



ksv advisory inc.
Suite 1165, 324 8th Avenue
Calgary, Alberta T2P 2Z2
T +1 587 287 2750
F +1 416 932 6266
ksvadvisory.com

January 26, 2026

To the Creditors of Blue Sky Resources Ltd.

Re: Notice of Intention to Make a Proposal – Material Adverse Change Report

Blue Sky Resources Ltd. (“**Blue Sky**” or the “**Company**”) filed a Notice of Intention to Make a Proposal (“**NOI**”) on September 24, 2025 under section 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada) (“**BIA**”). KSV Restructuring Inc. (“**KSV**”) was named as the trustee under the Company’s NOI (the “**Proposal Trustee**”).

Enclosed is the Report of the Trustee on Material Adverse Change in Projected Cash Flow or Financial Circumstances dated January 26, 2026. As stated therein, the Proposal Trustee is of the opinion that certain events have occurred since the filing of the NOI which represents a material adverse change in the financial circumstances for Blue Sky.

Should you require any further information with respect to this matter, please contact Ross Graham at (587) 287-2750 or rgraham@ksvadvisory.com. Information can also be found on the case website <https://www.ksvadvisory.com/experience/case/blue-sky-resources-ltd>.

Sincerely,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
SOLELY IN ITS CAPACITY AS THE PROPOSAL TRUSTEE OF
BLUE SKY RESOURCES LTD
AND NOT IN ITS PERSONAL OR CORPORATE CAPACITIES**

January 26, 2026
Estate No.: 25-3276975

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
BLUE SKY RESOURCES LTD.
OF THE CITY OF CALGARY
IN THE PROVINCE OF ALBERTA

REPORT OF THE TRUSTEE ON MATERIAL ADVERSE CHANGE
IN PROJECTED CASH FLOW OR FINANCIAL CIRCUMSTANCES
Section 50.4(7)(b) of the *Bankruptcy and Insolvency Act* (Canada)

I. INTRODUCTION AND BACKGROUND

1. On September 24, 2025, Blue Sky Resources Ltd. (“**Blue Sky**” or the “**Company**”) filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to subsection 50.4(1) of the Bankruptcy and Insolvency Act (the “**BIA**”). KSV Restructuring Inc. (“**KSV**”) was named as the trustee under the Company’s NOI (the “**Proposal Trustee**”).
2. As a result of the NOI filing, the Company had obtained the benefit of a stay of proceedings under section 69.1(1) of the BIA (the “**Stay of Proceedings**”), and initially had until October 24, 2025 to file a Proposal with the Proposal Trustee, subject to any extension(s) that may be granted by the Court of King’s Bench of Alberta (the “**Court**”). Pursuant to Orders subsequently granted by the Court, the Stay of Proceedings has been extended to February 7, 2026.
3. In connection with the NOI and extension of the Stay of Proceedings, Blue Sky’s management has prepared and filed with the Proposal Trustee a statement of projected cash flow, as of December 15, 2025, for the period from December 15, 2025 to February 8, 2026 (the “**Cash Flow Forecast**”). The Proposal Trustee filed the Cash Flow Forecast with the Official Receiver on December 16, 2025.
4. A copy of referenced materials and other information pertaining to these proceedings are posted on the Proposal Trustee’s website at <https://www.ksvadvisory.com/experience/case/blue-sky-resources-ltd> (the “**Proposal Trustee’s Website**”).

II. PURPOSE OF REPORT

1. The purpose of this report is to provide the creditors with:
 - a) Information regarding a material adverse change in the projected cash-flow and financial circumstances of the Company; and
 - b) the Proposal Trustee’s intended course of action.

III. MATERIAL ADVERSE CHANGE

1. This report has been filed pursuant to section 50.4(7)(b) of the BIA as a result of the Proposal Trustee ascertaining that a material adverse change in the Company’s projected cash-flow and financial circumstances has occurred.

2. The AER issued a suspension order (the “**Suspension Order**”) requiring Blue Sky to suspend all of its Alberta sites by December 10th, 2025, unless specific sites are approved for continued operation by the AER manager under clauses 7-9 of the Suspension Order.
3. In response, on November 24, 2025, Blue Sky submitted to the AER an operating plan (the “**Operating Plan**”) that outlined how Blue Sky intended to operate and respond to the issues raised by the AER in the Suspension Order. We also understand the Company met with the AER to discuss the specifics of the Operating Plan and remained optimistic that the Operating Plan would be accepted by the AER especially considering the Company’s cash flows provided for specific disbursements towards regulatory compliance activities.
4. On December 8, 2025, the AER issued a letter titled “AER response to the Blue Sky’s proposed Operating Plan under November 10, 2025, Suspension Order” (the “**AER Response Letter**”). The AER Response Letter denied Blue Sky’s request to continue operating sites for a number of reasons, including the Company’s outstanding and magnitude of high risk non-compliances.
5. The Company subsequently sought a stay of the Suspension Order until a decision with respect to a regulatory appeal is made (the “**Stay Application**”). In response, on December 17, 2025 the AER delivered an email to the Company advising that the AER would grant an extension to the original suspension deadline of December 17, 2025 to January 19, 2026. This extension applied to only specific sites included in the Company’s Operating Plan. The AER also requested that the Company submit its written reply submissions supporting the Stay Application by January 6, 2026. The written reply submissions were submitted to the AER on January 6, 2026.
6. On January 20, 2026, the AER delivered a letter which dismissed the Company’s Stay Application on the grounds that Blue Sky failed to meet the three part test for a stay with respect to demonstrating irreparable harm and balance of convenience (the “**Stay Application Dismissal**”). As a result, the Stay Application Dismissal requires the Company to shut in all of its producing assets located in Alberta. The Company has been advised by the AER that the suspension must be completed by February 6, 2026. This will require the Company to divert resources to carrying out the directed suspension and will impact the Company’s go forward cash flow.
7. As a result of the Stay Application Dismissal, there is also a high level of uncertainty whether the Interim Lender will continue to advance funds pursuant to the Interim Lending Agreement and make further additional advances the Company requires to continue to the Proposal proceedings.
8. As a result, the Proposal Trustee is of the opinion that the Stay Application Dismissal represents a material adverse change in the Company’s go forward operations and financial circumstances which has or will result in:
 - a) A significant adverse effect on any future projected cash flow. Revised and updated cash flows will be filed in conjunction with the Proposal Trustee’s Fifth Report;
 - b) A significant or reasonably expected significant impairment to Blue Sky’s financial circumstances and the ability of the Company to meet several of its post-NOI filing obligations without additional Interim Financing or asset sales;
 - c) A significant impairment to the likelihood of the Company being able to conclude the Court ordered sales and investment solicitation process and the bids that may be received as a result; and

- d) May prejudice the rights and interests of one or more creditors.

IV. PROPOSAL TRUSTEE'S INTENDED COURSE OF ACTION

1. The Proposal Trustee is of the view that a material adverse change occurred in Blue Sky's financial circumstances pursuant to section 50.4(7)(b) of the BIA.
2. It is the Proposal Trustee's intended course of action to:
 - a) File this report with the Official Receiver without delay pursuant to subsection 50.4(7)(b)(i) of the BIA; and
 - b) Distribute this report to all known creditors of the Company and make available on the Proposal Trustee's website, pursuant to subsection 50.4(7)(c) of the BIA.

V. COMPANY'S INTENDED COURSE OF ACTION

1. The Proposal Trustee understands that, notwithstanding the Stay Application Dismissal, the Company has since submitted a request to the AER to halt enforcement of the Suspension Order until the Company can complete its ongoing sale process for the benefit of all of its stakeholders. A decision on if the AER will delay enforcement is pending with the AER as at the time of this report. The Company is also considering an expedited timeframe for certain asset sales to provide the funds necessary to allow for the completions of the Proposal Proceedings and pursuit of various legal remedies that may be available.
2. The Company will be including a revised cash flow projection with the Proposal Trustee's fifth report, which is expected to be filed with the Court prior to the Company's next stay extension application currently scheduled to be heard on February 3, 2026.

Dated at Calgary, Alberta, this 26th day of January, 2026

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
SOLELY IN ITS CAPACITY AS THE PROPOSAL TRUSTEE OF
BLUE SKY RESOURCES LTD
AND NOT IN ITS PERSONAL OR CORPORATE CAPACITIES**