92J/15

L.O.M. Western Securities Ltd.

MEMBERS: The Toronto Stock Exchange • The Montreal Exchange • Vancouver Stock Exchange • The Alberta Stock Exchange
Investment Dealers Association of Canada

P.O. Box 10337, Pacific Centre, 2200 – 609 Granville St., Vancouver, B.C. V7Y 1H2
Telephone (604) 643-7300 • Fax (604) 643-7606

AVINO MINES AND RESOURCES LIMITED

802035

"A return to British Columbia's most prolific gold camp"

Listed: AVO-VSE
AVMRF-NASDAQ

Current Price: $0.75 Cdn.

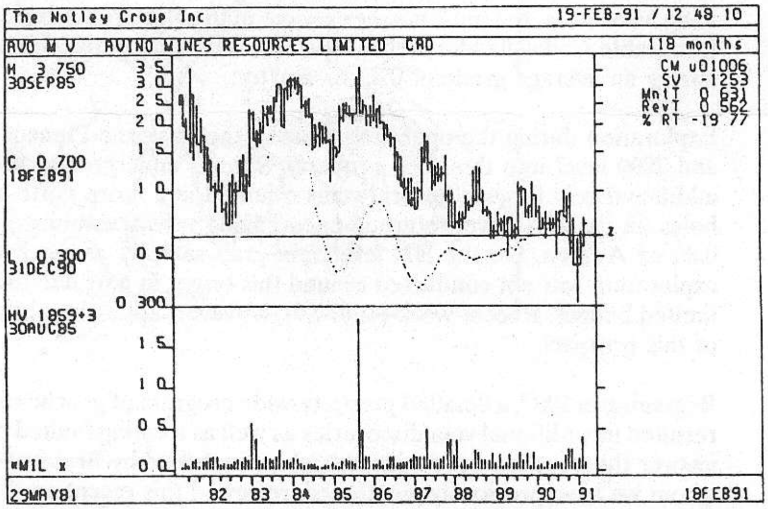
52 Week Price Range: $1.00-$0.30

Shares Outstanding: 9,470,849

Fully Diluted: 11,095,849

Working Capital (Dec. 31/90): $1,346,000

Flow Through Funds: $400,000
(subject to regulatory approval)



Recommendation

The Bralorne-Pioneer Mine, located in the Bridge River area some 100 miles north of Vancouver, British Columbia, is one of Western Canada's largest and richest historic gold mines. The mine produced over 4,150,000 ounces of gold, the majority of which occurred continuously through the years 1928 to 1971. The historic grade of this mine was in excess of 0.50 oz Au/ton. Avino has negotiated the purchase of a 100% interest in the Love Oil (Loco) project which is contiguous to the northern boundary of the Bralorne-Pioneer. More importantly, exploration over the past several years has defined several veins which may represent the faulted extensions of the Bralorne. Preliminary surface and underground exploration has returned encouraging values including a 215 foot long drift which averaged 0.38 oz Au/ton over an average width of 3.4 feet. We consider the Loco property to be a premium exploration target for high grade gold mineralization within an environment that suggests significant strike and depth potential.

Over and above this asset, Avino also holds a 49% interest in an operating silver mine in Mexico. Current reserves, in all categories, contain some 88,000,000 ounces of silver. The company also holds interests in several additional mineral prospects in the Bridge River area, all of which have yielded mineralized targets. With a market capitalization of $7.0 million, working capital of $0.14/share, net geologic silver reserves of some 43 million ounces and a promising high-grade gold exploration target which may represent the extension of the Bralorne-Pioneer Mine, Avino is considered a **strong buy for speculative accounts.**

The Bridge River Area

British Columbia's Bridge River Valley was once one of the most prolific and high grade producers of gold in western Canada. The area is approximately 100 miles north of Vancouver and is accessible year-round with good infrastructure. The area first came into prominence as a lode-mining region in 1896, but had a somewhat long and difficult beginning. It was not until 32 years after the initial discovery when the Pioneer Mine was brought to full production that the area maintained continuous operations for over 42 years. The Pioneer was one of three separate deposits, all situated along the seven km long "Cadwalladder Gold Belt." The three deposits (from north to south), the King (or Lorne), Queen/Empire (or Bradian) and Pioneer were all eventually amalgamated to form the Bralorne-Pioneer by several of Canada's most heralded mining men including Dr. Franc Joubin who is also known for the discovery of the Elliot Lake uranium district.

Gold mineralization in the Cadwalladder Belt is hosted within ribbon-quartz arsenopyrite-gold bearing meso-hydrothermal veins. The deposits are in a complex structural setting with veins interrupted by cross faulting. The most prominent aspects of mineral deposition were its high grade concentrations coupled with strong vertical continuity. Economic mineralization extended to depths of greater than 6000 feet. The Belt is bounded by the Fergusson and Cadwalladder faults. The three separate deposits cumulatively produced over 4.1 million ounces of gold. The Bralorne-Pioneer ceased operations in 1970-71 due to the high cost nature of operating at such depths, the price of gold (US $35/oz) and diminishing reserves above the cut-off grade then used of 0.25 oz Au/ton. Today the mine site, on a care and maintenance schedule, is owned by Corona Corp. and Imperial Metals, and has estimated geologic reserves of about 1 million tons grading 0.25 oz Au/ton.

The Love Oil Property

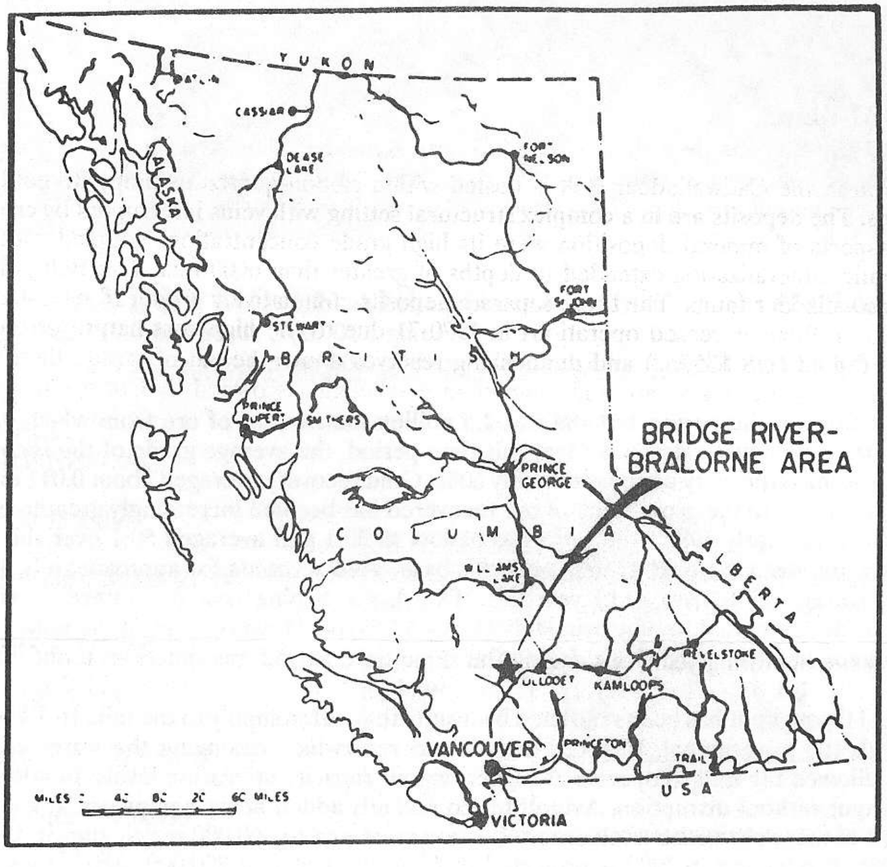
The Love Oil (Loco) property, also known as the Taylor-Bridge River property, is situated directly north of the King Mine area, the most northerly mine in the Bralorne-Pioneer operation. The property sits in part, within the favourable Cadwalladder Belt host rocks. The King mine contained one of the operation's higher grade veins having an average grade of 0.75 oz Au/ton.

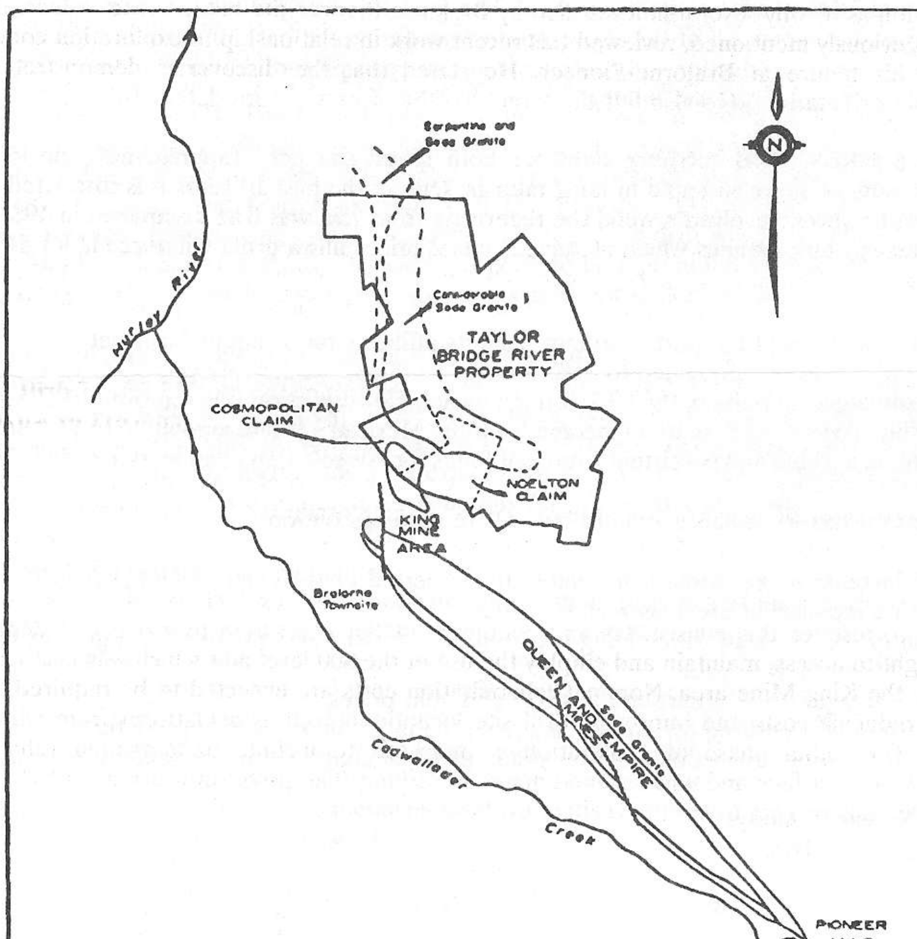
Exploration during the operating years of the Bralorne-Pioneer extended two underground drifts, the 800 level and 2000 level into the Loco property. Several underground horizontal holes were drilled to test eastward for additional vein targets. Several veins oriented in a more north-south direction were identified. Of interest, two holes on the 2000 level returned encouraging values, the best of which was a sludge sample of 10 feet grading 0.80 oz Au/ton. On the 800 level vein grab samples assayed to 0.75 oz Au/ton. We understand that further exploration was not conducted around this target in part due to inconclusive results from holes along strike and limited budget. Recent work (1987-89), however, appears to have provided additional insight as to the potential of this prospect.

Beginning in 1987, a detailed property-wide program of geochemistry, trenching (where possible) and core drilling resulted in additional vein discoveries as well as locating faulted offsets along the structures. This latter point may answer the question as to why several holes drilled by Bralorne-Pioneer did not intersect values. Dr. Joubin, of whom we have previously mentioned, reviewed this recent work in relationship to exploration conducted on the property during his tenure at Bralorne-Pioneer. He stated that the discoveries demonstrated a "striking parallelism of vein orientation." He also felt the target worthy of much more detailed work.

The results of the 1987-89 work program yielded encouraging values on the Millchuck vein of up to 0.3 oz Au/ton over five feet in a trench and similar grades in several shallow drill holes across 1.5 feet. The most encouraging work, however, revolved around the Peter vein. The vein was first discovered in 1988 by trenching which yielded values to 2.9 oz Au/ton across 9.4 feet. Subsequent shallow drilling in three holes down-dip of this discovery returned the following: 0.28 oz Au/ton over 5 feet; 0.21 oz Au/ton over 4 feet; and 0.40 oz Au/ton over 5 feet. The real significance of these assays is that they reinforce the view of the potential for the extension of the Bralorne vein system.

An adit, at the 200 level, was then driven to test the vein underground. **Along 215 feet of drift the Peter vein assayed 0.38 oz Au/ton over an average width of 3.4 feet. The last 105 feet averaged 0.611 oz Au/ton.** The drift was terminated in mineralization assaying 0.58 oz Au/ton. Exploration has intersected numerous vein targets within the favourable host rock. Past work was limited in scope while recent exploration focused on near-surface target definition. To-date, along a strike of at least 1,500 feet, high grade mineralization has been intermittently identified at surface, on the 200, 800 and 2000 levels. Although information is insufficient, the results may correlate suggesting significant tonnage potential. In the past, if veins within the Bralorne-Pioneer demonstrated consistency in ore grade over strike, their depth continuity was often exceptional. The key to an upcoming program will be to test for this consistency and continuity of the Peter vein to strike and depth. Avino has negotiated the right to access, maintain and employ the use of the 800 level adit which was historically the main haulage level for the King Mine area. Nominal rehabilitation costs are expected to be required. This adit will greatly assist in reducing costs and improving drill site location as well as a platform from which to test the Millchuck vein. The initial phase of exploration is budgeted to include underground rehabilitation and development as well as surface and underground diamond drilling. The program is expected to be underway by April. We consider this project to be an excellent exploration target.


YUKON
ATLIN
CASSIAR
DEASE LAKE
FORT NELSON
ALASKA
FORT ST. JOHN
STEWART
BRITISH
PRINCE RUPERT
SMITHERS
PRINCE GEORGE
BRIDGE RIVER-
BRALORNE AREA
COLUMBIA
ALBERTA
REVELSTOKE
KAMLOOPS
LILLOOET
VANCOUVER
PRINCETON
TRAIL
U.S.A.
VICTORIA


N
Serpentine and Soda Granite
Considerable Soda Granite
TAYLOR BRIDGE RIVER PROPERTY
Hurley River
COSMOPOLITAN CLAIM
NOELTON CLAIM
KING MINE AREA
Bralorne Townsite
QUEEN AND EMPIRE
Soda Granite
Cadwallader Creek
PIONEER MINE

The Mexican Affiliate

During the past 10 years, a consistent source of cash flow to Avino has been Avino's 49% interest in the Mexican affiliate, Cia Minera Mexicana do Avino S.A. de C.V. (Avino Mexico). Avino Mexico acts as operator of this predominantly silver and gold producer located near Durango, Mexico.

Production

According to Avino's 1989 annual report reserves are quoted as follows:

Open pit	2.0 million tonnes grading 5.50 oz/t. silver and 0.015 oz/t. gold
Underground (all categories)	25.4 million tonnes grading 3.03 oz/t. silver

Cumulative production for the period 1980-89 was 1.5 million metric tons of ore from which 4.6 million oz. of silver and 19,000 oz. of gold was extracted. Over this time period, the average grade of the recovered silver was 2.81 oz/ton representing a recovery of approximately 60%. Gold recovery averaged about 0.011 oz/ton. The value of the gold content relative to the gross value of ore recovered has become increasingly greater as the gold/sliver price ratio widens. In the early 1980's the ratio was as low as 30:1 and averaged 50:1 over the 1980-89 period. Currently, however, the ratio is closer to 100:1. On this basis, gold accounts for approximately 30% of the gross ore value vs. an average 17% over a 10 year life. The direct mining cost per ounce of silver production throughout the decade amounted to approximately (U.S.) $4.45/oz. However, net of the **gold credit**, the direct mining cost per ounce of silver production during the same time period amounted to about (U.S.) $3.50/oz.

Historically, annual throughput has been restricted by insufficient water supply to the mill. In 1988, Avino Mexico, in conjunction with the government, financed a dam and reservoir, prolonging the water supply during dry periods. This has allowed the mill to operate at higher overall capacity utilization levels. In addition, in order to supply the throughput without disruption, Avino Mexico recently added heavy equipment at a cost of U.S. $1.14 million. As a result of these changes overall ore production increased to 260,000 metric tons in 1989 from 153,000 metric tons in 1988. Production in 1990 is projected to be in the order of 290,000 metric tons. Precious metal production has likewise increased dramatically from 558,000 ounces of silver and 2500 ounces of gold in 1988 to 873,000 of silver and 3900 ounces of gold in 1989. Production in 1990 continues to climb and is estimated at 955,000 ounces of silver and 4500 ounces of gold. This compares with an average 10 year production of 463,000 ounces of silver and 1900 ounces of gold per year. The gold to silver production ratio has been remarkably constant over the past 10 years.All of the above production during the past 10 years has been entirely derived from the open-pit. Current production will continue from tlie open-pit for another 2 to 3 years. At that time, the company will transfer to underground mining.

Historically low precious metal recovery rates for both silver and gold (approx. 60% or less) has left a considerable inventory of silver and gold in mine tailings. During the past 10 years it is estimated that in excess of 4.0 million silver equivalent ounces were not recovered from the ore. The company continues to examine options for processing these tailings which at current metal prices has a gross valne of (U.S.) $15.0 million.

Financial

Avino Mines and Resources Ltd. reports earnings from its affiliates on an equity basis net of withholding taxes. The withholding tax in 1980-81 amounted to 21%. Between 1982-87 the tax rate was 55%. In 1988, the rate was reduced to approximately 10%. Also, the 49% foreign ownership restriction was removed to allow for a greater than 50% ownership. Avino's 49% share of income from the Mexican affiliate amounted to **$1.9 million** between 1980-89, representing a stable and consistent source of funds for Avino's Canadian working capital requirements.

In conclusion, several factors enhance Avino's immediate earnings outlook.

1) A 50%-100% increase in ore throughput relative to the period 1980-88 and which began in 1989 will produce a commensurate increase in precious metals output.
2) The reduction of the Mexican withholding tax from 55% to 10% will provide for a greater absolute dollar flow to Avino Mines & Resources.
3) Earnings are leveraged to a turnaround in silver and gold prices.
4) Stability of cash flow is ensured for many years from the large unexploited reserve base. Additional income may be derived from the extraction of lower grade material contained in the tailings deposit.

Graeme Currie, Research Analyst
Anthony Garson, B.Sc., MBA

February 19, 1991