

## **LONGHORN EXPLORATION CORP.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FOURTH QUARTER ENDED AUGUST 31, 2023**

(All amounts expressed in Canadian dollars, unless otherwise stated)

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This Management Discussion and Analysis ("MD&A") provides a detailed analysis of the business of Longhorn Exploration Corp. (the "Company") and describes its financial results for the fourth quarter ended August 31, 2023. The MD&A should be read in conjunction with the audited financial statements and notes for the same period which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in the Canadian dollar.

#### **Management's Responsibility**

The Company's management is responsible for the preparation and presentation of the financial statements and the MD&A. The financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. This MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

#### **Forward-Looking Statements**

This MD&A may contain forward-looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of exploration or other risk factors beyond its control. Actual results may differ materially from the expected results.

Except for statements of historical fact, this MD&A contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. In particular, forward-looking information in this MD&A includes, but is not limited to, statements with respect to future events, the Fame property, obtaining drill permits, and is subject to certain risks, uncertainties and assumptions. Although we believe that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, performance or achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the *forward-looking information*.

Forward-looking information is based on the opinions and estimates of management at the date the statements are made, which are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors that could cause results to differ materially from those expressed in the forward-looking statements include, but are not limited to: general economic conditions in Canada, the United States and globally; governmental regulation of the mining industry, including environmental regulation; geological, technical and drilling problems; unanticipated operating events; competition for and/or inability to retain drilling rigs, personnel and other services required to carry out exploration work; adverse weather and climate events; the availability of capital on acceptable terms; the need to obtain required approvals from regulatory authorities; stock market volatility; volatility in market prices for commodities; failure to maintain or obtain all necessary government permits, approvals and authorizations; the impact of Covid-19 or other viruses and diseases on the Company's ability to operate; failure to maintain community acceptance (including First Nations); increase in costs; litigation; failure of counterparties to perform their contractual obligations; liabilities inherent in mining operations; changes in tax laws and incentive programs relating to the mining industry; and the other factors described herein under "Risks and Uncertainties"

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as well as in our public filings available at [www.sedarplus.ca](http://www.sedarplus.ca). Readers are cautioned that this list of risk factors should not be construed as exhaustive.

The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. We undertake no duty to update any of the forward-looking information to conform such information to actual results or to changes in our expectations except as otherwise required by applicable securities legislation. Readers are cautioned not to place undue reliance on forward-looking information.

This MD&A is current as at December 6, 2023.

**Scientific and Technical Disclosure**

The scientific and technical information contained in this MD&A has been reviewed and approved by Chris Dyakowski, P.Geo., a consultant of the Company and a "Qualified Person" as defined in National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

**BACKGROUND**

The Company is an exploration stage company engaged in the acquisition and exploration of mineral properties. The Company is currently focusing its exploration activities on precious metals in the Chilcotin area of British Columbia, Canada. The Company has an option to acquire 100% undivided interest in the Fame Property located in the Clinton Mining Division, British Columbia. The Company is a British Columbia company. Its primary business objective is to successfully earn into its key mineral project, and locate and develop this key project into an economically viable mineral property. The Company is primarily a junior exploration company with no revenues from mineral producing operations. The recoverability of amounts shown for the mineral properties and related deferred exploration expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration of the property, and upon future profitable production. The Company may consider acquisitions of other resource projects in foreign or domestic jurisdictions in the future.

On May 9, 2022, the Company completed its initial public offering ("IPO") and then commenced trading on the TSX Venture Exchange ("TSXV") on May 12, 2022 under the trading symbol "LEX". The head office and the principal address of the Company are located at 228 – 1122 Mainland Street, Vancouver, BC V6B 5L1, Canada.

**QUARTERLY HIGHLIGHTS**

- During April 2023, the Company submitted a drill permit application to the Ministry of Energy, Mines and Low Carbon Innovation (British Columbia) for the Fame Property however this was withdrawn on September 22, 2023. The Company received an induced polarization (IP) permit from the Ministry of Energy, Mines and Low Carbon Innovation (British Columbia).

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**MINERAL PROPERTIES**

Exploration and evaluation assets comprise the following accumulated expenditures:

	<b>Fame Project</b>
	\$
<b>Balance at August 31, 2021</b>	<b>130,291</b>
Acquisition costs	92,000
Airborne survey	65,000
Camp costs	73,660
Geological	25,500
Geochemical	42,588
Interpretation/Analysis Reports	20,247
<b>Balance at August 31, 2022</b>	<b>449,286</b>
<b>Balance at August 31, 2023</b>	<b>449,286</b>

**Fame Project**

On May 10, 2021, as amended, and further amended on November 14, 2023, the Company entered into a purchase option agreement (“Option Agreement” or “Option”) with Chris Dyakowski (“Optionor”), whereby the Company was granted exclusive rights to acquire 100% of the Optionor’s 11 mining claims located in the Chilcotin, British Columbia, Canada.

In order to exercise the option, the Company must meet the following commitments:

- a. Pay to the Optionor an aggregate of \$300,000 as follows:
  - i. \$20,000 within 60 days after execution of the Option Agreement (paid);
  - ii. \$20,000 within 10 days of listing on a Canadian stock exchange (paid);
  - iii. \$10,000 on or before the 18-month anniversary of listing on a Canadian stock exchange (paid November 20, 2023);
  - iv. \$60,000 on or before the 24-month anniversary of listing on a Canadian stock exchange; and
  - v. \$125,000 on or before the 36-month anniversary of listing on a Canadian stock exchange.
  
- b. Issue to the Optionor an aggregate of 3,000,000 common shares of the Company as follows:
  - i. 400,000 shares within 10 days of listing on a Canadian stock exchange (issued);
  - ii. 200,000 shares on or before the 18-month anniversary of listing on a Canadian stock exchange (issued November 15, 2023);
  - iii. 1,000,000 shares on or before the 24-month anniversary of listing on a Canadian stock exchange; and
  - iv. 1,000,000 shares on or before the 36-month anniversary of listing on a Canadian stock exchange.
  
- c. Incur no less than \$2,000,000 of exploration expenditures as follows:
  - i. \$200,000 on or before 12-month anniversary of listing on a Canadian stock exchange (incurred);
  - ii. an additional \$600,000 on or before the 24-month anniversary of listing on a Canadian stock exchange; and
  - iii. an additional \$1,200,000 on or before the 36-month anniversary of listing on a Canadian stock exchange.

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If the Company exercises the Option and acquires 100% rights, title and interest in the claims, the Optionor will be entitled to 2.0% net smelter royalty (one-half of which may be repurchased for \$500,000).

On June 6, 2022, the Company announced a geochemical program on the Fame property and has since completed this program and samples were sent to an independent laboratory for assaying.

On July 13, 2022, the Company announced an aeromagnetic survey which will be flown with two or more magnetic sensors with a known separation and the magnetic gradient can be directly measured as the difference in magnetic field between the sensors divided by the distance. The Company has decided to pursue the aeromagnetic geophysical survey instead of the induced polarization survey due to uncertainty of the availability of the induced polarization survey equipment and personnel at the current time. The aeromagnetic survey's magnetic sensors are intended to detect magnetic targets and once the soil geochemical sample results are received, analyzed, and interpreted it will provide the Company with a greater understanding of the Fame property and potential drill targets.

On October 12, 2022, the Company announced the completion of the 2022 exploration program. An aeromagnetic survey was flown and a northeast-trending area of low magnetic susceptibility, approximately 1.2 kilometres wide, was outlined and confirmed. It is coincident with the previously outlined Kelsch lineament and with the known showings on the property, namely the Discovery, Kelsch, Double Diamond and Twilight showings. A similar, parallel magnetic low region trends along Gaspard Creek, which lies about three kilometres to the southeast. Secondary crosscutting lineaments are outlined, trending to the northwest. The magnetic gradient survey has better defined these structural variations, as well as provided better contrast to smaller, shallower magnetic bodies which lie outside of the northeast-trending magnetic low.

The 2022 exploration program also consisted of a soil geochemical survey was focused on the northeast portion of the property and was designed to extend the 2011 soil survey to the north and east, targeting the extension of the northeast trend of mineralization. The grid consisted of 19 north-south lines at 100-metre spacing and sampling at 50-metre spacing. Approximately 830 soil samples were collected. An area of anomalous gold lies in the northwest part of the 2022 grid and forms a northeast extension of the gold-in-soil anomaly noted in the 2011 soil survey. It forms a northeast extension of the mineralization trend previously discovered, namely the Kelsch and Double Day Discovery zone showings. The program also identified other gold anomalies, including a cluster of anomalous gold-in-soil samples, occurring in the southwest corner of the 2022 grid, where five samples contain anomalous gold. This anomaly remains open to the south. A single soil sample occurs in the northeast corner of the 2022 grid, having a highly anomalous gold value of 796 ppb Au. This area requires further prospecting to determine the source of the anomaly. Although copper values were not highly anomalous, one soil sample carried 134 parts per million copper. Located in the southeast portion of the grid, the location warrants follow-up in the field.

During April 2023, the Company submitted a drill permit application for a 10-hole core drill program for the Fame property. The permit is subject to approval by the Ministry of Energy, Mines and Low Carbon Innovation (British Columbia) (the "Ministry of Mines"); the application was withdrawn September 22, 2023. The Fame property already received an induced polarization (IP) permit from the Ministry of Mines. The company has obtained a permit to conduct an IP survey on the Fame property. This survey is a key next step in determining potential drilling targets. The IP survey should be undertaken when the ground is free of snow so that other rock samples can be obtained. This program is best to be undertaken in the early spring of 2024.

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#### **LIQUIDITY AND CAPITAL RESOURCES**

In management's view, given the nature of the Company's operations, which consist of exploration and evaluation of a mining property, the most relevant financial information relates primarily to current liquidity, solvency and planned property expenditures. The Company's financial success will be dependent upon the extent to which it can successfully exercise its option, discover mineralization and the economic viability of developing its properties.

Such development may take years to complete and the amount of resulting income, if any, is difficult to determine. The sales value of any minerals discovered by the Company is largely dependent upon factors beyond the Company's control, including the market value of the metals to be produced. The Company does not expect to receive significant income from any of its properties in the foreseeable future.

At August 31, 2023, the Company had working capital of \$136,471 (2022 - \$223,035) including cash of \$160,353 (2022 - \$237,234).

In October 14, 2021, the Company completed a private placement of 500,000 common shares at \$0.05 per share for total proceeds of \$25,000.

On May 9, 2022, the Company completed its IPO through the issuance 2,148,000 common shares at a price of \$0.20 per common share and 800,000 flow-through common shares at a price of \$0.25 per flow-through share, for aggregate gross proceeds of \$629,600. \$40,000 was allocated to the flow through premium. The Company's common shares were listed on May 9, 2022 and commenced trading on May 12, 2022. Pursuant to the IPO, the Agent received a cash commission of \$46,675 and an aggregate of 219,855 non-transferable common share purchase warrants entitling the Agent and members of its selling group to purchase 219,855 common shares at \$0.20 per common share at any time until May 9, 2024.

The Company's expected cash resources are insufficient to meet its working capital and mineral property requirements for the next year. The Company has no source of revenue therefore management will continue to seek new sources of capital to maintain its operations and to further the development and acquisition of its mineral properties.

The financial statements have been prepared in accordance with IFRS applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the year ended August 31, 2023, the Company incurred a net loss of \$186,240 (2022 - \$52,585).

#### **OUTSTANDING SHARE DATA**

The following share capital as of date of this document is:

	<b>Balance</b>
Shares issued and outstanding	8,648,000
Warrants	219,855
Options	800,000

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The Company incurred a net loss of \$21,510 and \$186,240 three and twelve months ended August 31, 2023 compared to a net loss of \$3,810 and net loss of \$52,585 in the comparable periods. The Company incurred higher regulatory, consulting and professional fees in the current period when compared to the previous periods; in the prior periods, the Company was preparing to list on the TSXV and operations were just starting. In addition, overall net loss for the three and twelve months ended August 31, 2023 increased as a result of a stock option grant in the current period, and a non-recurring flow-through share recovery being realized in the previous comparable period.

**SELECTED QUARTERLY INFORMATION FOR MOST RECENT COMPLETED QUARTERS**

	<b>August 31, 2023</b>	<b>May 31, 2023</b>	<b>February 28, 2023</b>	<b>November 30, 2022</b>
	\$	\$	\$	\$
Net profit (loss)	(21,510)	(15,843)	(129,375)	(19,512)
Loss per share (basic and diluted)	(0.00)	(0.00)	(0.02)	(0.01)

  

	<b>August 31, 2022</b>	<b>May 31, 2022</b>	<b>February 28, 2022</b>	<b>November 30, 2021</b>
	\$	\$	\$	\$
Net profit (loss)	(3,810)	(16,710)	599	(32,664)
Loss per share (basic and diluted)	(0.00)	(0.00)	0.00	(0.00)

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	For the year ended August 31, 2023 \$	For the year ended August 31, 2022 \$	Date of Incorporation, April 27, 2021 to August 31, 2021 \$
<b>Income Statement</b>			
Net profit (loss)	(186,240)	(52,585)	(21,024)
Loss per share (basic and diluted)	(0.02)	(0.01)	(0.01)
<b>Balance Sheet</b>			
Total resource properties	449,286	449,286	130,291
Total assets	613,266	702,031	260,647
Total long-term liabilities	-	-	-

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

	Ref.	August 31, 2023 \$	August 31, 2022 \$
Other financial assets	a	<b>160,353</b>	<b>237,234</b>
Other financial liabilities	b	<b>27,509</b>	<b>29,710</b>

a. Comprises cash.

b. Comprises accounts payable and accrued liabilities.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The fair values of the Company's financial instruments are not materially different from their carrying values.

**Management of Industry and Financial Risk**

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

The Company's financial instruments are exposed to certain financial risks, which include the following:

***Credit risk***

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies. The Company is not exposed to significant credit risk.

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***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company ensures that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. The Company's cash is held in corporate bank accounts available on demand. The Company's accounts payable and accrued liabilities are due within 90 days of August 31, 2023. Liquidity risk has been assessed as being low. The Company is not exposed to significant liquidity risk.

***Market Risk***

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk. The Company is not exposed to significant market risk.

***Currency Risk***

The Company is subject to normal market risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. The Company is not exposed to significant currency risk.

***Interest Rate Risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

***Price Risk***

The Company is exposed to price risk with respect to equity prices. Price risk as it relates to the Company is defined as the potential adverse impact on the Company's ability to raise financing due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. The Company is not exposed to significant price risk.

***Capital management***

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of components of shareholders' equity. There were no changes in the Company's approach to capital management during the period. The Company is actively looking to acquire an interest in a business or assets, and this involves a high degree of risk. The Company has not determined whether it will be successful in its endeavors and does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of common shares. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

The Company is not subject to any externally imposed capital requirements.

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Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. The Company has identified its directors and officers as its key management personnel.

	<b>For the year ended August 31, 2023</b>	<b>For the year ended August 31, 2022</b>
	<b>\$</b>	<b>\$</b>
Office and administrative rent paid or accrued to Ryan Cheung, CFO.	<b>6,000</b>	<b>2,000</b>
Professional fees paid or accrued to Ryan Cheung, CFO.	<b>26,000</b>	<b>3,000</b>
Share-based compensation paid to directors	<b>61,250</b>	<b>-</b>

As at August 31, 2023, \$12,665 (August 31, 2022 - \$17,209) was owing to a private company owned by Ryan Cheung, CFO, for office rent, and professional fees. Balances owed to related parties are unsecured, do not bear interest, and have no fixed terms of payments.

The Company measures share-based payments by reference to the fair value of the stock options at the date at which they are granted using BlackScholes pricing model. The BlackScholes pricing model estimates the fair value of granted stock options using the terms and conditions of the grant such as the expected life of the option, volatility, dividend yield, and rate of forfeitures. The purpose of granting stock-options to related parties is to provide them with incentive based compensation.

**Off-Balance Sheet Transactions**

The Company has not entered into any significant off-balance sheet arrangements or commitments.

**CRITICAL ACCOUNTING ESTIMATES**

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses.

The use of estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. Accounts which require management to make

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material estimates and significant assumptions in determining amounts recorded include the carrying value of exploration and evaluation assets.

#### **PROPOSED TRANSACTIONS**

None.

#### **RISK AND UNCERTAINTIES**

The Company is in the mineral exploration and development business and, as such, is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. Some of the possible risks include the following:

- a) The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates. The recovery of the Company's investment in exploration and evaluation assets and the attainment of profitable operations are dependent upon the discovery and development of economic ore reserves and the ability to arrange sufficient financing to bring the ore reserves into production.
- b) The most likely sources of future funds for further acquisitions and exploration programs undertaken by the Company are the sale of equity capital and the offering by the Company of an interest in its properties to be earned by another interested party carrying out further exploration or development. If such exploration programs are successful, the development of economic ore bodies and commencement of commercial production may require future equity financings by the Company, which are likely to result in substantial dilution to the holdings of existing shareholders.
- c) The Company's capital resources are largely determined by the strength of the resource markets and the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.
- d) The prices of metals greatly affect the value and potential value of its exploration and evaluation assets. This, in turn, greatly affects its ability to raise equity capital, negotiate option agreements and form joint ventures.
- e) The Company must comply with health, safety, and environmental regulations governing air and water quality and land disturbances and provide for mine reclamation and closure costs. The Company's permission to operate could be withdrawn temporarily where there is evidence of serious breaches of such regulations, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or noncompliance with environmental laws or regulations.
- f) The operations of the Company will require various licenses and permits from various governmental authorities. There is no assurance that the Company will be successful in obtaining the necessary licenses and permits to continue exploration and development activities in the future.
- g) Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such assets may be subject to prior agreements or transfers and title may be affected by such undetected defects.

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Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described in any forward looking statement. The development and exploration

activities of the Company are subject to various laws governing exploration, development, and labour standards which may affect the operations of the Company as these laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are, or were conducted.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The information provided in this report is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.