine assay lab; occasional moisture contents were reported. However, no associated reports of the day have been seen on follow-up metallurgical characterization.

In 2004 a focused sampling program was implemented on the tailings to qualify the 1990 work.

The 2004 field program was designed to:

- Provide data for independent investigation of the 1990 drilling results as to assay grades and volume, and
- Examine metallurgical characteristics.

*In April 2006, Wardrop Engineering Inc. completed the study on Tailings Retreatment Process Options for the Tailings Project*

**Grade & Volume.** This study has identified an inferred resource of 2M tonnes of 95 g/t silver and 0.5 g/t gold for the oxide portion of the Avino mine tailings. This was based on pit sampling to a depth of 4 m (hand samples taken at 1 m vertical increments) from the pit sidewalls. The sampling program actually excavated 14 sample pits (86 samples). Because the certain parts of the tailings dam were not sampled and the samples taken were to a depth of 4 meters (with overall depths ranging from 7 – 27 m), the resource calculated was classified as inferred.

	Tonnes	Ag (g/t)	Au (g/t)	Ag oz	Au oz
<b>Cia Minera - 1990</b>	2,092,178	93.0	0.50		
<b>Minestart - 2005</b>	2,091,074	95.5	0.53	<b>3.5 million</b>	<b>31,000</b>

**Metallurgical Characteristics.** Processing testwork included *gravity separation, flotation, cyanide leach, and heap leach* options. Treatment options (with recoveries indicated) considered included: 1) cyanidation without regrind (67.8% Ag, 81.8% Au), cyanidation with regrind (78.2% Ag, 87.0% Au), and heap leaching without regrind (73.0% Ag, 78.9% Au).

**Financial.** A conceptual financial model was developed using the estimated grade values and testwork results. Using the recoveries and process conditions resulting from these tests, the capital costs to construct a processing plant using selected process options were developed (to a level of  $\pm 35\%$ ) as well as for the associated operating costs. The heap leach operation with a 4 year minelife indicated the best financial alternative.

*Because the extent of the 2004 sampling program was limited and the metallurgical samples taken did not represent the complete deposit, it was noted that the lack of specifically accurate information precluded the establishing of an accurate and detailed economic evaluation of the deposit.*

	US \$
Implied Values Contained in Oxide Tailings	<b>47.3 million</b>
Capital Cost for 500,000 tonne / yr agglomeration Heap leach operation	<b>16.2 million</b>
Estimated operating cost / tonne (excl. stripping costs)	<b>8.64</b>
<b>Estimated Net Revenue (@ prices of \$8.00 Ag, \$500 Au)</b>	<b>31.4 million</b>

Naturally, the amounts given in the study are early stage and indicative only and would require confirmation and more detailed study in any Feasibility type of document. The amounts also exclude royalties and taxes, as well as any amounts to move the sulfide material (see below).

### Sulfide Tailings

Recoveries with the sulfides mined later on were higher than that realized with the oxides (i.e. ~75%), and assumed tailings grades in the Wardrop study were about 37.8 g/t Ag and 0.34 g/t Au. However, because this material is located on top of the previously mined oxides, they would have to be moved – which raises the question as to whether it might be economic to also process these. It has been noted that because only limited sulfide tailings dump metallurgical information is available, quantification of this option is difficult. Under the assumption that 65% would be recovered by heap leaching under the same conditions as given for the oxide tailings, slightly higher operating costs (increased requirements for cyanide and lime), and indications that sulfide tailings would also require treatment for environmental remediation in the future, the **potential income of about \$27 million appears significant.**

*If it proves feasible to process the sulfide tailings, they would not have to be "moved" – just processed before the oxides.*

## CONCLUSIONS

### Several Possibilities

There are three distinct possibilities at the Avino property:

1. At the main Avino mine area, deeper drilling to explore the downplunge extensions of the San Luis, El Trompo, and Chirumbo zones – this is now being done.
2. Examination of Ag/Au/Cu zones within the Avino property outside the main Avino mine workings – previous studies, combined with historic mining in the area point to many targets – which will be explored on a preliminary basis with an IP survey, anticipated to be followed by drilling.
3. Exploitation of the tailings – previous studies indicate a potentially feasible operation. Work on this is obviously on hold to see what may eventuate from the large issues of whether a resumption of mining might be undertaken

#### Key Value Considerations Short Term Through 2006

- Drilling now being conducted may have far-reaching implications as to indications for the potential to restart the Avino mine and possibilities for significant, untested areas at depth at this historic deposit.
- Interesting results with IP program could establish mineral potential for other areas of the property (i.e. what is happening at depth, below historic workings - which were worked as a result of surface expressions only).

*At a market cap of about Cdn \$44 million (US \$38 million), we believe there is a "base" value attributable to the oxide tailings project, resulting in a value for the "exploration" portion of the Avino property. We like several things about Avino.*

- *The "base" value attributable to the 2mm tonne oxide tailings project (with estimated net revenues of over \$30 million) which affords some downside protection. The 3 mm tonne sulfide tailings also have good potential to make this project much more attractive.*
- *The current drilling program could accelerate the company into more of a development play and lead to a much more aggressive drilling / definition program, as well as investigating the various processing and economic issues.*
- *The company completed a Cdn \$10 million financing in March and had over \$12 million in cash as of April 30, 2006, so Avino has the resources to carry out its program.*
- *The fact that Avino has increased its interest in Cia Minera to 88.25%.*
- *The significant number of exploration targets and near term ability to establish drill targets*

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