

**LORRAINE COPPER CORP.  
MANAGEMENT DISCUSSION AND ANALYSIS  
Interim Third Quarter Report – November 30, 2009**

*This Management Discussion and Analysis (the “MD&A”) of Lorraine Copper Corp. (the “Company” or “Lorraine Copper”) provides analysis of the Company’s financial results for the quarter ended November 30, 2009 and should be read in conjunction with the accompanying audited financial statements and notes thereto. The MD&A is current as at January 14, 2010, the date of preparation.*

*All financial information is prepared using Canadian generally accepted accounting principles and Canadian dollars unless otherwise indicated.*

*Certain statements made may constitute forward-looking statements. Such statements involve a number of known and unknown risks, uncertainties and other factors. Actual results, performance and achievements may be materially different from those expressed or implied by these forward-looking statements.*

## **BUSINESS OVERVIEW**

Lorraine Copper is listed on the Exchange under the symbol “LLC” and the Company currently holds the Lorraine mineral project located in north-central British Columbia.

The property is located within the Quesnel/Stikine Terrane, which is known for its alkalic copper-gold deposits including Galore Creek (in feasibility with NovaGold/Teck partnership), Mt. Polley (in production with Imperial Metals), Afton (in feasibility with New Gold), Copper Mountain (past producer, in permitting stage), Kemess (in production with Northgate Exploration) and Mt. Milligan (in permitting with Terrane Metals).

## **CURRENT OPERATIONS**

### Lorraine Property

On January 14, 2009, the Company announced the results from the 2008 exploration program at the Lorraine project, which is being managed by Teck Resources Limited (“Teck”) under a Participation Agreement with the Company. The Lorraine property is located in the Quesnel/Stikine Terrane approximately 250 km northwest of the city of Prince George, British Columbia.

Copper-gold mineralization on the Lorraine property is alkalic intrusion-related and is analogous to a deposit style that includes the Galore Creek deposit. Other significant alkalic deposits in British Columbia include the Mt. Polley, Afton and Copper Mountain mines. The Lorraine property is located in an area of active logging and is well served by resource infrastructure including all season roads, the Kemess power-line corridor to the northeast and the Canadian National Railway line to the southwest.

Teck is earning a 51% interest in the Lorraine property by spending \$9.0 million by 2011 (approximately \$8.4 million spent to date), and may earn up to a 65% interest by completing a feasibility study and arranging production financing.

Following from the 2008 worldwide credit freeze that hit shortly after Teck had made a major coal purchase, Teck broadly reduced its 2009 capital and mineral exploration budgets. Included in these cutbacks, Teck suspended its exploration plans for the Lorraine property in 2009. Teck has now fully recovered from the credit squeeze, and Teck exploration management has recently indicated that they expect to continue the Lorraine project work in 2010.

To view maps showing the drilling results and IP anomalies as well as other data for the Lorraine Project, go to our website: [www.lorrainecopper.com](http://www.lorrainecopper.com)

**RESULTS OF OPERATIONS**  
**Selected Financial Information**

\* - This represents the period from incorporation on October 23, 2007 to February 29, 2008.

Period	Quarter ended Nov. 30, 2009	Quarter ended Aug. 31, 2009	Quarter ended May 31, 2009	Quarter ended Feb. 28, 2009	Quarter ended Nov. 30, 2008	Quarter ended Aug. 31, 2008	Quarter ended May 31, 2008	2008*
Net Sales	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net and comprehensive loss	\$ 31,432	\$ 27,266	\$ 19,777	\$ 21,800	\$ 24,226	\$ 26,901	\$ 237,287	\$ 45,796
Basic and diluted net loss per share	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.014	\$ 0.002
Total Assets	\$5,132,368	\$ 5,253,385	\$ 5,234,613	\$ 5,256,432	\$4,682,199	\$4,698,288	\$ 237,287	\$ 12,834
Total Long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Cash	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
dividends per share, common								

No cash dividends have been declared or paid since the date of incorporation and the Company has no present intention of paying dividends on its common shares. The Company anticipates that all available funds will be invested to finance the growth of its business.

The Company's recorded loss for the period ended November 30, 2009 is comprised mainly of general and administrative expenses at a level which should be sustainable over the longer term. There was no significant variation in the level of administrative expenses from the prior quarter. Allocable management costs were stable during the quarter apart from an audit fee expense of \$6,998 in the quarter compared to \$966 for the six months ended August 31, 2009 with minor variations in investor relations costs, legal and audit, salaries and office costs.

**Trends**

The Company's general and administrative expenditures are related to the level of financing and exploration activities, which in turn depend on the Company's recent exploration activities and prospects, as well as general market conditions relating to the availability of funding for exploration-stage resource companies. The Company does not acquire properties or conduct exploration work on its properties on a pre-determined basis. Thus, there may not be predictable or observable trends in the Company's business activities and comparisons of financial operating results with prior years may not be meaningful.

Other than as herein disclosed, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect upon the Company's revenues, income from continuing operations, profitability, liquidity or capital resources, of that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

**RISKS AND UNCERTAINTIES**

The Company's exploration programs and ability to raise finance are driven by expectations of discovery and viability of mineral resources. There is a high degree of uncertainty and market perceptions are highly variable. Major factors that could affect the Company's properties at present include the under-noted.

1. *The business cycle, global demand and commodity prices*

World demand for most metals has recovered from the recent cyclical downturn, helped by good demand from China and other developing areas. Demand for gold for investment purposes is strong. Current market prices for both copper and gold are historically high, and the immediate outlook is favourable. Over time, however, cyclical fluctuations in prices are expected.

## 2. *Currency exchange rates*

The appreciation of Canadian currency versus a weakening US dollar adversely and significantly affects the viability of mining operations located in Canada that sell minerals, such as copper and gold, in prices denominated in US funds. In the long-term, weakness in the US dollar may be partly or wholly compensated by higher quoted prices, but the immediate adverse impact will affect assessments of Canadian exploration properties.

## 3. *Operating costs in western and northern Canada*

As a result of intense activity in oil, gas and mining projects, inflationary pressures are significantly affecting construction and operating costs in the area. There is, accordingly, uncertainty in assessing the viability of projects.

## 4. *Permitting*

There are significant time delays and uncertainties affecting the permitting processes, in Canada and in many other areas of the world.

## 5. *Economic resources*

The Company has not yet established any reportable economic resources. It is exploring structures that are believed to have economic potential, but there is no assurance that resources or ore reserves will be established.

An investment in the Company's common shares is highly speculative and subject to a number of risks and uncertainties. Only those persons who can bear the risk of the entire loss of their investment should participate. An investor should carefully consider the risks described below and the other information filed with the Canadian securities regulators before investing in the Company's common shares. The risks described herein are not the only ones faced. Additional risks may become important factors that affect the Company's business.

The Company's mineral property interests are in the exploration stage. Development of the Company's properties will only proceed upon obtaining satisfactory exploration results. Mineral exploration and development involve high degree of risk and few properties which are explored are ultimately developed into producing mines. There is no assurance that mineral exploration and development activities on the Company's properties will result in the discovery of economically viable mineral reserves for commercial production.

The recoverability of the amounts shown for resource assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties. The Company's ability to continue its operations is dependent on its ability to secure additional financing and while it has been successful in doing so in the past there can be no assurance it will be able to do so in the future. In order to continue developing its mineral properties, management is actively pursuing such additional sources of financing; however, in the event this were not to occur, there would be doubt about the ability of the Company to continue as a going concern. The unaudited Financial Statements and the discussion and analysis of the financial condition, changes in financial condition and results of operations of the Company for the quarter ended November 30, 2009 do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

Substantial expenditures are required to establish reserves through drilling, to develop processes to extract minerals and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis.

The economics of developing mineral properties are affected by many factors which are beyond the Company's control and which cannot be predicted, including the cost of operations, variations of grade of ore discovered, fluctuations in mineral markets, the proximity and capacity of milling facilities, mineral markets and processing equipment, prices of good and services and other factors such as government regulations, allowable production and environmental regulations. Depending upon the price of minerals discovered and potentially mined, the Company may determine it is neither profitable nor competitive to acquire or develop properties, or commence or continue commercial production.

Although the Company believes it has exercised commercially reasonable due diligence with respect to determining title to properties, it owns, controls or have the right to acquire by option, there is no guarantee that

title to such mineral property interests will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. There may be valid challenges to the title of the mineral property interests which, if successful, could impair development and/or operations.

### *Conflicts of interest*

Certain officers and directors of the Company are officers and/or directors of, or are associated with, other natural resource companies that acquire interests in mineral properties. Such associations may give rise to conflicts of interest from time to time. The directors are required by law, however, to act honestly and in good faith with a view to the best interests of the Company and its shareholders and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with the Company and to abstain from voting as a director for the approval of any such transaction.

### *Limited operating history: losses*

The Company has experienced losses in the first two years of its operations. There can be no assurance that the Company will operate profitably in the future, if at all.

### *Price fluctuations: share price volatility*

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility and the market price of securities of many mineral exploration companies have experienced wide fluctuations in price, which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. In particular, during the months of April through October, 2008 the per share price of the Company's shares fluctuated from a high of \$0.25 to a low of \$0.035. In the quarter ended November 30, 2009 the share price fluctuated from a high of \$0.09 to a low of \$0.04. There can be no assurance that continual fluctuations in price will not occur.

## **International Financial Reporting Standards**

By 2011, Canada will move to the same accounting standards as are used by publicly accountable enterprises in the EU and many other countries around the world. International Financial Reporting Standards (IFRS) are being promoted as a single set of high quality, understandable and enforceable global standards. "Publicly accountable enterprises" will be required to move to IFRS — that term includes publicly traded companies as well as other enterprises that hold assets in a fiduciary capacity for broad groups of outsiders. The Accounting Standards Board of Canada (AcSB) is planning the strategy for accounting standards that will apply to private businesses and not-for-profit organizations. Using IFRS should enable Canadian companies to increase their global reach, providing shareholders and regulators with financial information that has enhanced comparability and transparency. Companies should have easier access to international capital, funding, and investment opportunities.

Management has attended briefing seminars on the transition to IFRS, and we are awaiting the release of various exposure drafts and reports which will more clearly define the accounting standards for the mining exploration industry. The board of directors will oversee the IFRS transition.

A timetable for transition to IFRS is set out below.



## **LIQUIDITY AND CAPITAL RESOURCES**

The Company's primary capital assets are mineral property interests, which are discussed in detail in the section Business Overview.

Working capital should be sufficient to fund business plans for the current year and should be adequate to permit professional corporate management and investor communications. The Company's business plans assume that exploration of the Lorraine property with continued to be carried out by Teck Resources under the participation agreement with that company. The Company does not derive any revenues from operations and does not expect to generate any revenues from operations in the foreseeable future.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not utilize off-balance sheet arrangements.

## **TRANSACTIONS WITH RELATED PARTIES**

In the normal course of business, the Company enters into transactions with related companies for the use of equipment, services and rental of office space. The Company is related to Eastfield (Note 1) through directors in common. Amounts paid for rent, salaries, telephone, office, consulting, convention and travel costs to Eastfield are measured at the exchange amounts agreed to by the parties.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. The Company's accounting policies are thoroughly described in Note 2 to the November 30, 2009 unaudited financial statements. The Company's accounting policies relating to investment in mineral properties and deferred exploration costs are critical accounting policies that are subject to estimates and assumptions regarding future activities.

Generally accepted accounting principles require the Company to consider at the end of each accounting period whether or not there has been an impairment of the capitalized investment in mineral properties. This assessment is based on whether factors that may indicate the need for a write-down are present. If the Company determines there has been impairment, then the Company would be required to write-down the recorded value of its investment in mineral properties, which would reduce the Company's earnings and net assets.

### **(i) Financial Instruments – Recognition and Measurement**

Under this standard, all financial instruments are classified as one of the following: held-to maturity investments, loans and receivables, held-for-trading or available-for-sale. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables, and financial liabilities other than those held-for-trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. The standard also permits the designation of any financial instrument as held-for-trading upon initial recognition.

The Company's cash and cash equivalents and short term deposits have been classified as held for trading and are recorded at fair value on the balance sheet. GST and VAT receivable are classified as loans and receivables which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities. The Company had neither available-for-sale, nor held-to-maturity investments during the latest fiscal period end.

The criteria for assessing an other-than-temporary impairment remain unchanged. Transaction costs incurred to acquire or issue financial instruments are included in the carrying amount of the relevant financial instrument.

(ii) Hedges

This standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed for each of the permitted hedging strategies: fair-value hedges, cash-flow hedges and hedges of a foreign currency exposure of a net investment in a self-sustaining foreign operation. The Company has not designated any agreements as hedges.

(iii) Comprehensive Income

This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available for sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self sustaining foreign operations, all of which are not included in the calculation of net earnings until realized.

The CICA plans to transition Canadian GAAP for public companies to International Financial Reporting Standards ("IFRS"). The effective changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The impact of the transition to IFRS on the Company's consolidated financial statements is not yet determinable.

### **Stock-based compensation**

The fair value of stock options is determined by the widely used Black-Scholes option pricing model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and the expected life of the options. The compensation cost is expensed over the vesting period with a corresponding credit to contributed surplus. Consideration paid on the exercise of stock options plus previously recognized expenses is credited to share capital when the options are exercised.

### **Financial Instruments and Other Instruments**

The fair values of the Company's cash, short term investments, accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts due to the short-term to maturity of these instruments.

### **Mineral Properties**

The Company records its interests in mineral properties and areas of geological interest at cost less option payments received and other recoveries. All direct and indirect costs related to the acquisition of these interests are capitalized until such time as the properties to which they relate are put into production, sold, abandoned or management has determined there to be an impairment. These costs will be amortized over the proven reserves available following commencement of production.

As well, the Company defers all exploration expenses relating to mineral properties and areas of geological interest until the properties to which they relate are put into production, sold, abandoned or management determines there to be an impairment. These costs will be amortized over the reserves available following commencement of production.

Management's estimates of recoverability of its' investment in various projects have been based on current conditions. It is reasonably possible that changes could occur which could adversely affect management's estimates and may result in material future write-downs of capitalized property carrying values.

### **OUTSTANDING SHARE DATA AS AT November 30, 2009 and at January 13, 2010:**

(a) Authorized and issued share capital:

On September 14, 2009, the Company completed a private placement of 2,165,000 units (each unit being one non-flow-through share and one share purchase warrant at a price of \$0.10 per unit.

<b>Class</b>	<b>Par Value</b>	<b>Authorized</b>	<b>Issued Number</b>
Common	No par value	Unlimited	42,165,002

(b) Summary of options outstanding:

<b>Security</b>	<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Options	2,625,000	0.15	May 26, 2013

(c) Summary of warrants outstanding:

There were 2,165,000 warrants issued in a private placement which closed on September 14, 2009. The warrants allow for the purchase of 2,165,000 shares at an exercise price of \$0.10 per share on or before September 14, 2014. There are no escrowed or pooled shares.

## **OTHER INFORMATION**

### **Internal Controls and Disclosure Controls over Financial Reporting**

On November 23, 2007, the British Columbia Securities Commission exempted Venture Issuers, such as the Company, from certifying disclosure controls and procedures, as well as internal controls over financial reporting as of December 31, 2007 and thereafter. The Company is now required to file basic certificates, which it has done during 2008 and 2009. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under Multilateral Instrument 52-109 as at November 30, 2009.

### **Website**

The Company's web site address is [www.lorrainecopper.com](http://www.lorrainecopper.com). Other information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).