

Dominion Citrus Limited
Management's Discussion and Analysis
First Quarter 2006

Effective January 1, 2006, pursuant to a Plan of Arrangement under the laws of the Province of Ontario, Dominion Citrus Income Fund (the "Fund") acquired all the issued and outstanding common shares of Dominion Citrus Limited (the "Company", "Dominion") in exchange for units of the Fund, on a one-for-one basis. The trust units are listed on the TSX under the symbol DOM.UN. The Series A preference shares of the Company continue to be listed on the TSX under the symbol DMN.PR.A. Readers are directed to the document, Management Information Circular with respect to a Plan of Arrangement providing for the creation of Dominion Citrus Income Fund, dated November 23, 2005 that is available at www.sedar.com.

Dominion is a diversified food company supplying fresh produce, premium juices and maple syrup to a wide variety of customers in retail, foodservice and food distribution businesses. The Company provides procurement, processing, repacking, sorting, grading, warehousing and distribution services to over 400 customers, with its major domestic markets being Ontario and Quebec. The Company also supplies products to customers in the United States and Europe.

The Company operates businesses in two main segments, *produce wholesaling and processing* ("Produce") and *other food*.

Caution Regarding Forward-Looking Statements

This management's discussion and analysis ("MD&A") contains statements, which, to the extent that they are not a recitation of historical fact, may constitute "forward-looking statements". Forward-looking statements may include financial and other projections, as well as statements regarding our future plans, objectives or performance, or our underlying assumptions. The words "estimate", "anticipate", "believe", "expect", "intend" or other similar expressions of future or conditional verbs such as "will", "should", "would" and "could" are intended to identify forward-looking statements. Persons reading this MD&A are cautioned that such statements are only expectations, and that our actual results or performance may be materially different.

Forward-looking information involves certain risks, assumptions, uncertainties and other factors which may cause actual future results to differ materially from those expressed or implied in any forward-looking statements.

Readers should not place undue reliance on these forward-looking statements when making decisions, and should consider the date to which the statements were made. Except as required by applicable security law, management disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Summary Annual Statistics

Non-GAAP Measures

Dominion has introduced certain non-GAAP measures to assess performance. Securities regulators require that companies caution readers that earnings and other measures adjusted to a basis other than GAAP do not have standardized meanings under GAAP and are unlikely to be comparable to similar measures used by other companies. EBITDA is a non-GAAP measure that describes earnings before interest, income taxes, depreciation and amortization, gains or losses on the disposal of property plant and equipment and certain one-time income and expense items such as restructuring charges, insurance proceeds and portfolio income or losses.

	2005	2004	2003
Revenue (\$000's)	125,849	131,619	120,491
Operating income (\$000's)	3,451	4,761	4,692
Net earnings (\$000's)	2,321	1,324	2,687
EBITDA (\$000's)	4,969	5,885	5,966
Basic earnings per share	\$0.12	\$0.06	\$0.143
Fully diluted earnings per share	\$0.11	\$0.06	\$0.131
Cash dividends per common share	\$0.05	\$0.05	\$0.05
Total assets (\$000's)	41,229	38,627	38,293
Long-term liabilities (\$000's)	2,937	4,090	4,842
Shares outstanding (Basic Weighted Average)	19,857,571	19,754,788	17,780,081

Summary Quarterly Statistics

	2005				2004			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue (\$000's)	33,671	30,620	32,814	28,744	34,631	32,537	34,414	30,037
Operating income (\$000's)	1,115	783	622	931	1,223	1,170	930	1,143
Net earnings (\$000's)	638	448	632	603	(848)	676	533	827
EBITDA	1,562	756	1,334	1,317	1,553	1,516	1,217	1,599
Basic earnings per share	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.03	(\$ 0.04)	\$ 0.03	\$ 0.03	\$ 0.04
Fully diluted earnings per share	\$ 0.03	\$ 0.02	\$ 0.03	\$ 0.03	(\$ 0.04)	\$ 0.03	\$ 0.03	\$ 0.04

Revenue

Revenue for the first quarter of fiscal 2006 was \$25,703,000, down 10.6% from \$28,744,000 reported for the same period last year.

Revenue in the *produce wholesaling and processing* business segment ("Produce") was \$21,731,000 down 9.9%, or \$2,379,000 from last year. Price deflation accounted for approximately half the decline, while the balance related to major retailers continuing with consolidation initiatives and further direct buying.

In the *other food* business segment, revenue of \$3,972,000 was down \$662,000 or 14.3% from last year due to shipment delays, by certain customers, to the second quarter. In addition, 2005 included \$199,000 of revenue relating to the liquidation of Catanti inventories after this business was closed at the end of 2004.

Gross Margin

Gross margin for the first quarter of \$4,777,000 decreased by \$537,000 from last year due to the lower revenue; however, as a percentage of revenue, margins increased to 18.6% of revenue from 18.5%.

Margins in the Produce segment increased to 18.5% of revenue from 17.7% of revenue in 2005 as commodities were less plentiful due to poor weather conditions in the U.S.A.

In the *other food* business segment, gross margins declined to 19.1% from 22.7% in 2005. This decline reflects highly competitive pricing in our maple syrup business combined with higher packaging and conversion costs in the *other food* businesses.

Expenses

Total expenses for the first quarter of 2006 increased by \$129,000 to \$4,512,000,

Warehouse and delivery expenses of \$2,998,000 increased by \$129,000 over last year due to increased repairs and maintenance, fleet, waste removal and amortization expenses.

Selling expenses for the first quarter of 2006 increased \$80,000 from the \$596,000 reported in 2005, primarily due to higher sales personnel costs as we prepare for transition of the management teams at two of our businesses.

General and administrative expenses of \$838,000 decreased by \$80,000 from the first quarter of 2005. This decrease reflected the adjustment of an incentive provision from 2005 being partially offset by higher personnel expenses largely due to succession planning and higher professional fees.

Other Income (Expense)

Foreign exchange trading gains of \$133,000 were down \$28,000 from 2005 as there were less trading opportunities in the first quarter of 2006.

The Company incurred \$576,000 of interest expense on the participating notes held by the parent, Dominion Citrus Income Fund and amortized \$39,000 of trust conversion costs.

Net third party interest expense for the first quarter of 2006 declined by \$33,000 due primarily to lower year over year term debt levels.

The Company recorded \$757,000 of other income in the first quarter of 2005 from a settlement with its fidelity insurer related to losses in the period 2000 to 2004.

Fully Diluted Net Earnings

Net earnings for the first quarter of 2006 were \$241,000, a 60% decrease from the \$603,000 earned in 2005. Earnings per share ("EPS") of \$0.01 compared to the \$0.03 reported in 2005.

Liquidity and Capital Resources

The Company had cash of \$4,916,000 as at March 25, 2006, an increase of \$1,882,000 from year-end largely due to a net improvement in working capital, particularly receivables and inventories, and the receipt of proceeds from an insurance claim. Deposits and prepaid expenses increased due mainly to deposits on capital equipment, which will likely be leased, related to a new project which is expected to commence in the second quarter of 2006. Cash flow from operating activities increased to \$3,001,000 in the quarter mainly due to the working capital improvements.

Financing Activities

During the quarter the Company repaid \$1,012,000 of its long-term debt, including \$500,000 of the 8.5% convertible debentures, \$500,000 of term debt and \$12,000 of mortgages.

Investing Activities

On March 1, 2006, the Company acquired the assets of Nature's Best, a 'fresh cut' operation, for \$194,000 in cash. Capital expenditures totaled \$110,000 during the quarter, largely on smaller processing equipment and the extension of the information technology software to another operating division.

Debt

As part of the implementation of the income trust structure Dominion issued \$19,258,000 of participating notes to the Fund. Dominion's other debt as at March 26, 2005 was \$9,050,000, a reduction of \$997,000 from year-end. The balance at March 25, 2006 is composed of a current portion of long-term liabilities of \$48,000, \$4,328,000 in convertible debenture financing, \$1,900,000 in a non-revolving term credit facility, \$477,000 of mortgages and \$2,297,000 of preference share liability.

The Company is in compliance with all its banking covenants as at March 25, 2006.

Fiscal 2006 Outlook

Management believes the segments of the food industry in which the Company participates will remain highly competitive resulting in continuing volume and margin pressures.

The Company will continue to advance its strategy of expanding as a diversified food supplier in the food industry through the pursuit of acquisitions and alliances. The challenge continues to be the availability of attractive acquisition targets for expansion at a reasonable cost.

DOMINION CITRUS LIMITED
CONSOLIDATED STATEMENTS OF EARNINGS
THREE MONTHS ENDED MARCH 25, 2006 AND MARCH 26, 2005
(Unaudited)

	<u>2006</u>	<u>2005</u>
REVENUE	\$ 25,703,000	\$ 28,744,000
COST OF GOODS SOLD	20,926,000	23,430,000
GROSS MARGIN	<u>4,777,000</u>	<u>5,314,000</u>
EXPENSES		
Warehouse and delivery	2,998,000	2,869,000
Selling	676,000	596,000
General and administrative	838,000	918,000
	<u>4,512,000</u>	<u>4,383,000</u>
OPERATING INCOME	<u>265,000</u>	<u>931,000</u>
OTHER INCOME (EXPENSE)		
Foreign exchange	133,000	161,000
Interest expense – participating notes	(576,000)	-
Interest expense – current	(16,000)	(20,000)
Interest expense - long term	(189,000)	(197,000)
Interest income	37,000	16,000
Amortization of deferred costs	(39,000)	-
Other income	757,000	-
	<u>107,000</u>	<u>(40,000)</u>
INCOME BEFORE PORTFOLIO INCOME	<u>372,000</u>	<u>891,000</u>
Income on disposal of portfolio investments	-	21,000
	<u>-</u>	<u>21,000</u>
EARNINGS BEFORE INCOME TAXES	372,000	912,000
INCOME TAXES	<u>131,000</u>	<u>309,000</u>
NET EARNINGS FOR THE QUARTER	<u>\$ 241,000</u>	<u>\$ 603,000</u>
PER SHARE: (Note 3)		
Basic	<u>\$ 0.01</u>	<u>\$ 0.03</u>
Fully diluted	<u>\$ 0.01</u>	<u>\$ 0.03</u>

DOMINION CITRUS LIMITED
CONSOLIDATED BALANCE SHEET
(Unaudited)

	As at:	
ASSETS	<u>Mar.25/06</u>	<u>Dec.31/05</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,916,000	\$ 3,034,000
Accounts receivable	9,896,000	15,571,000
Inventories	4,425,000	7,414,000
Prepaid expenses & deposits	724,000	426,000
	19,961,000	26,445,000
 PROPERTY, PLANT AND EQUIPMENT	 8,563,000	 8,564,000
 OTHER ASSETS	 1,152,000	 1,393,000
 GOODWILL	 4,858,000	 4,827,000
	\$ 34,534,000	\$ 41,229,000
LIABILITIES		
CURRENT LIABILITIES		
Cheques in transit	\$ 1,879,000	\$ 3,641,000
Accounts payable and accrued liabilities	9,776,000	14,025,000
Current portion of long-term liabilities	48,000	48,000
Income taxes payable	321,000	180,000
Interest payable	-	72,000
	12,024,000	17,966,000
 LONG-TERM PAYABLES	 427,000	 427,000
 LONG-TERM LIABILITIES	 2,377,000	 2,889,000
 CONVERTIBLE DEBENTURE	 4,328,000	 4,813,000
 PARTICIPATING NOTES	 19,258,000	 -
 PREFERENCE SHARES LIABILITY	 2,297,000	 2,297,000
 FUTURE INCOME TAXES	 269,000	 269,000
	40,980,000	28,661,000
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 1)	1,014,000	6,942,000
CONTRIBUTED SURPLUS	29,000	27,000
EQUITY COMPONENT OF DEBENTURE	425,000	425,000
RETAINED EARNINGS (DEFICIT)	(7,914,000)	5,174,000
	(6,446,000)	12,568,000
	\$ 34,534,000	\$ 41,229,000

DOMINION CITRUS LIMITED
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
THREE MONTHS ENDED MARCH 25, 2006 AND MARCH 26, 2005
(Unaudited)

	<u>2006</u>	<u>2005</u>
RETAINED EARNINGS - BEGINNING OF QUARTER	\$ 5,174,000	\$3,843,000
Net earnings for the quarter	241,000	603,000
Amalgamation adjustment (Note 1)	(13,329,000)	-
Dividends payable / paid – common shares	<u>-</u>	<u>(495,000)</u>
RETAINED EARNINGS (DEFICIT) - END OF QUARTER	<u>\$(7,914,000)</u>	<u>\$3,951,000</u>

DOMINION CITRUS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 25, 2006 AND MARCH 26, 2005
(Unaudited)

	<u>2006</u>	<u>2005</u>
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net earnings for the quarter	\$ 241,000	\$ 603,000
Items not involving current cash flows -		
Amortization of property, plant and equipment	235,000	222,000
Amortization of deferred financing costs	37,000	37,000
Amortization of debenture discount	15,000	15,000
Amortization conversion costs	39,000	-
Stock option expense	2,000	3,000
Realized investment gain	-	(21,000)
	569,000	859,000
Net change in non-cash working capital -		
Accounts receivable	5,675,000	(160,000)
Inventories	2,996,000	2,747,000
Prepaid expenses & deposits	(292,000)	(87,000)
Cheques in transit	(1,762,000)	1,104,000
Accounts payable and accrued liabilities	(4,254,000)	(3,001,000)
Interest payable	(72,000)	-
Income taxes payable	141,000	183,000
	3,001,000	1,645,000
FINANCING ACTIVITIES		
Other assets	197,000	-
Repayment of long-term liabilities	(1,012,000)	(420,000)
Dividends paid	-	(64,000)
	(815,000)	(484,000)
INVESTING ACTIVITIES		
Proceeds on disposal of portfolio investments	-	2,583,000
Acquisition of property, plant and equipment	(110,000)	(37,000)
Acquisition of Bo-Fruits, net of cash acquired (Note 2(b))	-	(175,000)
Acquisition of Nature's Best (Note 2 (a))	(194,000)	-
	(304,000)	2,371,000
CHANGE IN CASH	1,882,000	3,532,000
CASH & CASH EQUIVALENTS (INDEBTEDNESS) - BEGINNING OF QUARTER	3,034,000	(705,000)
CASH & CASH EQUIVALENTS - END OF QUARTER	\$4,916,000	\$2,827,000
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 155,000	\$ 150,000
Income taxes paid	\$ -	\$ 126,000

During the quarter, capital assets of \$5,000 (2005 – nil) were acquired and are included in accounts payable.

DOMINION CITRUS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 25, 2006 AND MARCH 26, 2005
(Unaudited)

The consolidated interim financial statements should be read in conjunction with the company's most recent annual consolidated financial statements, as they do not conform in all respects with the requirements of Canadian GAAP as pertaining to audited annual financial statements. The interim statements follow the same accounting policies and procedures as the most recent audited statements; and while reviewed by the Audit Committee of the Board of Directors' for overall compliance, have not been subjected to the same degree of testing and verification as the audited annual financial statements.

Comparative Figures

Certain 2005 figures in the accompanying Consolidated Financial Statements have been reclassified to conform to the 2006 presentation.

1. Conversion to an Income Fund

Effective January 1, 2006, pursuant to a Plan of Arrangement under the laws of the Province of Ontario, Dominion Citrus Income Fund (the "Fund") acquired all the issued and outstanding common shares of Dominion Citrus Limited (the "Company") in exchange for units of the Fund, on a one-for-one basis. The Fund is an unincorporated, open-ended limited purpose trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated November 21, 2005. The transaction has been accounted for by the Fund under the continuity-of interest method of accounting as there was no substantive change in the ultimate ownership interests in the Company. As such the transfer of the assets and liabilities of the Company to the trust was recorded at the carrying values of the Company's assets and liabilities on December 31, 2005. As part of the conversion process, the Company amalgamated with another wholly-owned subsidiary of the Fund and this transaction created a participating note liability to the Fund, a reduction in the value of the common shares of the Company and an amalgamation adjustment which has been charged against retained earnings.

The Fund units are listed on the TSX under the symbol DOM.UN. The Series A preference shares of the Company continue to be listed on the TSX under the symbol DMN.PR.A. Readers are directed to the document, Management Information Circular with respect to a Plan of Arrangement providing for the creation of Dominion Citrus Income Fund, dated November 23, 2005 that is available at www.sedar.com.

DOMINION CITRUS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 25, 2006 AND MARCH 26, 2005
(Unaudited)

2. Business and Assets Acquisitions

a) Nature's Best

On February 2, 2006, the Company acquired the assets of Nature's Best for a cash purchase price of \$194,000 as follows:

Inventory	\$ 7,000
Prepaid expenses	6,000
Property, plant and equipment	119,000
Other assets	31,000
Goodwill	<u>31,000</u>
Total purchase price	<u>\$ 194,000</u>

b) Les Aliments Dominion Citrus Limitée ("Bo-Fruits") Acquisition (formerly Distribution Bo-Fruits Inc.)

The acquisition of Bo-Fruits on February 24, 2004 contained a purchase price adjustment, up to a maximum of \$175,000, based on the actual results for the twelve month period following closing. The maximum purchase price adjustment was earned and accrued in the first quarter of 2005 and has been classified as goodwill in the balance sheet.

3. Earnings Per Share

Earnings per common share is calculated by dividing net income applicable to shareholders by the weighted average number of common shares outstanding.

Diluted earnings per share using the treasury stock method is calculated using an adjusted weighted average number of common shares outstanding which reflects the exercise of stock options; and the if converted method for the redemption of series A preference shares for common shares and the debenture conversion.

DOMINION CITRUS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 25, 2006 AND MARCH 26, 2005
(Unaudited)

	March 25, 2006	March 26, 2005
Basic earnings per share computation		
Earnings available to common shares	\$ 241,000	\$ 603,000
Weighted average common shares outstanding	20,475,845	19,805,845
Basic earnings per common share	\$0.01	\$0.03
 Diluted earnings per share computation		
Earnings available to common shares	\$ 241,000	\$ 603,000
Dilutive effect of:		
After-tax income from convertible debentures	76,000	78,000
Earnings available to common shares, assuming dilution	\$ 317,000	\$ 681,000
 Weighted average common shares outstanding		
Weighted average common shares outstanding	20,475,845	19,805,845
Dilutive effect of:		
Preference shares	2,211,345	1,674,064
Employee Stock Options	-	293,593
Convertible Debentures	-	3,571,429
Adjusted fully diluted weighted average common shares outstanding	23,670,867	25,344,931
Diluted earnings per common share	\$0.01	\$0.03

All convertible debentures (and the income for the same) have been excluded from the calculation of the diluted earnings per common share for the quarter ended March 25, 2006 because their effect, including after-tax income from the convertible debenture would be anti-dilutive. The full number of the weighted average common shares outstanding including the dilutive effect of the preference shares, employee stock options and convertible debentures is 26,159,768.

DOMINION CITRUS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 25, 2006 AND MARCH 26, 2005
(Unaudited)

4. Segmented Information

The Company is organized into eight operating divisions to assist management in making operating decisions and assessing performance. Five of the divisions share similar characteristics and have been aggregated as *produce wholesaling and processing*. The remaining three divisions have been aggregated as *other food*.

	<u>2006</u>	<u>2005</u>
(a) Produce Wholesaling and Processing		
Revenues	\$21,731,000	\$24,110,000
Operating income	441,000	753,000
Amortization of property, plant and equipment	151,000	131,000
Amortization of deferred financing costs	37,000	37,000
Property, plant and equipment expenditures	136,000	37,000
Segment assets	18,465,000	19,615,000
(b) Other Food		
Revenues	\$ 3,972,000	\$ 4,634,000
Operating income	(176,000)	178,000
Amortization of property, plant and equipment	84,000	91,000
Amortization of deferred financing costs	-	-
Property, plant and equipment expenditures	(26,000)	-
Segment assets	16,069,000	16,730,000
(c) Total		
Revenues	\$25,703,000	\$28,744,000
Operating income	265,000	931,000
Amortization of property, plant and equipment	235,000	222,000
Amortization of deferred financing costs	37,000	37,000
Property, plant and equipment expenditures	110,000	37,000
Assets	34,534,000	36,345,000