



**NEWS RELEASE**

**XSTRATA ZINC TERMINATES LETTER OF INTENT IN RESPECT OF PROPOSAL FOR NIF**

Toronto & Madrid, 1 September 2010

On July 28, 2010, Noranda Income Fund (the "Fund") and Xstrata Zinc announced that they had entered into a non-binding letter of intent (the "LOI") with respect to a potential acquisition of the Fund by Xstrata for a cash consideration of C\$3.40 per Priority Unit. On August 30, 2010, Xstrata presented an improved proposal of C\$3.90 per Priority Unit to the Fund, a premium of 53% to the closing price of the Units on the day prior to Xstrata's original proposal. The Independent Committee of the Fund was unwilling to accept the revised offer, having taken into account recent market trading activity in the Fund's Priority Units. Xstrata has determined that the parties are unlikely to agree to terms for an acquisition of the Fund and accordingly today provided notice to the Fund that it has terminated the LOI and does not intend to proceed with the proposal.

Xstrata currently owns an effective 25% voting and economic interest in NIF and manages the Fund's sole operating asset, the CEZinc processing facility in Québec. Xstrata also supplies CEZinc with its annual requirement of zinc concentrate through a contract which will expire in May 2017.

Xstrata Zinc Chief Executive Santiago Zaldumbide, commented:

"Our proposal was based on our ability to consolidate the CEZinc refinery into Xstrata Zinc's global operations to secure its long-term future and on our considered view, as the operators and managers of the asset, of its prospects on a standalone basis.

"The trust will lose its tax-free status from 1 January 2011 and later this year must refinance its debts of C\$193 million as at 30 June. CEZinc faces competition with low-cost processing capacity in China which has driven treatment changes to very low levels. In the future, when the current supply contract expires, CEZinc will need to source zinc concentrates at a time when existing Canadian and Western world sources are likely to be constrained and Chinese demand is expected to have grown further. In the light of these uncertainties, Xstrata's proposal would have provided unitholders with the certainty of cash."

*Ends*

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