MANAGEMENT'S DISCUSSION & ANALYSIS
For the Three Months Ended June 30, 2005

The following management's discussion and analysis ("MD&A") provides a review of corporate and market developments, results of operations and financial position for the three months ended June 30, 2005 and June 30, 2004. This discussion should be read in conjunction with the financial statements and notes for the period as well as management's discussion and analysis for the years ended March 31, 2005 and 2004 contained in the Company's 2005 Annual Report. Certain statements in this discussion could be considered as forward-looking information. This information is subject to risks and uncertainties that could cause actual results to differ materially from comments made in this management's discussion and analysis. These risks and uncertainties are discussed elsewhere in this document and in other securities regulatory filings. Information contained in this management's discussion and analysis is based on information available to management as of August 8, 2005.

Responsibility of Management

Management is responsible for the information disclosed in this MD&A and has in place the appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is, in all material respects, complete and reliable. As of the quarter ended June 30, 2005, an evaluation was carried out under the supervision of, and with the participation of, the Company's management, including the Chief Executive Officer and Chief Financial Officer, on the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as of June 30, 2005 to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities.

Overview

Andrés Wines Ltd. ('Andrés') is a leading producer and marketer of quality wines in Canada. With wineries in British Columbia, Ontario and Nova Scotia, the Company markets wines produced from grapes grown in Ontario's Niagara Peninsula, British Columbia's Okanagan and Similkameen Valleys and vineyards around the world. The Company's award-winning premium and ultra-premium brands include Peller Estates, Trius, Hillebrand Estates, Thirty Bench, Sandhill, Copper Moon and Calona Vineyards Artist Series VQA wines. Complementing these premium brands are a number of popular priced products including Hochtaler, Domaine D'Or, Schloss Laderheim, Royal and Sommet. With the acquisition of Cascadia Brands Inc., ("Cascadia Brands") on May 25, 2005 the Company also markets craft beer under the Granville Island brand and spirits under International Potters Distillers. With a focus on serving the needs of all wine consumers, the Company produces and markets consumer-made wine kit products through Winexpert Inc. and Vineco International Products Inc. In addition, the Company owns and operates Vineyards Estate Wines and WineCountry Vintners, an independent wine retailer in Ontario with more than 100 well-positioned retail locations. The Company's products are sold predominantly in Canada.

Over the past ten years, Andrés has taken decisive steps to increase its focus on premium and ultra-premium wines in the Canadian market. The Company believes premium wine sales are growing in Canada, and such products generate higher sales and increased profitability compared to lower-priced table wines.

Andrés' stated mission is to build sales volumes of its premium and ultra-premium brands by delivering to its customers and consumers the highest quality wines at the best possible value. To meet this goal, the Company is investing in continuing improvement in both its winemaking capabilities and in the quality of its grapes and wines.

The Company is focused on initiatives to reduce costs and enhance its production efficiencies. The Company continues to expand and strengthen its distribution through provincial liquor boards, the Company's network of more than 100 Vineyards Estate Wines retail locations, estate wineries, restaurants and other licensed establishments. This distribution network is supported by sophisticated sales, marketing and promotional programs. In addition, the Company from time to time evaluates the potential of acquisitions and partnerships, both in Canada and internationally, to further complement its product portfolio and market presence.

On May 2, 2005, the Company completed the acquisition of Thirty Bench Winery, ("Thirty Bench") an ultra-premium wine producer located in the heart of the Beamsville Bench in Ontario's Niagara wine producing region. The acquisition of the winery, its brands, and 70 acres of vineyards provides Andrés a solid presence in one of Canada's most sought after viticulture areas, and adds to the Company's premium estate wineries in near-by Niagara-on-the-Lake. On May 25, 2005, the Company completed the acquisition of Cascadia Brands Inc., one of Canada's largest producers of premium wines, craft beer and spirits with production facilities in Kelowna and Vancouver, British Columbia. The purchase significantly enhances the Company's presence in the strong Western Canadian market, and provides the Company with opportunities to capture production and overhead synergies in its B.C. operations.

These acquisitions represent a significant investment by the Company. The results of operations of these acquired businesses have been included in the first quarter results from the respective dates of acquisitions. Given the complexity of the acquired operations, as well as the short time that has elapsed since the acquisition, the cost and the allocation of the cost to the underlying assets and liabilities of the acquired businesses is preliminary and based on management estimates. Management is in the process of obtaining independent advice on the fair values of certain of the acquired assets and liabilities. The purchase accounting is subject to change based on the final resolution of these estimates and such changes could be material. Management is in the process of developing its plans in this regard. To the extent that rationalization and integration costs relate to the acquired businesses and are eligible, they will be reflected as part of the purchase accounting once reliable estimates can be made. Costs related to existing Andres facilities and employees must be expensed and management expects that there will be an unusual charge to earnings in the second quarter to provide for these one-time costs.

Financial Statements and Accounting Policies

The Company prepares its financial statements in Canadian dollars in accordance with Canadian generally accepted accounting principles (GAAP). The Company's significant accounting policies are summarized in Note 1 to the consolidated financial statements. The Company also utilizes EBITA (defined as earnings before interest, incomes taxes, amortization and unusual items) to measure its financial performance. EBITA is not a recognized measure under GAAP; however, management believes that EBITA is a useful supplemental measure to net earnings, as it provides readers with an indication of earnings available for investment prior to debt service, capital expenditures and income taxes.

Readers are cautioned that EBITA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of the Company's performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. The Company's method of calculating EBITA may differ from the methods by which other companies calculate EBITA and, accordingly, EBITA may not be comparable to measures used by other companies.

Effective April 1, 2004, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3110 - Asset Retirement Obligations ("Section 3110"). Section 3110 applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal operation of a long-lived asset. Under the new standard a company is required to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the cost is capitalized by increasing the carrying amount of the related long-lived asset. The cost is amortized over the asset's useful life. The adoption of this standard had no impact on the Company's financial statements.

Results of Operations

FOR THE THREE MONTHS ENDED JUNE 30,	2005	2004	2003
in thousands of dollars, except per share amounts	$	$	$
Sales	46,831	40,256	35,764
Gross profit	19,535	17,184	14,237
Gross margin (% of sales)	41.7%	42.7%	39.8%
Selling general and administrative expenses	13,856	12,443	9,888
Earnings before interest, taxes and amortization	5,679	4,741	4,349
Net earnings	2,012	1,859	1,681
Earnings per share – basic & diluted- Class A	0.42	0.39	0.36
Earnings per share – basic & diluted - Class B	0.36	0.34	0.31
Dividend per share – Class A	0.644	0.644	0.644
Dividend per share – Class B	0.560	0.560	0.560
Class A shares outstanding (weighted average)	3,954,302	3,929,423	3,768,622
Class B shares outstanding (weighted average)	1,001,772	1,001,972	1,002,972

Sales increased in fiscal 2006 due to successful initiatives to increase volume sales of the Company's premium and ultra-premium wines through all of the Company's trade channels, and the contribution of Cascadia Brands and Thirty Bench, both acquired in May 2005. The Company continues to invest in its sales and marketing efforts with the aim to grow sales volumes of its products, through new and increased advertising and promotional initiatives in all trade channels, increased sales staff focused on the licensee channel, investments in new upscale retail store concepts and layouts, training of retail staff, and investments to increase tourism at its estate wineries. The rationalization of the Company's lower-priced products offered in fiscal 2004, primarily at provincial liquor boards, also resulted in increased sales of higher-priced premium and ultra-premium wines through this channel. In addition, the Company's consumer-made wine business has generated solid growth over the last three years as efforts to build sales volumes of its existing and newly released premium-priced wine kits proved successful. The acquisitions of Thirty Bench and Cascadia Brands contributed approximately $4.9 million in sales during the first quarter of fiscal 2006.

Gross margin as a percentage of sales decreased marginally in the first quarter of fiscal 2006 compared to the prior year due primarily to increases in the price of wine purchased on international markets.

Selling and administrative expenses have increased in each of the last three years as the Company increased its sales, marketing and promotional expenditures to capitalize on increased demand for Canadian-made premium wines. The acquisition of Thirty Bench and Cascadia Brands in the first quarter of fiscal 2006 also contributed to the increase. Selling and administrative expenses reduced to 29.6% of sales for the three months ended June 30, 2005 compared to 30.9% of sales in the prior year.

As a result of the increase in sales and gross profit, partially offset by the higher sales and marketing expenses in each year, EBITA increased in the first quarter of fiscal 2006 compared to prior years.

Amortization expenses rose for the three months ended June 30, 2005 compared to the prior year due to investments made in the Company's estate wineries, vineyards and winemaking equipment, as well as the acquisitions of Thirty Bench and Cascadia Brands in the first quarter of fiscal 2006. Interest expense increased in the first quarter of fiscal 2006 due to higher debt levels resulting from the acquisitions made during the period.

Net earnings have increased in fiscal 2006 due primarily to the higher sales levels, offset partially by the slight decrease in gross margin arising from higher international wine costs. The weighted average number of shares outstanding increased by 0.5% for the three months ended June 30, 2005 compared to the prior year.

Quarterly Performance

($000) except per share amounts	Q1 06 $	Q1 05 $	Q2 05 $	Q3 05 $	Q4 05 $	Q1 04 $	Q2 04 $	Q3 04 $	Q4 04 $
Sales	46,831	40,256	42,758	47,725	36,895	35,764	39,247	45,067	35,832
Gross profit	19,535	17,184	18,422	20,658	14,710	14,237	16,107	20,330	14,531
Gross margin (% of sales)	41.7%	42.7%	43.1%	43.3%	39.9%	39.8%	41.0%	45.1%	40.6%
EBITA	5,679	4,741	4,623	8,831	2,534	4,349	4,025	8,756	2,459
Unusual items	-	-	-	-	-	-	2,197	-	21
Net earnings	2,012	1,859	1,783	4,498	398	1,681	3,102	4,298	489
EPS – Class A basic & diluted	0.42	0.39	0.37	0.93	0.08	0.36	0.65	0.90	0.10
EPS – Class B basic & diluted	0.36	0.34	0.32	0.81	0.07	0.31	0.57	0.79	0.08

The Company has generated consistent year-over-year growth in sales and gross profit in each quarter over the last two years, due primarily to the Company's successful initiatives to increase volume sales of its premium and ultra-premium wines. The first quarter of fiscal 2006 included contributions from Thirty Bench and Cascadia Brands, which were acquired on May 2, 2005 and May 25, 2005 respectively. Gross margin as a percentage of sales declined slightly in the first quarter of fiscal 2006 due to higher costs experienced for wines purchased on international markets. Sales and marketing expenses have increased on a year-over-year comparison as the Company increased its efforts to capitalize on strong demand for its products. In the second and fourth quarters of fiscal 2004 the Company recorded a gain on the sale of its Alberta winery, which had been closed effective March 28, 2002.

The third quarter of each fiscal year is historically the strongest in terms of sales, gross profit and net earnings due to increased consumer purchasing of the Company's products during the holiday season.

Liquidity and Capital Resources

As at ($000)	June 30, 2005 $	March 31, 2005 $	June 30, 2004 $
Current Assets	101,561	79,401	69,516
Property Plant & Equipment	78,896	55,897	53,929
Goodwill	30,657	23,759	23,793
Other Assets	14,239	3,762	791
Total Assets	225,353	162,819	148,029
Current Liabilities	61,684	49,578	38,660
Long Term Debt	63,750	17,313	19,000
Future Income Taxes	11,516	8,760	7,549
Shareholders' Equity	88,403	87,168	82,820
Total Liabilities & Shareholders' Equity	225,353	162,819	148,029

The changes to the Company's balance sheet at June 30, 2005 compared to the prior year-end and the first quarter of fiscal 2005 are primarily due to the acquisitions of Thirty Bench and Cascadia Brands, acquired on May 2, 2005 and May 25, 2005 respectively.

During the first quarter of fiscal 2006 the Company generated $2.2 million in cash flow from operating activities after changes in non-cash working capital items compared to $2.8 million in the first quarter of fiscal 2005. The change was due to the higher earnings in the period offset by decreases in accounts payable relating to the timing of payments for wine purchases.

Investments of approximately $39.3 million were made in the first quarter of fiscal 2006 compared to $1.3 million in fiscal 2005. The increase is due primarily to the acquisitions of Thirty Bench and Cascadia Brands in the period, offset by a small reduction in the purchases of capital assets compared to the prior year. Approximately $2.0 million of the estimated purchase cost related to the acquisition of Cascadia Brands have yet to be paid and are included in accounts payable and accrued liabilities.

Bank indebtedness increased in the first quarter of fiscal 2006 compared to the end of fiscal 2005 due to the acquisition of Thirty Bench and Cascadia Brands in the period.

On May 25, 2005, the Company obtained additional financing from Bank of Montreal in the amount of $50.0 million. The additional financing consisted of two separate credit facitities:

i) A seven-year term bank loan of $35.0 million, which requires regular monthly payments of $250,000 plus interest and matures on May 31, 2012. The Company entered into an interest rate swap which effectively fixed the interest rate on this term bank loan at 5.3%.

ii) A bank loan in the amount of $15.0 million, which is fully due and payable on May 31, 2007. This facility will incur interest, payable each month, at a Banker's Acceptance rate plus 1.5% for the first year ending May 31, 2006.

The ratio of debt to equity increased to 1.15:1 as at June 30, 2005 compared to 0.59:1 as at March 31, 2005. At June 30, 2005, the Company had unused debt available in the amount of $10.7 million on its demand loan facility. Management is confident it can generate sufficient cash flow from operations to meet its debt servicing and principal payment requirements over both the short and the long term.

Annual dividends paid over the last three years have remained at $0.644 per Class A share and $0.560 per Class B share. The higher amount of aggregate dividends paid in fiscal 2006 and 2005 relates to the increase in shares outstanding resulting from the exercise of 179,000 stock options in the first quarter of fiscal 2004. Working capital as at June 30, 2005 was $39.9 million compared to $29.8 million at March 31, 2005 and $30.9 million as at June 30, 2004. Shareholders' equity as at June 30, 2005 rose to $88.4 million or $17.84 per share compared to $87.2 million or $17.59 per share as at March 31, 2005 and $82.8 million or $16.71 per share as at June 30, 2004. The increase is due primarily to the strong earnings performance in the first quarter of fiscal 2006.

Common Shares Outstanding

The Company is authorized to issue an unlimited number of Class A and Class B common shares. Class A shares are non-voting and are entitled to a dividend in an amount equal to 115% of any dividend paid or declared on Class B shares. Class B shares are voting and convertible into Class A shares on a one-for-one basis.

Shares outstanding as at	August 8, 2005	June 30, 2005	June 30, 2004
Class A shares	3,954,302	3,954,302	3,954,302
Class B shares	1,001,772	1,001,772	1,001,772
Total	4,956,074	4,956,074	4,956,074

Strategic Outlook and Direction

The Canadian wine market has grown over the past three years due primarily to positive demographic trends and the shift in consumer preference to premium table wines. However, the share of the market held by domestic producers has declined moderately. Imports of premium and ultra-premium wines have increased as consumers favoured higher-priced varietal wines over lower-priced blended table wines. Andrés has increased its product development and sales and marketing initiatives aimed at capitalizing on this growing trend.

Andrés will continue to launch new premium and ultra-premium wines in 2006. The acquisitions of Thirty Bench and Cascadia Brands will also contribute to increased sales in 2006 as well as an enhanced presence in the sale of ultra-premium wines in Canada. Marketing and sales support will be focused on key brands sold across the country, and management expects sales and marketing expenses for 2006 will rise moderately. The Company will continue to increase its capital expenditure programs to support its ongoing commitment to producing the highest-quality wines. The Company believes that the investments made over the past few years will continue to result in increased sales and continuing improvement in profitability going forward. In addition, recent initiatives have led to an increase in export sales of the Company's premium and ultra-premium wines, particularly icewine.

The Company expects imported wine and concentrate prices to continue to increase in 2006; however, increased retail prices and higher sales of premium wines should contribute to relatively stable profit margins compared to the last quarter of 2005.

With the acquisition of Cascadia Brands, management is reviewing opportunities to capture production and overhead synergies from its two British Columbia operations.

The Company will also continue to evaluate investment opportunities, including acquisitions, which support its strategic direction.

Subsequent Events

On August 8, 2005, the Company announced it would be ceasing production in the Port Moody, British Columbia winery effective December 31, 2005 and consolidating production into the Kelowna, British Columbia winery that was acquired with Cascadia Brands. The estimated costs are still being determined and will be charged to earnings in the second quarter.

Risks and Uncertainties

The sale of wine is affected by current economic conditions and, accordingly, any changes in the economy could affect Company sales. The reduction in travel resulting from external factors outside the Company's control could have an impact on sales through the Company's estate wineries and restaurants, direct sales through licensed establishments and export sales through duty free shops. The Company believes that these effects will likely be temporary and will not have a significant impact on financial performance.

The Canadian wine market continues to be the target of low-priced imported wines from regions and countries that subsidize wine production and grape growing to a much larger extent than they are subsidized in Canada. In addition, many of these countries and regions prohibit or restrict the sale of imported wine in their own domestic markets. The Company, along with other members of the Canadian wine industry, is working with the Canadian government to rectify the unfair trade balance that exists within the domestic Canadian wine market.

The competitive nature of the wine industry internationally has resulted in the discounting of retail prices of wine in key markets such as the United States and the United Kingdom due in part to an international grape surplus. However, as international wine pricing has been strengthening due to the improved balancing of supply and demand, the Company does not believe that significant price discounting will occur in Canada.

The Company purchases glass and other components used in the bottling and packaging of wine. The largest component in the packaging of wine is glass, of which there are few domestic or international suppliers. Andrés has taken steps to reduce its dependence on domestic suppliers through the development of relationships with several international producers of glass and through carrying increased inventories of selected bottles.

Andrés has identified that a foreign exchange risk exists on the purchases of bulk wine and concentrate which are made in United States dollars. The Company does not engage in the hedging of foreign exchange contracts for trading or speculative purposes. The Company has entered into a series of foreign exchange contracts as a hedge against movements in U.S. dollar exchange rates. These contracts are reviewed periodically. Each one cent change in the value of the U.S. dollar has a $70,000 impact on the Company's net earnings.

Privatization of liquor distribution and retailing has been implemented in varying degrees across the country. The possibility of privatization in Ontario remains a risk to the Company through its impact on the Company's retail operations. The provincial government has stated that, should it consider privatization, it would engage in a consultation process and would acknowledge the special role of Ontario's wine industry.

The Company relies on both the domestic production of grapes and imports of wine from countries around the world to produce and sell its wines. Although the supply of grapes and wine may be impacted by weather and other conditions, as well as by general economic conditions, the Company has developed plans to ensure that an adequate supply of grapes and wine is available to meet demand. The pricing of wine and grapes is impacted by their supply and demand.

As an owner and lessor of property, the Company is subject to various federal and provincial laws relating to environmental matters. Such laws provide that the Company could be held liable for the cost of removal and remediation of hazardous substances on its properties. The failure to remedy any situation that might arise could lead to claims against the Company. These risks are believed to be extremely limited.