

Noranda Income Fund

Consolidated Condensed Interim Financial
Statements

September 30, 2011

NORANDA INCOME FUND
CONSOLIDATED CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(unaudited)
(\$ thousands)

	<u>Notes</u>	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Assets			
Non-current assets			
Property, plant and equipment		277,364	285,739
Deferred tax assets		2,799	2,145
Employee benefits		1,848	3,451
Long-term firm commitments	9	725	-
Derivative financial assets	9	-	377
		<u>282,736</u>	<u>291,712</u>
Current assets			
Inventories	3	61,153	78,555
Accounts receivable			
Trade		81,298	76,783
Xstrata Canada	8	22,007	34,113
Income taxes receivable		24	24
Derivative financial assets	9	338	5,637
Firm commitments	9	9,390	-
Prepays and other assets		1,491	2,896
Cash and cash equivalents		801	3,398
		<u>176,502</u>	<u>201,406</u>
		<u>459,238</u>	<u>493,118</u>
Liabilities			
Non-current liabilities			
Long-term firm commitments	9	-	379
Derivative financial liabilities	9	763	-
Rehabilitation liability	6	22,458	18,819
Employee benefits		11,208	10,618
Bank and other loans	7	115,827	-
Deferred tax liabilities		21,448	22,125
		<u>171,704</u>	<u>51,941</u>
Current liabilities			
Accounts payable and accrued liabilities			
Trade		24,663	29,872
Xstrata Canada	8	12,971	35,042
Income taxes payable		15,498	99
Derivative financial liabilities	9	10,805	-
Distribution payable		1,562	-
Bank and other loans	7	15,000	190,268
Firm commitments	9	-	3,499
		<u>80,499</u>	<u>258,780</u>
Total liabilities excluding net assets attributable to unitholders and non-controlling interest		<u>252,203</u>	<u>310,721</u>
Net assets attributable to unitholders and non-controlling interest		<u>207,035</u>	<u>182,397</u>
Net assets attributable to:			
Priority Unitholders	4	158,911	139,388
Ordinary Unitholders	4	52,972	46,464
		<u>211,883</u>	<u>185,852</u>
Non-controlling interest		<u>(4,848)</u>	<u>(3,455)</u>
		<u>207,035</u>	<u>182,397</u>

(See accompanying notes)

NORANDA INCOME FUND
CONSOLIDATED CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)
(\$ thousands)

	<u>Notes</u>	<u>Three months ended</u>		<u>Nine months ended</u>	
		<u>September 30,</u>		<u>September 30,</u>	
		<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues					
Sales	8	165,546	157,049	520,233	485,939
Transportation and distribution costs		(4,680)	(4,159)	(13,765)	(11,585)
		160,866	152,890	506,468	474,354
Raw material purchase costs	8	72,851	92,267	266,832	265,878
Revenues less raw material purchase costs		88,015	60,623	239,636	208,476
Other expenses					
Production		42,737	41,758	132,084	130,579
Selling, general and administration		3,774	4,718	14,585	14,836
Foreign currency (gain) loss		6,470	(2,170)	2,763	1,592
Loss (gain) on derivative financial instrume	9	2,907	1,980	3,588	(3,325)
Depreciation of property, plant and equipment		8,654	7,585	26,003	25,427
Rehabilitation expense	6	2,954	1,017	3,163	2,703
		67,496	54,888	182,186	171,812
Earnings before interest and income taxes		20,519	5,735	57,450	36,664
Finance costs , net		3,968	3,260	13,829	9,979
Earnings before income taxes		16,551	2,475	43,621	26,685
Current income tax expense		5,506	25	15,910	79
Deferred income tax (recovery) expense		212	52	(388)	2,527
Earnings attributable to Unitholders and Non-controlling interest		10,833	2,398	28,099	24,079
Distributions to Unitholders		1,562	-	1,562	-
Current income tax recovery on distribution		(310)	-	(310)	-
Increase in net assets attributable to Unitholders and Non-controlling interest		9,581	2,398	26,847	24,079
Other comprehensive income					
Actuarial loss on employee benefit plans		(2,889)	(256)	(3,151)	(2,658)
Deferred income tax recovery		(864)	(76)	(942)	(795)
		(2,025)	(180)	(2,209)	(1,863)
Comprehensive income		7,556	2,218	24,638	22,216
Increase in net assets attributable to:					
Priority Unitholders		6,981	1,240	19,523	16,297
Ordinary Unitholders		2,327	414	6,508	5,433
		9,308	1,654	26,031	21,730
Non-controlling interest		273	744	816	2,349
		9,581	2,398	26,847	24,079
Comprehensive income attributable to:					
Priority Unitholders		6,981	1,240	19,523	16,297
Ordinary Unitholders		2,327	414	6,508	5,433
		9,308	1,654	26,031	21,730
Non-controlling interest		(1,752)	564	(1,393)	486
		7,556	2,218	24,638	22,216

(See accompanying notes)

NORANDA INCOME FUND
CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO
UNITHOLDERS AND NON-CONTROLLING INTEREST
(unaudited)
(\$ thousands)

	Priority Units and Ordinary Units	Earnings Attributable to Unitholders and Non- controlling interest	Finance costs	Accumulated other comprehensive loss	Total	Attributable to		
						Priority Units	Ordinary Units	Non- controlling interest
Balance at January 1, 2011	255,037	284,746	(350,704)	(6,682)	182,397	139,388	46,464	(3,455)
Comprehensive income	-	28,409	(1,562)	(2,209)	24,638	19,523	6,508	(1,393)
Balance at September 30, 2011	255,037	313,155	(352,266)	(8,891)	207,035	158,911	52,972	(4,848)

	Priority Units and Ordinary Units	Earnings Attributable to Unitholders and Non- controlling interest	Finance costs	Accumulated other comprehensive loss	Total	Attributable to		
						Priority Units	Ordinary Units	Non- controlling interest
Balance at January 1, 2010	255,037	254,181	(350,704)	(3,112)	155,402	118,963	39,654	(3,215)
Comprehensive income	-	24,079	-	(1,863)	22,216	16,297	5,433	486
Balance at September 30, 2010	255,037	278,260	(350,704)	(4,975)	177,618	135,260	45,087	(2,729)

NORANDA INCOME FUND
CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(unaudited)
(\$ thousands)

	<u>Notes</u>	Nine months ended	
		September 30,	
		<u>2011</u>	<u>2010</u>
Operating activities			
Comprehensive income		24,638	22,216
Adjustments:			
Depreciation of property, plant and equipment		26,003	25,427
Net change in rehabilitation liability	6,7	3,636	3,111
Deferred income tax (recovery) expense		(1,330)	1,732
Loss on derivative financial instruments	9	3,590	423
Change in fair value of embedded derivatives	9	(12,108)	(2,422)
Accretion on bank and other loans	7	6,395	986
Write-down of inventory		-	1,144
Loss on sale of assets		478	529
Net change in employee benefits		2,192	(497)
		<u>53,494</u>	<u>52,649</u>
Net change in non-cash working capital items		<u>27,022</u>	<u>(13,545)</u>
Cash provided by operating activities		<u>80,516</u>	<u>39,104</u>
Investing activities			
Purchase of property, plant and equipment		(18,193)	(16,340)
Proceeds from sale of property, plant and equipment		916	172
Cash used in investing activities		<u>(17,277)</u>	<u>(16,168)</u>
Financing activities			
Proceeds from bank loans		186,989	250,190
Repayment of bank loans		(390,604)	(273,412)
Debt financing costs	7	(6,773)	(1,100)
Proceeds from issuance of senior secured notes	7	90,000	-
Proceeds from issuance of ABL facility	7	54,552	-
Cash used in financing activities		<u>(65,836)</u>	<u>(24,322)</u>
Net decrease in cash and cash equivalents		<u>(2,597)</u>	<u>(1,386)</u>
Cash and cash equivalents at January 1		<u>3,398</u>	<u>3,214</u>
Cash and cash equivalents at end of period		<u>801</u>	<u>1,828</u>

(See accompanying notes)

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended September 30, 2011 and 2010 (\$ thousands except as otherwise indicated)

1. Corporate information

Noranda Income Fund (the "Fund") is an income trust that is domiciled in Canada and whose Priority Units are publicly traded on the Toronto Stock Exchange. The registered office is located at 100 King Street West, First Canadian Place, Suite 6900 P.O. Box 403, Toronto, Ontario, Canada, M5X 1E3.

The Fund was created in 2002, initially to acquire from Noranda Inc., indirectly through the Noranda Operating Trust (the "Operating Trust") and the Noranda Income Limited Partnership (the "Partnership"), the CEZinc Processing Facility (the "Processing Facility"). The Processing Facility produces refined zinc metal and various byproducts from zinc concentrates and is located in Salaberry-de-Valleyfield, Québec.

As at June 30, 2005, Noranda Inc. changed its name to Falconbridge Limited ("Falconbridge") pursuant to a corporate amalgamation. Falconbridge changed its name to Xstrata Canada Corporation ("Xstrata Canada") after being acquired by Xstrata plc. ("Xstrata"). Xstrata is a global diversified mining group listed on the London and Swiss stock exchanges.

Supply and processing agreement

Pursuant to a 15 year Supply and Processing Agreement ("SPA") signed on 3 May 2002 between Xstrata Canada and the Partnership, Xstrata Canada is obligated to sell to the Processing Facility, except in certain circumstances, up to 550,000 tonnes of zinc concentrate annually at a concentrate price (based on the price of zinc metal on the London Metal Exchange ("LME") for "payable zinc metal" contained in the concentrate less a processing fee initially set at \$0.352 per pound of that "payable zinc metal." Since January 1, 2004, the processing fee is the processing fee in the previous year adjusted annually (i) upward by 1% and (ii) upward or downward by 10% of the year-over-year percentage change in average cost of electricity per megawatt hour for the Processing Facility. The processing fee for 2011 is \$0.389 (2010 - \$0.385) per pound. "Payable zinc metal" in respect of a quantity of concentrate is equal to 96% of the assayed zinc metal content on the concentrate under the SPA.

Under the SPA, Xstrata Canada acts as the exclusive agent for the Partnership to arrange the sale of zinc metal and byproducts and related hedging and derivative arrangements.

2. Statement of compliance

Basis of preparation

The consolidated condensed interim financial statements for the three and nine month periods ended September 30, 2011, were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") and are covered by IFRS 1, First-Time Adoption of International Financial Reporting Standards ("IFRS"). The same accounting policies and methods of computation were followed in the preparation of these consolidated condensed interim financial statements as were followed in the preparation of the consolidated condensed interim financial statements for the three month period ended March 31, 2011. These consolidated condensed interim financial statements do not include all of the information required for annual financial statements.

In addition, the consolidated condensed interim financial statements for the three month period ended March 31, 2011 contain certain incremental annual IFRS disclosures not included in the annual financial statements for the year ended 31 December 2010 prepared in accordance with previous Canadian generally accepted accounting principles ("GAAP"). Accordingly, these consolidated condensed interim financial statements for the three and nine month periods ended September 30, 2011 should be read together with the annual consolidated financial statements for the year ended December 31, 2010 prepared in accordance with previous Canadian GAAP as well as the consolidated condensed interim financial statements for the three month period ended March 31, 2011.

The policies applied in these consolidated condensed interim financial statements are based on IFRS issued and effective as at November 7, 2011, the date the Board of Trustees approved these financial statements. Any subsequent changes to IFRS that are given effect in the Fund's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS in note 11 as well as the consolidated interim financial statements for the three month period ended March 31, 2011.

Basis of consolidation

The consolidated interim financial statements comprise the financial statements of the Fund and its wholly-owned subsidiaries and Canadian Electrolytic Zinc Limited (the "Manager"), a special purpose entity ("SPE") as at September 30, 2011. All intra-group balances, income and expenses, unrealized gains and losses, and dividends resulting from intra-group transactions are eliminated in full.

Non-controlling interests represent the portion of the profit or loss and net assets not held by the Fund and are presented separately in the statements of comprehensive income and within the statements of financial position. Losses within a subsidiary are attributable to the non-controlling interests even if that results in a deficit balance.

Notes to the Consolidated Condensed Interim Financial Statements For the period ended September 30, 2011 and 2010 (\$ thousands except as otherwise indicated)

The financial statements of the subsidiaries are prepared using the same reporting period and same accounting policies as the Fund.

Use of estimates and judgments

The consolidated condensed interim financial statement for the three and nine month periods ended September 30, 2011 has been prepared using the same estimates and judgments as outlined in the consolidated interim financial statements for the three month period ended March 31, 2011.

Comparatives

Where applicable, comparatives have been adjusted to disclose them on the same basis as the current year.

3. Inventories

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Spare parts	9,245	8,794
Raw materials	21,401	18,150
Work-in-process	12,419	14,385
Finished products	18,088	37,226
	<u>61,153</u>	<u>78,555</u>

During the three and nine month periods ended September 30, 2011, \$124.2 million and \$424.9 million (September 30, 2010 - \$141.6 million and \$421.9 million) of inventory was expensed including depreciation related to property, plant and equipment of \$8.7 million and \$26.0 million respectively (September 30, 2010 - \$7.6 million and \$25.4 million). During the nine month period ended September 30, 2010, a \$1.1 million write down of inventory from cost to net realizable value was recorded in raw material purchase costs. As at September 30, 2011, raw material, work-in-process and finished goods were all carried at cost.

4. Priority and Ordinary Unitholders

The net assets attributable to unitholders consist of the following:

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
37,497,975 Priority Units	158,911	139,388
12,500,000 Ordinary Units and Special Fund Units	52,972	46,464

As at September 30, 2011, the Fund had 37,497,975 Priority Units outstanding. Priority unitholders can redeem their units at a present formula price, to a maximum of \$50 per month, subject to the Fund's banking covenants. Pursuant to the Fund's trust indenture, an unlimited number of Priority Units are issuable. Each Priority Unit is transferable and represents an equal, undivided beneficial interest in the Fund and entitles the holder thereof to participate equally in distributions of the Fund and to one vote.

The Partnership has 12,500,000 Ordinary Units outstanding, which are exchangeable into Priority Units on a one-for-one basis only after May 2, 2017, or earlier upon the occurrence of certain events. Each Ordinary Unit is entitled to receive a cash distribution on a monthly basis in an amount that is equal to the monthly cash distribution paid to each Priority Unit, provided each Priority Unit is first paid an amount that is equal to the monthly cash distribution of not less than \$0.08333 per Priority unit (the "Base Distribution") before any amount is paid to holders of Ordinary Units.

The 12,500,000 outstanding special voting units of the Fund listed above (the "Special Fund Units") provide voting rights in respect of the Fund to the holder of Ordinary Units and vote with the Priority Unitholders as one class. All Ordinary Units are held by a wholly-owned subsidiary of Xstrata Canada.

5. Distributions

As a result of the prior Bridge Facility and revolving facility of the Operating Trust, the Fund was restricted from making cash distributions to unitholders (note 7). Under the current agreements entered into in connection with the asset-backed lending facility ("ABL Facility") and the senior secured notes (the "Notes"), the Fund is permitted to distribute excess cash flows to its unitholders subject to a minimum excess availability and other customary restrictions (note 7).

Notes to the Consolidated Condensed Interim Financial Statements For the period ended September 30, 2011 and 2010 (\$ thousands except as otherwise indicated)

When not restricted by its financing arrangement, or otherwise, and subject to the board of trustees' review of various factors relevant to determining whether to make distributions, the Fund's objective is to make distributions at sustainable levels to unitholders equal to cash flows from operations before variations in working capital and after permanent debt reductions and establishing such reasonable reserves for operating and capital expenditures and other obligations as may be considered appropriate by the board of trustees. The Fund determines the cash available for distribution on a monthly basis for the unitholders of record of the Fund on the last business day of each calendar month and these distributions are to be paid on or about 25 days thereafter.

The Fund is required by its Trust Indenture to distribute to its Priority Units by December 31st, of each year amounts equal to its taxable income and net capital gains for the year. Such distributions are to be made in cash, unless the Fund is restricted from distributing cash or sufficient cash is not available, in which case such distributions are to be satisfied in whole or in part by the issuance of additional Priority Units having a value equal to the amount of cash which is unavailable for distribution. Following such an "in-kind" distribution, the Priority Units are automatically consolidated such that each certificate representing a number of units prior to the in-kind distribution of additional units is deemed to represent the same number of units after the distribution of additional units and the consolidation.

Cash distributions on Ordinary Units of the Partnership are subordinated to distributions on Priority Units of the Fund until 2017, except upon the occurrence of certain events. Each Ordinary Unit is entitled to receive a cash distribution on a monthly basis in an amount that is equal to the monthly cash distribution paid to each Priority Unit, provided each Priority Unit is first paid an amount that is equal to the monthly cash distribution of not less than \$0.08333 per Priority Unit (the "Base Distribution") before any amount is paid to the holder of the Ordinary Units. If, notwithstanding the subordination of the Ordinary Units, the cash available for distribution is not sufficient to make the Base Distribution on the Priority Units in a month, the amount of the deficiency shall not accumulate and will not be paid to holders of the Priority Units. If the cash available for distribution in a month is not sufficient to make a distribution on the Ordinary Units that is equal to the distribution on the Priority Units, the amount of the deficiency will accumulate and be paid to the holder of the Ordinary Units if there is excess cash available for distribution, above the Base Distribution, in a subsequent month. Any accumulated distribution deficiency related to the Ordinary Units is not accrued by the Fund until such time as excess cash is available for distribution above the Base Distribution and a cash distribution is approved by the board of trustees. In the event of an exchange of Ordinary Units on a one-for-one basis for Priority Units after May 2, 2017, any accumulated distribution deficiency related to the Ordinary Units prior to the exchange is not accrued by the Fund until such time as excess cash is available for distribution above the Base Distribution and a cash distribution is approved by the board of trustees. Subsequent to the exchange, there will be no further accumulation of the distribution deficiency.

The Fund declared a cash distribution of \$0.04167 per Priority Unit for the months of September and October 2011. The accumulated distribution deficiency was \$3.0 million as at September 30, 2011 and \$3.5 million as at November 7, 2011.

6. Rehabilitation liability

	<u>September 30, 2011</u>	<u>December 31 2010</u>
Opening balance	18,819	16,551
Accretion of reclamation expense	504	708
Site restoration expenditures	(28)	(238)
Change in estimates	3,163	1,798
Closing balance	<u>22,458</u>	<u>18,819</u>

The Fund has determined the fair value of this rehabilitation liability as at September 30, 2011, by using a discount rate of 2.5% (December 31, 2010 - 3.39%). The majority of the estimated future site restoration and reclamation expenditures currently recorded relate to the reclamation of residue ponds at the Processing Facility.

Although the ultimate amount to be incurred is uncertain, the liability for rehabilitation on an undiscounted basis is estimated to be approximately \$37,800. The liabilities are expected to be settled from now until 2046.

Notes to the Consolidated Condensed Interim Financial Statements
For the period ended September 30, 2011 and 2010 (\$ thousands except as otherwise indicated)

7. Bank and other loans

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Senior secured notes	90,000	-
ABL revolving facility	45,667	-
Bridge facility - Term loan tranche	-	130,000
Bridge facility - Revolving facility tranche	-	64,730
	<u>135,667</u>	<u>194,730</u>
Less: unamortized deferred financing fees	(4,840)	(4,462)
Less: current portion	(15,000)	(190,268)
Long term portion	<u>115,827</u>	<u>-</u>

Senior secured notes

On July 28, 2011, the Operating Trust closed its private placement of Notes, for an aggregate principal amount of \$90 million, bearing interest at 6.875%. Commencing on December 28, 2011, the Notes will amortize by an amount of \$7.5 million on a semi-annual basis on June 28 and December 28 of each year prior to December 28, 2016. The \$15 million remaining principal balance will be repayable at maturity on December 28, 2016.

At any time prior to December 28, 2013, the Operating Trust may redeem all or part of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus a "make-whole" premium, and accrued and unpaid interest. The Notes are redeemable at the option of the Operating Trust in whole or in part, at any time on or after: December 28, 2013 at 103.438% of the principal amount; December 28, 2014 at 101.719% of the principal amount; December 28, 2015 and thereafter at 100% of the principal amount; plus, in each case, accrued and unpaid interest to the redemption date. The prepayment options are considered to be closely related to the Notes and are therefore not considered to be an embedded derivative.

The Notes' governing trust indenture lists events that constitute an event of default, should they occur. They include the non-payment by the Operating Trust of principal, interest or other obligations of the Operating Trust in respect of the Notes and a breach of any covenant pursuant to the ABL Facility credit agreement (discussed below), subject to customary cure periods where applicable. If any event of default occurs under the Notes trust indenture, the holders of the Notes may require the Operating Trust to repay any outstanding obligations pursuant to the Notes trust indenture.

ABL revolving facility

Concurrently with the closing of the Notes offering, the Operating Trust entered into a 5-year ABL Facility providing availability of up to \$150 million. The ABL Facility is an asset-based credit facility and the loans thereunder are made available to the Operating Trust based on a borrowing base test with the maximum amount available thereunder to be the lesser of (a) \$150 million and (b) the aggregate of (i) 85% of eligible accounts receivable (90% in the case of insured accounts receivable or that are owed by qualified investment grade account debtors) plus (ii) the lesser of (A) 70% of the lower of cost or fair market value of eligible inventory, and (B) 85% of the appraised net orderly liquidation value of eligible inventory, with availability from inventory subject to a cap of 100% of availability under clause (i), minus customary priority payables and reserves. The borrowing base is tested on a monthly basis so long as excess availability is equal to or greater than \$15 million and on a weekly basis if excess availability over the most recent 45-day period is less than \$15 million.

The borrowing base on the ABL Facility was \$91.6 million based on the Fund's working capital position as at September 30, 2011. As at September 30, 2011, there was \$45.7 million drawdown on the facility, leaving an excess availability of \$45.9 million.

Borrowings under the ABL Facility are available by way of Canadian prime rate advances, US base rate advances, bankers' acceptances, US dollar Libor advances and Canadian and US dollar letters of credit. The ABL Facility bears interest at rates that vary with the Canadian prime rate, US base rate, the bankers' acceptance rate and Libor rates plus applicable margins between -0.25% and 2.25% depending on the average excess availability for the preceding quarter.

As at September 30, 2011, \$17.1 million (Cdn\$17.8 million) was payable in US dollars.

The maturity of the ABL Facility is July 28, 2016. The credit agreement entered into in connection with the ABL Facility contains covenants that restrict the Operating Trust (and the Fund, the Manager, the Partnership and its general partner, NILP General Partner Ltd., as guarantors) in several respects, including their ability to make distributions or repurchase the Notes. The ABL Facility also contains customary representations, warranties and covenants and conditions to funding.

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended September 30, 2011 and 2010 (\$ thousands except as otherwise indicated)

The ABL Facility credit agreement does not contain financial covenants, provided the Fund's average excess availability over the most recent 45-day period is equal to or greater than \$15 million. In the event that the Fund's average excess availability is less than \$15 million for any 45-day period, the Fund will be required to maintain (i) adjusted tangible net worth of the Fund and its subsidiaries at a level prescribed in the credit agreement and (ii) annual capital expenditures at a level not to exceed 120% of budgeted annual capital expenditures.

The ABL Facility credit agreement lists events that constitute an event of default, should they occur. They include the non-payment by the Operating Trust of principal, interest or other obligations of the Operating Trust in respect of the ABL Facility credit agreement, a default under the Notes trust indenture that permits, or has resulted in, the acceleration of the obligations owing to the holders of Notes, and a breach of any covenant pursuant to the ABL Facility credit agreement, subject to customary cure periods where applicable. If any event of default occurs under the ABL Facility credit agreement, the ABL Facility lenders will be under no further obligation to make advances to the Operating Trust and may require the Operating Trust to repay any outstanding obligations pursuant to the ABL Facility credit agreement.

The Notes and the ABL Facility are fully and unconditionally guaranteed, on a senior secured basis (subject to the terms of an inter creditor agreement with the lenders under the new ABL Facility), by the Fund, the Manager and the Partnership.

Bridge facility

On December 2, 2010, the Operating Trust obtained a bridge facility (the "Bridge Facility") for an amount of \$250 million from a syndicate of lenders, comprised of a \$130 million term loan tranche ("Term Loan Tranche") and a \$120 million operating line of credit ("Revolving Facility Tranche").

Effective June 3, 2011, the Bridge Facility was extended to December 1, 2011 for a total of \$220 million comprised of \$120 million under the Term Loan Tranche and \$100 million under the Revolving Facility Tranche. The credit agreement governing the Bridge Facility contained covenants that restricted the Fund in several respects, including its ability to make cash distributions or redeem or repurchase units. On July 28, 2011 the Bridge Facility was fully repaid using proceeds from the Notes and the ABL Facility (discussed above).

Term loan tranche

The Term Loan Tranche was used to partly repay all of the previously-outstanding senior secured notes in the amount of \$153.5 million that matured on December 20, 2010. The Term Loan Tranche was subject to certain adjustments to include a quarterly reduction of this portion of the Bridge Facility and any repayments permanently reduce the amount available on the Term Loan Tranche.

Borrowings under the Term Loan Tranche were available by way of Canadian prime rate advances or bankers' acceptance and bore interest at the Canadian prime rate plus applicable margins between 3.5% and 4.5%.

Revolving facility tranche

The Revolving Facility Tranche was used to refinance the Operating Trust's prior revolving facility that matured on December 3, 2010, to finance general corporate purposes including working capital and to repay the remaining \$23.5 million of the previously-outstanding senior secured notes.

Under the Revolving Facility Tranche, the amount available to be drawn varied on a monthly basis and was based on 65% of the Fund's eligible inventory and 80% of the eligible accounts receivable (both as defined in the credit agreement) from the previous month. The monthly calculation was subject to a maximum available to be drawn of \$100 million.

Borrowings under the Revolving Facility Tranche were available by way of Canadian prime rate advances, US base rate advances, bankers' acceptances, US dollar Libor advances and Canadian and US dollar letters of credit. The Revolving Facility Tranche bore interest at rates that varied with the Canadian prime rate, US base rate, the bankers' acceptance rate, or Libor rates plus applicable margins between 3.5% and 4.5%.

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Interest on bank overdrafts	2,134	2,582	6,973	8,477
Accretion on bank and other loans	1,672	511	6,395	986
Accretion of rehabilitation expense	168	178	504	532
Interest income	(6)	(11)	(43)	(16)
	<u>3,968</u>	<u>3,260</u>	<u>13,829</u>	<u>9,979</u>

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended September 30, 2011 and 2010 (\$ thousands except as otherwise indicated)

8. Related parties

The consolidated financial statements include the financial statements of the Fund, the subsidiaries and the special purpose entity and they are listed in the following table:

Name	Country of Incorporation	% Equity Interest	
		2011	2010
Subsidiaries:			
Noranda Income Limited Partnership	Canada	81%	81%
Noranda Operating Trust	Canada	100%	100%
Special Purpose Entity:			
Canadian Electrolytic Zinc Limited ¹	Canada	0%	0%

¹ Canadian Electrolytic Zinc Limited is a wholly owned subsidiary of Xstrata Canada and is consolidated by virtue of being a special purpose entity.

During the three and nine month periods ended September 30, 2011 and 2010, the Fund entered into the following transactions in the ordinary course of business with Xstrata Canada and its subsidiaries:

	Three-months ended September 30		Nine-months ended September 30	
	2011	2010	2011	2010
Sales of zinc metal	532	13,499	13,186	15,874
Sales of byproducts	7,025	5,250	22,174	16,085
Purchases of zinc concentrate	58,392	99,474	250,237	238,368
Purchases of plant equipment, raw materials and operating supplies	1,838	2,600	6,469	7,645
Support services	269	294	887	880

Glencore International AG ("Glencore") owns approximately 34.1% of Xstrata. Sales to a subsidiary of Glencore excluded in sales of zinc metal for the three and nine month period ended September 30, 2011 were \$3,831 and \$17,239 respectively (2010 – \$2,981 and \$32,319 respectively). Amounts due from Glencore, included in accounts receivable, were \$809 and \$929 as at September 30, 2011 and 2010, respectively.

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. All amounts due to and from related parties are non-interest bearing and are due in the ordinary course of business. All transactions with Xstrata Canada and affiliated companies are carried out in the normal course of operations, and are recorded at fair value.

9. Derivatives and hedges

Inventory management program

Due to the structure of the Processing Facility's purchase and sale contracts, the Fund has the ability to manage its exposure to fluctuations in zinc market prices. The Fund purchases metal in the form of zinc concentrate to be processed eventually into refined zinc metal for sale to customers. Zinc metal products are generally sold approximately two months after the concentrate from which they are made is delivered. As a result, by pricing the "payable" zinc metal contained in zinc concentrate at the LME zinc reference price in the second month following its delivery, and by pricing the processing fee in Canadian dollars, the SPA seeks to limit the exposure to zinc metal price fluctuations during the period in which the concentrate is transformed into zinc metal. This results in matching the timing of pricing of the purchase of zinc concentrate with the expected timing of sales of the refined zinc metal produced from that concentrate. As agent of the Fund, Xstrata Canada provides the hedging arrangements ("inventory management program") in the event that the structure of the Fund's sales and purchase contracts does not minimize exposure to changes in zinc prices during the period in which the zinc is refined.

The derivatives associated with the Fund's inventory management program do not meet the requirements for hedge accounting. As a result, these derivative financial instruments have been recognized on the consolidated statements of financial position as either a derivative financial asset or liability with the change in their fair value at each reporting period date recognized as a gain or a loss on derivative financial instruments. As at September 30, 2011, the Fund had bought forward approximately 7 million pounds of zinc (December 31, 2010 – bought forward 16 million pounds of zinc).

Notes to the Consolidated Condensed Interim Financial Statements For the period ended September 30, 2011 and 2010 (\$ thousands except as otherwise indicated)

During the three and nine month periods ended September 30, 2011, the change in fair value of these derivatives was a loss of \$2.4 million and a loss of \$3.1 million respectively which was recognized in the consolidated statements of comprehensive income in loss (gain) on derivative financial instruments (2010 - loss on derivative financial instruments of \$1.4 million and gain of \$3.7 million). As at September 30, 2011, the fair value of these positions, as determined with reference to level 1, quoted market prices, was a current derivative financial liability of \$0.9 million (December 31, 2010 - current derivative financial asset of \$2.1 million).

Hedges of fixed firm commitments

Certain customers request a fixed sales price instead of the LME average price in the month of shipment. Xstrata Canada, as agent, enters into commodity forward and futures contracts on behalf of the Fund that will allow the Fund to receive the LME average price in the month of shipment while customers pay the agreed-upon fixed price. Xstrata Canada accomplishes this by settling the futures contracts during the month of shipment, which generally results in the realization of the LME average price. In the event that the futures contracts have to be terminated early, due to the customer cancelling a fixed price order, Xstrata Canada has the right to charge the customer with the cost of settling the LME futures contract. A high degree of correlation between the changes in the fair value of the contracts and the fixed sales commitments permits hedge accounting to be used.

As at September 30, 2011, Xstrata Canada had futures contracts hedging approximately 90 million pounds of zinc (December 31, 2010 - 23 million pounds) to be sold pursuant to firm commitments at fixed prices and delivery dates related to the Fund. As at September 30, 2011, the fair value of these contracts as determined with reference to pooled market prices (level 1) was recognized as a current derivative financial liability of \$9.9 million and a non-current derivative financial liability of \$0.8 million (December 31, 2010 - current derivative financial asset of \$3.5 million and non-current derivative financial asset of \$0.4 million) and the fair value of the firm fixed sales commitments was recognized as a current firm commitment asset of \$9.4 million and a long-term firm commitment asset of \$0.7 million (December 31, 2010 - current firm commitment liability of \$3.5 million and a long-term firm commitment liability of \$0.4 million).

The net change in fair value of these net positions, representing the ineffective portion of the hedge position for the three and nine month periods ended September 30, 2011 was recognized in the consolidated statements of comprehensive income as a loss on derivative financial instruments of \$0.5 million and \$0.5 million, respectively (2010 - loss of \$0.6 and \$0.3 million).

US dollar overnight transactions

The Fund also has exposure to the US dollar for its cash, accounts receivable, inventory, accounts payable and accrued liabilities and bank debt. The Fund attempts to manage the overall economic exposure to US dollar fluctuations by matching US dollar assets to US dollar liabilities. This currency exposure is managed in part through US dollar overnight transactions. As at September 30, 2011, the Fund had bought forward US dollars with a notional amount of US\$86.6 million (December 31, 2010 - US\$79.1 million) and sold forward dollars with a notional amount of \$90.3 million (December 31, 2010 - \$79.1 million). An unrealized gain of \$0.3 million related to these open positions was recorded in current derivative financial assets as at September 30, 2011.

Embedded derivatives

The Fund has separated and recorded at fair value, embedded derivatives resulting from the provisional pricing feature in the SPA. Under the terms of the agreement, final prices for purchases of concentrate ("quotational pricing") are based on the LME price prevailing on a specified future date after shipment ("quotational period"). The Fund accounts for changes in the fair value of unsettled concentrate payable amounts resulting from quotational pricing with reference to forward LME rates for the remaining quotational period through gains or losses recorded in raw material purchase costs and corresponding adjustments in accounts payable and accrued liabilities. For the three and nine-months ended September 30, 2011, the Fund recorded a decrease of raw material purchase costs of \$8.2 million and a decrease of raw material purchase costs of \$12.1 million related to the change in fair value, as determined with reference to pooled market prices (level 1) of the embedded derivatives resulting from the quotational pricing feature of its zinc concentrate payables (2010 - increase of \$6.4 million and a decrease of \$2.4 million).

10. Commitments and contingencies

Litigation

In August 2004, the Processing Facility was served with a class action motion presentable before the Québec Superior Court, subsequent to an accidental discharge of sulphur trioxide. In June 2008, the Québec Superior Court dismissed the motion to institute a class action. The plaintiff appealed the decision. In August 2009, the Québec Court of Appeal dismissed the appeal.

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In December 2009, the Processing Facility was served a new motion to institute a class action. The second motion to institute a class action has been heard by the Québec Superior Court and the case has been taken under advisement.

The Manager continues to maintain that the class action suit is unfounded and intends to vigorously defend itself against the proposed claim.

11. Explanation of transition to IFRS

As stated in note 20 to the consolidated interim financial statements for the three month period ended March 31, 2011, IFRS 1 sets out the procedures that the Fund must follow when it adopts IFRS for the first time as the basis for preparing its consolidated financial statements. The Fund is required to establish its IFRS accounting policies for 2011 and in general, apply these retrospectively to determine the IFRS opening balance sheet as at the transition date of January 1, 2010.

The accounting policies set out in note 20 to the consolidated interim financial statements for the three month period ended March 31, 2011 have been applied in preparing the interim financial statements for the three and nine month periods ended September 30, 2011, the comparative information presented for the three and nine month periods ended September 30, 2010 and the year ended December 31, 2010 and in preparation of an opening IFRS statement of financial position at January 1, 2010 (the Fund's date of transition).

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For the period ended September 30, 2011 and 2010 (\$ thousands except as otherwise indicated)

NORANDA INCOME FUND
CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
(\$ thousands)

	As at September 30, 2010		
	Canadian GAAP	Effect of Transition	IFRS
Assets			
Non-current assets			
Property, plant and equipment	287,561	-	287,561
Deferred tax assets	-	1,809	1,809
Employee benefits	-	2,741	2,741
Derivative financial assets	410	-	410
	<u>287,971</u>	<u>4,550</u>	<u>292,521</u>
Current assets			
Inventories	83,950	-	83,950
Accounts receivable			
Trade	78,952	99	79,051
Xstrata Canada	31,303	(96)	31,207
Income taxes receivable	-	17	17
Derivative financial assets	82	-	82
Derivative hedging instruments	1,187	-	1,187
Prepays and other assets	1,706	140	1,846
Cash and cash equivalents	934	894	1,828
	<u>198,114</u>	<u>1,054</u>	<u>199,168</u>
	<u>486,085</u>	<u>5,604</u>	<u>491,689</u>
Liabilities			
Non-current liabilities			
Long-term firm commitments	422	-	422
Rehabilitation liability	9,418	10,244	19,662
Employee benefits	-	8,788	8,788
Deferred tax liabilities	14,641	7,738	22,379
	<u>24,481</u>	<u>26,770</u>	<u>51,251</u>
Current liabilities			
Accounts payable and accrued liabilities			
Trade	16,606	9,969	26,575
Xstrata Canada	60,898	(10,502)	50,396
Income taxes payable	-	78	78
Bank and other loans	184,854	(305)	184,549
Firm commitments	1,222	-	1,222
	<u>263,580</u>	<u>(760)</u>	<u>262,820</u>
Total liabilities excluding net assets attributable to unitholders and non-controlling interest	<u>288,061</u>	<u>26,010</u>	<u>314,071</u>
Net assets attributable to unitholders and non-controlling interest	<u>198,024</u>	<u>(20,406)</u>	<u>177,618</u>
Net assets attributable to:			
Priority Unitholders	148,516	(13,256)	135,260
Ordinary Unitholders	49,508	(4,421)	45,087
Non-controlling interest	-	(2,729)	(2,729)
	<u>198,024</u>	<u>(20,406)</u>	<u>177,618</u>

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For the period ended September 30, 2011 and 2010 (\$ thousands except as otherwise indicated)

NORANDA INCOME FUND
CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
(\$ thousands)

	As at Sept 30, 2010				
	CEZ	ARO	Income Taxes	Elimination	Effect of Transition
Assets					
Non-current assets					
Deferred tax assets	1,809	-	-	-	1,809
Employee benefits	2,741	-	-	-	2,741
	<u>4,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,550</u>
Current assets					
Accounts receivable					
Trade	99	-	-	-	99
Noranda Income Limited Partnership	10,406	-	-	(10,502)	(96)
Income taxes receivable	17	-	-	-	17
Prepays and other assets	140	-	-	-	140
Cash and cash equivalents	894	-	-	-	894
	<u>11,556</u>	<u>-</u>	<u>-</u>	<u>(10,502)</u>	<u>1,054</u>
	<u>16,106</u>	<u>-</u>	<u>-</u>	<u>(10,502)</u>	<u>5,604</u>
Liabilities					
Non-current liabilities					
Rehabilitation liability	-	10,244	-	-	10,244
Employee benefits	8,788	-	-	-	8,788
Deferred tax liabilities	-	-	7,738	-	7,738
	<u>8,788</u>	<u>10,244</u>	<u>7,738</u>	<u>-</u>	<u>26,770</u>
Current liabilities					
Accounts payable and accrued liabilities					
Trade	9,969	-	-	-	9,969
Xstrata Canada	-	-	-	(10,502)	(10,502)
Income taxes payable	78	-	-	-	78
Bank and other loans	-	-	-	(305)	(305)
Ordinary Unitholders' interest	-	-	-	(55,046)	(55,046)
	<u>10,047</u>	<u>-</u>	<u>-</u>	<u>(65,853)</u>	<u>(55,806)</u>
Priority Unitholders' interest					
Priority Unitholders equity	-	-	-	(191,273)	(191,273)
Deficit	-	-	-	48,295	48,295
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(142,978)</u>	<u>(142,978)</u>
Total liabilities excluding net assets attributable to unitholders and non-controlling interest	<u>18,835</u>	<u>10,244</u>	<u>7,738</u>	<u>(208,831)</u>	<u>(172,014)</u>
Net assets attributable to unitholders and non-controlling interest	<u>(2,729)</u>	<u>(10,244)</u>	<u>(7,738)</u>	<u>198,329</u>	<u>177,618</u>
Net assets attributable to:					
Priority Unitholders	-	(7,683)	(5,805)	148,748	135,260
Ordinary Unitholders	-	(2,561)	(1,933)	49,581	45,087
Non-controlling interest	<u>(2,729)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,729)</u>
	<u>(2,729)</u>	<u>(10,244)</u>	<u>(7,738)</u>	<u>198,329</u>	<u>177,618</u>

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended September 30, 2011 and 2010 (\$ thousands except as otherwise indicated)

NORANDA INCOME FUND CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (\$ thousands)

	Three months ended September 30, 2010			Nine months ended September 30, 2010		
	Canadian GAAP	Effect of Transition	IFRS	Canadian GAAP	Effect of Transition	IFRS
Revenues						
Sales	157,049	-	157,049	485,939	-	485,939
Transportation and distribution costs	(4,159)	-	(4,159)	(11,585)	-	(11,585)
	<u>152,890</u>	<u>-</u>	<u>152,890</u>	<u>474,354</u>	<u>-</u>	<u>474,354</u>
Raw material purchase costs	<u>92,267</u>	<u>-</u>	<u>92,267</u>	<u>265,878</u>	<u>-</u>	<u>265,878</u>
Revenues less raw material purchase costs	<u>60,623</u>	<u>-</u>	<u>60,623</u>	<u>208,476</u>	<u>-</u>	<u>208,476</u>
Other expenses						
Production	42,653	(895)	41,758	133,418	(2,839)	130,579
Selling, general and administration	4,890	(172)	4,718	15,368	(532)	14,836
Foreign currency gain	(2,170)	-	(2,170)	1,592	-	1,592
Gain on derivative financial instruments	1,980	-	1,980	(3,325)	-	(3,325)
Depreciation of property, plant and equipment	7,585	-	7,585	25,427	-	25,427
Rehabilitation expense	177	840	1,017	536	2,167	2,703
	<u>55,115</u>	<u>(227)</u>	<u>54,888</u>	<u>173,016</u>	<u>(1,204)</u>	<u>171,812</u>
Earnings before interest and income tax	<u>5,508</u>	<u>227</u>	<u>5,735</u>	<u>35,460</u>	<u>1,204</u>	<u>36,664</u>
Interest expense, net	2,636	624	3,260	9,752	227	9,979
Earnings before income tax	<u>2,872</u>	<u>(397)</u>	<u>2,475</u>	<u>25,708</u>	<u>977</u>	<u>26,685</u>
Current income tax expense	-	25	25	-	79	79
Deferred income tax expense	-	52	52	1,494	1,033	2,527
Earnings attributable to Unitholders and Non-controlling interest	<u>2,872</u>	<u>(474)</u>	<u>2,398</u>	<u>24,214</u>	<u>(135)</u>	<u>24,079</u>
Finance costs - distributions to Unitholders	-	-	-	-	-	-
Increase (decrease) in net assets attributable to Unitholders and Non-controlling interest	<u>2,872</u>	<u>(474)</u>	<u>2,398</u>	<u>24,214</u>	<u>(135)</u>	<u>24,079</u>
Other comprehensive income (loss)						
Actuarial loss on defined benefit pension plans	-	(256)	(256)	-	(2,658)	(2,658)
Deferred income tax recovery	-	(76)	(76)	-	(795)	(795)
	<u>-</u>	<u>(180)</u>	<u>(180)</u>	<u>-</u>	<u>(1,863)</u>	<u>(1,863)</u>
Comprehensive income (loss)	<u>2,872</u>	<u>(654)</u>	<u>2,218</u>	<u>24,214</u>	<u>(1,998)</u>	<u>22,216</u>
Increase (decrease) in net assets attributable to:						
Priority Unitholders	2,154	(914)	1,240	18,161	(1,864)	16,297
Ordinary Unitholders	718	(304)	414	6,053	(620)	5,433
Non-controlling interest	-	744	744	-	2,349	2,349
	<u>2,872</u>	<u>(474)</u>	<u>2,398</u>	<u>24,214</u>	<u>(135)</u>	<u>24,079</u>
Comprehensive income (loss) attributable to:						
Priority Unitholders	2,154	(914)	1,240	18,161	(1,864)	16,297
Ordinary Unitholders	718	(304)	414	6,053	(620)	5,433
Non-controlling interest	-	564	564	-	486	486
	<u>2,872</u>	<u>(654)</u>	<u>2,218</u>	<u>24,214</u>	<u>(1,998)</u>	<u>22,216</u>

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NORANDA INCOME FUND
CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(\$ thousands)

	Three months ended September 30, 2010				
	CEZ	ARO	Income Taxes	Elimination	Effect of Transition
Revenues					
Sales	72	-	-	(72)	-
Other expenses					
Production	(895)	-	-	-	(895)
Selling, general and administration	(100)	-	-	(72)	(172)
Rehabilitation expense	-	840	-	-	840
	<u>(995)</u>	<u>840</u>	<u>-</u>	<u>(72)</u>	<u>(227)</u>
Earnings before interest and income tax	1,067	(840)	-	-	227
Interest expense, net	-	178	-	446	624
Earnings before income tax	<u>1,067</u>	<u>(1,018)</u>	<u>-</u>	<u>(446)</u>	<u>(397)</u>
Current income tax expense	25	-	-	-	25
Deferred income tax expense	298	-	(246)	-	52
Earnings attributable to Unitholders and Non-controlling interest	744	(1,018)	246	(446)	(474)
Finance costs - distributions to Unitholders	-	-	-	-	-
Increase (decrease) in net assets attributable to Unitholders and Non-controlling interest	<u>744</u>	<u>(1,018)</u>	<u>246</u>	<u>(446)</u>	<u>(474)</u>
Other comprehensive income (loss)					
Actuarial loss on defined benefit pension plans	(256)	-	-	-	(256)
Deferred income tax recovery	(76)	-	-	-	(76)
	<u>(180)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(180)</u>
Comprehensive income (loss)	<u>564</u>	<u>(1,018)</u>	<u>246</u>	<u>(446)</u>	<u>(654)</u>
Increase (decrease) in net assets attributable to:					
Priority Unitholders	-	(764)	185	(335)	(914)
Ordinary Unitholders	-	(254)	61	(111)	(304)
Non-controlling interest	744	-	-	-	744
	<u>744</u>	<u>(1,018)</u>	<u>246</u>	<u>(446)</u>	<u>(474)</u>
Comprehensive income (loss) attributable to:					
Priority Unitholders	-	(764)	185	(335)	(914)
Ordinary Unitholders	-	(254)	61	(111)	(304)
Non-controlling interest	564	-	-	-	564
	<u>564</u>	<u>(1,018)</u>	<u>246</u>	<u>(446)</u>	<u>(654)</u>

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For the period ended September 30, 2011 and 2010 (\$ thousands except as otherwise indicated)

NORANDA INCOME FUND
CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(\$ thousands)

	Nine months ended September 30, 2010				Effect of Transition
	CEZ	ARO	Income Taxes	Elimination	
Revenues					
Sales	216	-	-	(216)	-
Other expenses					
Production	(2,839)	-	-	-	(2,839)
Selling, general and administration	(316)	-	-	(216)	(532)
Rehabilitation expense	-	2,167	-	-	2,167
	<u>(3,155)</u>	<u>2,167</u>	<u>-</u>	<u>(216)</u>	<u>(1,204)</u>
Earnings before interest and income tax	3,371	(2,167)	-	-	1,204
Interest expense, net	-	532	-	(305)	227
Earnings before income tax	<u>3,371</u>	<u>(2,699)</u>	<u>-</u>	<u>305</u>	<u>977</u>
Current income tax expense	79	-	-	-	79
Deferred income tax expense	943	-	90	-	1,033
Earnings attributable to Unitholders and Non-controlling interest	2,349	(2,699)	(90)	305	(135)
Finance costs - distributions to Unitholders	-	-	-	-	-
Increase (decrease) in net assets attributable to Unitholders and Non-controlling interest	<u>2,349</u>	<u>(2,699)</u>	<u>(90)</u>	<u>305</u>	<u>(135)</u>
Other comprehensive income (loss)					
Actuarial loss on defined benefit pension plans	(2,658)	-	-	-	(2,658)
Deferred income tax recovery	(795)	-	-	-	(795)
	<u>(1,863)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,863)</u>
Comprehensive income (loss)	<u>486</u>	<u>(2,699)</u>	<u>(90)</u>	<u>305</u>	<u>(1,998)</u>
Increase (decrease) in net assets attributable to:					
Priority Unitholders	-	(2,025)	(67)	228	(1,864)
Ordinary Unitholders	-	(674)	(23)	77	(620)
Non-controlling interest	2,349	-	-	-	2,349
	<u>2,349</u>	<u>(2,699)</u>	<u>(90)</u>	<u>305</u>	<u>(135)</u>
Comprehensive income (loss) attributable to:					
Priority Unitholders	-	(2,025)	(67)	228	(1,864)
Ordinary Unitholders	-	(674)	(23)	77	(620)
Non-controlling interest	486	-	-	-	486
	<u>486</u>	<u>(2,699)</u>	<u>(90)</u>	<u>305</u>	<u>(1,998)</u>