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COURT FILE NUMBER **25-3276975**

COURT **COURT OF KING’S BENCH OF ALBERTA**

JUDICIAL CENTRE **CALGARY**

PROCEEDING **IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE
A PROPOSAL OF BLUE SKY RESOURCES LTD.**

DOCUMENT **FIFTH REPORT OF THE PROPOSAL TRUSTEE**

FEBRUARY 2ND, 2026

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT

PROPOSAL TRUSTEE
KSV Restructuring Inc.
324-8th Avenue SW, Suite 1165
Calgary, AB
T2P 2Z2

Attention: Andrew Basi/Ross Graham
Telephone: (587) 287-2670/(587) 287-2750
Facsimile: (416) 932-6266
Email: abasi@ksvadvisory.com
 rgraham@ksvadvisory.com

PROPOSAL TRUSTEE’S COUNSEL

4500 Bankers Hall East
855 - 2nd Street SW
Calgary, AB, T2P 4K7

Attention: Keely Cameron
Telephone: (403) 298-3324
E-Mail: cameronk@bennettjones.com

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1.0 Introduction

1. This report (this “**Fifth Report**”) is filed by KSV Restructuring Inc. (“**KSV**”), in its capacity as proposal trustee (in such capacity, the “**Proposal Trustee**”) in connection with the Notice of Intention to Make a Proposal (“**NOI**”) filed on September 24, 2025 (the “**NOI Filing Date**”) by Blue Sky Resources Ltd. (“**Blue Sky**” or the “**Company**”) pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”) (the “**NOI Proceeding**”).
2. The principal purposes of the NOI Proceeding are to: (i) provide for a stay of proceedings to allow the Company an opportunity to complete a court-supervised sale and investment solicitation process (“**SISP**”) to maximize the value of the Company’s assets for the benefit of its stakeholders; and (ii) provide a formal process for Blue Sky’s creditors and stakeholders to obtain information about the Company.
3. On October 15, 2025, the Court of King’s Bench of Alberta (the “**Court**”) granted, among other things, the following relief:
 - a) Blue Sky’s application for an Order which, among other matters, extended the period in which Blue Sky can make a proposal to its creditors and the stay of proceedings up to and including November 9, 2025 (the “**Stay of Proceedings**”); and
 - b) Blue Sky’s application for an Order which, among other matters, granted a charge against Blue Sky’s current and future assets, undertakings and properties of every nature and kind whatsoever (including all real and personal property), and wherever situated, including all proceeds thereof (collectively the “**Property**”), to not exceed \$500,000 as security for the fees and disbursements of the Proposal Trustee, the Proposal Trustee’s counsel, Bennett Jones LLP (“**Bennett Jones**”), and the Company’s counsel, DLA Piper (Canada) LLP (“**DLA**”) (the “**Administration Charge**”).
4. Between November 7 and November 20, 2025 the Court granted, among other things, the following relief:
 - a) approval of the SISP;

- b) authorization for the Company to borrow from ACES Canada SPV III ULC (the “**Interim Lender**”) pursuant to an interim facility term sheet (the “**Interim Facility Term Sheet**”) and granting the interim lender’s charge (the “**Interim Lender’s Charge**”), ranking only subordinate to the Administration Charge;
 - c) an extension of the Stay of Proceedings up to and including December 24, 2025;
 - d) authorization for the Proposal Trustee and Sayer Energy Advisors (“**Sayer**” or the “**Sales Agent**”) to conduct the SISP;
 - e) Blue Sky’s application for a sale approval and vesting order approving the sale transaction pursuant to the purchase and sale agreement dated November 4, 2025, between the Company and Tamarack Valley Energy; and
 - f) Blue Sky’s application for a sale approval and vesting order approving the sale transaction pursuant to the purchase and sale agreement dated November 4, 2025, between the Company and Spur Petroleum Ltd.
5. On December 17, 2025, the Court granted Blue Sky’s application for an Order which includes, among other matters, the following relief:
- i. a charge in favour of the Key Employee Retention Plan for amounts payable to certain key personnel up to a maximum of \$75,000; and
 - ii. an extension of the Stay of Proceedings up to and including February 7, 2025.
6. On January 26, 2026, the Court released its decision with respect to Canadian Natural Resources Limited’s application filed December 17, 2025 for an Order which includes, among other matters, the following relief:
- i. declaring all demands for payments made by the Government of Alberta, Department of Energy and Minerals in respect of certain gas royalty arrears, constitute a claim provable in the NOI Proceeding or exercise of a remedy by Alberta Energy against Blue Sky’s property, which must be advanced by Alberta Energy in the first instance within the NOI Proceedings prior to seeking any recoveries from Canadian Natural or any other leaseholder noted on the Royalty Default Letter;

- ii. Alberta Energy is precluded from collecting any payments related to the Blue Sky Royalty Arrears until such time as the Stay is terminated or expires, following which Alberta Energy is entitled to proceed in the normal course to recover any Blue Sky Royalty Arrears relating to petroleum and natural gas leases;
- iii. extending the Stay of Proceedings to the demands for payment issued in respect of Blue Sky Royalty Arrears and any efforts by Alberta Energy to collect the Blue Sky Royalty Arrears from Canadian Natural or any other leaseholders, or exercise any remedies with respect thereto, constitutes a breach of the Stay and is prohibited by section 69 of the BIA; and
- iv. The Court confirmed that during the NOI Proceedings, Alberta Energy may seek to recover the Blue Sky Royalty Arrears as cure costs and as a condition to the approval of the transfer of mineral interests.

1.1 Purposes of this Fifth Report

1. This Fifth Report is intended to provide the Court with further information related to the relief sought by the Company on its application scheduled for February 3, 2026. This Fifth Report specifically provides information regarding:
 - a) the Proposal Trustee's activities since the fourth report of the Proposal Trustee, dated January 13, 2026 (the "**Fourth Report**");
 - b) the Company's activities since the Fourth Report;
 - c) the Company's actual performance versus the Company's cash flow statement for the period commencing on December 15, 2025 and ending February 8, 2026 (the "**Third Cash Flow Statement**");
 - d) the Proposal Trustee's comments and report on the Company's cash flow statement for the period commencing January 26, 2026 and ending March 29, 2026 (the "**Fourth Cash Flow Statement**");
 - e) an update on the status of the SISP;
 - f) an update on the Alberta Energy Regulator (the "**AER**") matters;

- g) summarize the fees and disbursements of the Proposal Trustee and its legal counsel since the NOI Filing Date and provide the Proposal Trustee's recommendation that the Court approve of same;
- h) Blue Sky's application for an Order which includes, among other matters, extends the Stay of Proceedings up to and including March 24, 2026; and
- i) the Proposal Trustee's recommendation that the Court issue a sealing order, which seals the Sealed Document (defined below).

1.2 Scope and Terms of Reference

1. In preparing this Fifth Report, the Proposal Trustee has relied upon the Company's unaudited financial information, books and records, information available in the public domain and discussions with the Company's management and legal counsel.
2. The Proposal Trustee has not audited or otherwise attempted to verify the accuracy or completeness of the financial information relied on to prepare this Fifth Report in a manner that complies with Canadian Auditing Standards ("**CAS**") pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Any party wishing to place reliance on the financial information should perform its own due diligence.
3. An examination of the Fourth Cash Flow Statement as outlined in the Chartered Professional Accountants of Canada Handbook has not been performed. Future-oriented financial information relied upon in this Fifth Report is based upon the Company's assumptions regarding future events; actual results achieved may vary from this information, and these variations may be material. Accordingly, the Proposal Trustee does not express any opinion or other form of assurance on whether the Fourth Cash Flow Statement will be achieved.

4. This Fifth Report should be read in conjunction with the materials filed by the Company, including the First Affidavit of Ilyas Chaudhary, sworn October 8, 2025, the First Affidavit of Mike Bouvier, sworn October 30, 2025, the Second Affidavit of Mike Bouvier sworn November 4, 2025, the Third Affidavit of Mike Bouvier sworn December 10, 2025, the Fourth Affidavit of Mike Bouvier sworn January 28, 2026 and any further affidavits filed by the Company in advance of the February 3, 2026 hearing (collectively, the “**Blue Sky Affidavits**”). Capitalized terms not defined in this Fifth Report have the meanings ascribed to them in the Blue Sky Affidavits.

1.3 Currency

1. Unless otherwise noted, all currency references in this Fifth Report are in Canadian dollars.

1.4 Court Materials

1. Court materials filed in these NOI Proceedings are made available by KSV on its case website at <https://www.ksvadvisory.com/experience/case/blue-sky-resources-ltd> (the “**Case Website**”).

2.0 Background

1. Blue Sky, a corporation registered in accordance with the laws of Alberta, operates as an oil and gas producer from its headquarters in Calgary, Alberta. The Company operates its licensed assets throughout Alberta, British Columbia and Saskatchewan.
2. A detailed background on the Company, the Company’s liquidity position, and the reasons for the NOI Proceeding have been included in the first report of the Proposal Trustee dated October 10, 2025 and the Blue Sky Affidavits.

3.0 Sale and Investment Solicitation Process (SISP) ¹

1. The Company’s SISP is discussed in greater detail in the second report dated November 4, 2025 (the “**Second Report**”). The SISP contains the following milestones:

¹ Capitalized terms in this section have the meaning provided to them in the SISP, unless otherwise defined herein.

Milestone	Deadline
Commencement Date	On or before December 5, 2025
Bid Deadline for non-Binding Letters of Intent	January 29, 2026 ²
Definitive Agreement Deadline	February 20, 2026
Outside Closing Date for Definitive Agreements	March 20, 2026

3.1 SISP Results

1. During the marketing stage of the SISP, 113 interested parties executed confidentiality agreements and were provided with access to a data room maintained by the Sales Agent.
2. As at the Bid Deadline for non-Binding Letters of Intent, a total of 53 interested parties submitted 93 offers or expressions of interest (the “**Bids**”), which the Sales Agent indicated was significantly higher than other similar opportunities. A summary of the Bids received prepared by the Sales Agent is attached as **Confidential Appendix “1”** (the “**Bid Summary**”).
3. At the time of this Fifth Report, the Company, the Proposal Trustee, and the Sales Agent were engaged in discussions to determine which Bids were viable and worth pursuing further to designate as the Successful Bid(s) and enter into definitive agreements subject to Court approval.
4. Pursuant to Paragraph 29 of the SISP, the Proposal Trustee has contacted the AER and the Orphan Well Association (“**OWA**”) to enter into a confidentiality agreement to allow for sharing and discussion of the Bids.

² A Qualified Bid must be submitted no later than 12:00 PM Calgary time on the Bid Deadline for non-Binding Letters of Intent.

5. Pursuant to Paragraph 8 of the SISP, the Proposal Trustee's legal counsel has requested confirmation ("**Lender Confirmation**") from the Lender that the Lender will (i) not submit a Bid for the Company or any of the Property, (ii) not provide financing to any other party that makes a Bid for the Company or any of the Property and (iii) only submit a Bid pursuant to paragraphs 33-34 of the SISP. Upon receipt of the Lender Confirmation, the Proposal Trustee and Sales Agent will consult with the Lender with respect to the SISP results.
6. Pursuant to Paragraph 30 of the SISP, the Proposal Trustee and the Sales Agent intend to consult with the Existing Lender Agent prior to make a determination as to whether any such Qualified Bids with respect to the Red Earth Assets should be selected as the Successful Bid and whether an auction for the Red Earth Assets should be triggered.
7. The Proposal Trustee expects the Company to return to Court on February 18, 2026 to summarize the results of the Bid review and seek approval of certain transactions for non-operated working interest assets (the "**Non-Operating Working Interest Transactions**") to provide funds to allow the Company to continue to advance the Proposal Proceedings, or alternatively, to seek approval of an increase to the Interim Facility Term Sheet and Interim Lender's Charge.

4.0 Sealing Order

1. The Proposal Trustee is seeking a sealing Order in respect of the Bid Summary (the "**Sealed Document**"). Notice to the Media was provided on January 31, 2026.
2. The Proposal Trustee believes it is appropriate to seal the Sealed Document until further order of the Court, as making this information publicly available could have a detrimental impact on the SISP and could cause irreparable prejudice to the Company's creditors and other stakeholders.
3. Based on the foregoing, the Proposal Trustee does not believe that any stakeholder will be prejudiced if the information in the Sealed Document is sealed.
4. The salutary effects of sealing the Confidential Exhibit from the public record greatly outweigh the deleterious effects of doing so under the circumstances. The Proposal Trustee is of the view that sealing the Sealed Document is consistent with the decision in *Sherman Estate v. Donovan, 2021 SCC 25* and such relief has been granted in

other proceedings. Accordingly, the Proposal Trustee believes the proposed sealing order is appropriate in the circumstances.

5.0 Cash Flow Statement

1. Pursuant to subsection 50.4(2)(a) of the BIA, the Company prepared the Third Cash Flow Statement for the period ending February 8, 2026 (the “**Period**”) which was attached to the Third Report. The Third Cash Flow Statement, together with Management’s Report on the Third Cash Flow Statement as required by subsection 50.4(2)(c) of the BIA, are collectively attached hereto as **Appendix “A”**.
2. The Third Cash Flow Statement was prepared by the Company with the assistance of the Proposal Trustee. The Company’s receipts during the Period are comprised largely of proceeds from the operation of the Company’s producing licensed assets. Projected disbursements are primarily for funding the Company’s operations, payroll, insurance, contractor payments, utilities, rent, and other operating expenses and professional fees.

5.1 Performance Against the Third Cash Flow Statement

1. In accordance with section 50.4(7)(b)(ii) of the BIA, the Proposal Trustee has continued to review and evaluate the state of the Company’s business and financial affairs since the NOI Filing Date.
2. A review process was established with the Company to review weekly cash variances. A comparison of the Company’s receipts and disbursements to the Third Cash Flow Statement for the period from December 14, 2025 to January 25, 2026 (the “**Reporting Period**”) is as follows:

Reporting Period (\$CAD)	Actual	Third Cash Flow Statement	Favourable / (Unfavourable) Variance
Opening Cash Balances	762,030	762,030	-
Operating Receipts	1,871,733	2,501,385	(629,652)
Interim Financing	923,874	1,433,000	(509,126)
Total Receipts	2,795,607	3,934,385	(1,138,778)
Operating Disbursements	(2,415,610)	(2,974,718)	559,108
Other Disbursements	(71,361)	(370,000)	298,639
Net Cash Flow	308,636	589,667	(281,032)
Closing cash balance	1,070,665	1,351,697	

Proposal Trustee's Comments

3. For the Reporting Period, the variance in cash receipts was due to:
 - a) Operating Receipts – Operating receipts were lower than forecast as the Third Cash Flow Statement originally forecasted the Company would receive all its production revenue rather than deduct monthly take-in-kind payments to the Company's secured lender. This forecast was prepared on the assumption that the secured lender would consent to delivering the take in kind payments to the Company. Following discussions between the Company and the Interim Lender (who is the same party as the Company's secured lender), these monthly take-in-kind payments continue to be made to the secured lender on the basis that the Company continues to receive funding pursuant to the Interim Facility Term Sheet; and

- b) Interim Financing – The variance in interim financing is mostly due to timing. Throughout the Period, the Company has continued to work with the Interim Lender and submit various funding requests on an as needed basis. As of the date of this report, a funding request for approximately \$505,000 remains unfunded. The Proposal Trustee understands the Company is currently in discussions with the Interim Lender on further interim financing, a decision for which is subject to the ongoing review of the Bids.
4. Operating and non-operating disbursements were lower due primarily to timing of certain payments. Overall, the net cash flow over the Reporting Period results in a unfavourable variance of approximately \$281,000 which was primarily driven by the variances in cash receipts described above.

5.2 The Fourth Cash Flow Statement

1. The Company has prepared a Fourth Cash Flow Statement which provides updates to the reporting period and adjustments to the timing of the post-filing obligations discussed above. The Fourth Cash Flow Statement is also prepared on the basis that:
 - a) the remaining interim financing detailed in Section 5.1 is received;
 - b) the Non-Operating Working Interest Transactions are approved by the Court and closed in February 2026, or alternatively, there is a commensurate increase in Interim Financing and an amended Interim Facility Term Sheet; and
 - c) the Company satisfying any outstanding post-filing arrears upon conclusion of the SISP.
2. The Fourth Cash Flow Statement and the Company's statutory report on the cash flow pursuant to subsection 50.4(2)(b) of the BIA is attached as **Appendix "B"**.
3. The Fourth Cash Flow Statement reflects that the Company will have sufficient liquidity for the duration of the Stay of Proceedings if provided the remaining interim financing requested from the Interim Lender and approval of the Non-Operating Working Interest Transactions in February or additional funds pursuant to Interim Financing.

4. The Company has faced persistent liquidity challenges and personnel constraints throughout these proceedings, which has resulted in the Company delaying payment for certain of its post-filing obligations and the Company's view is that some of these amounts will be treated as cure costs on the sale of assets. As at the date of this Fifth Report, the following estimated post-filing obligations and payables remain outstanding either to be paid as funds are made available or as cure costs on the sale of assets: (i) \$471,000 in trade payables; (ii) \$378,000 in royalty arrears; (iii) \$980,000 in surface and mineral lease payments; (iv) \$565,000 in utility payments; and (v) \$290,000 in accrued professional fees not including unbilled work in process. The Fourth Cash Flow Statement contemplates the Company paying all outstanding Post-Filing Obligations by the conclusion of the SISF.
5. Based on the Proposal Trustee's review of the Fourth Cash Flow Statement, the assumptions contained therein appear reasonable. The Proposal Trustee's statutory report on the Fourth Cash Flow Statement is attached as **Appendix "C"**.

6.0 AER Matters

1. As discussed in the Third Report, on November 10, 2025, the AER issued a suspension order (the "**Suspension Order**") requiring Blue Sky to suspend all of its 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.
2. In response, on November 24, 2025, Blue Sky submitted to the AER an operating plan (the "**Operating Plan**") that outlines how Blue Sky intends 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 of the view 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.
3. 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**"). A copy of the Suspension Order and the AER Response Letter are attached as appendices to the Third Report. The AER Response Letter denied Blue Sky's request to continue operating sites for several reasons.

4. 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 applies 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.
5. On January 20, 2026, the AER delivered a letter which dismissed the 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**”). A copy of the Stay Application Dismissal is attached hereto as **Appendix “D”**. As a result, the Stay Application Dismissal required the Company to shut in all of its producing assets located in Alberta by February 6, 2026. The Company has since commenced shut in activities for its producing assets located in Alberta in order to comply with the terms of the Suspension Order.
6. As a result of the Stay Application Dismissal, there is a high level of uncertainty whether the Interim Lender will continue to advance funds pursuant to the Interim Facility Term Sheet and make the additional advances which will provide funds to the Company to advance these proceedings. Accordingly, the Proposal Trustee determined the Stay Application Dismissal constituted a material adverse change and issued a Material Adverse Change Report to the Office of the Superintendent of Bankruptcy (“**OSB**”) and the Company’s creditors on January 26, 2026 (the “**MAC**”). A copy of the MAC is attached hereto as **Appendix “E”**.

7.0 Activities of the Company and Proposal Trustee

7.1 Activities of the Proposal Trustee

1. Since the Fourth Report, the Proposal Trustee has performed the following key activities:
 - a) assisting the Company with its communications to both internal and external stakeholders;

- b) monitoring the affairs of the Company's business including reviewing financial information with management;
- c) corresponding with the Company regarding the Company's ongoing liquidity position and reviewing unpaid post-filing obligations;
- d) corresponding and holding numerous discussions with management, Bennett Jones and DLA with respect to general filing matters;
- e) corresponding and holding numerous discussions with various stakeholders, and/or respective legal counsel to stakeholders;
- f) assisting the Company in preparing the Fourth Cash Flow Statement;
- g) assisting the sales agent in conducting the SISF and reviewing confidentiality agreements submitted by various interested parties;
- h) reviewing the Bids and corresponding with the Sales Agent regarding same;
- i) reviewing the Stay Application Dismissal and corresponding with the Company regarding same;
- j) preparing and delivering the MAC to all known creditors and filing with the OSB;
- k) responding to calls and emails from creditors, suppliers, landowners, and other stakeholders;
- l) assisting the Company in responding to various requests from the Interim Lender;
- m) maintaining the Case Website for these NOI Proceedings; and
- n) preparing this Fifth Report.

7.2 Activities of the Company

1. The Proposal Trustee has observed certain key activities of the Company since the Fourth Report as follows:
 - a) communicating with various stakeholders and creditors regarding the NOI Proceedings, in consultation with the Proposal Trustee;

- b) preparing funding requests and corresponding regularly with the Interim Lender and its financial advisor;
- c) reviewing the Stay Application Dismissal and corresponding with the AER regarding same;
- d) preparing the Fourth Cash Flow Statement;
- e) assisting the Sales Agent in conducting the SISP;
- f) preliminary discussions with the Proposal Trustee on a summary of the SISP results;
- g) with the assistance of the Proposal Trustee, responding to various questions by vendors;
- h) corresponding extensively with DLA and the Proposal Trustee;
- i) communicating on an ongoing basis with certain creditors and/or their advisors;
and
- j) reporting to the Proposal Trustee on a weekly basis in respect of the Company's receipts and disbursements.

7.3 Professional Fees

1. The Proposal Trustee seeks to have its fees and disbursements as well as those of its counsel incurred since the NOI Filing Date approved by the Court. The Proposal Trustee and its counsel have maintained detailed records of the professional time and cost.
2. The total fees for the Proposal Trustee from the NOI Filing Date to December 31, 2025 are \$270,622.50, plus disbursements of \$524.27 and GST of \$13,557.34.
3. The total fees for the Proposal Trustee's counsel from the NOI Filing Date to December 31, 2025 are \$36,117.50, plus disbursements of \$378.83 and GST of \$1,823.82.

4. A summary of the accounts rendered by the Proposal Trustee and counsel since the NOI Filing Date, is attached hereto as **Appendix “F”**. Detailed accounts are available for review by the Court upon request. The fees are based on the hourly rates of the professionals involved in this matter multiplied by actual time spent on this matter.
5. It is the Proposal Trustee’s opinion that fees and disbursements of the Proposal Trustee and its counsel accurately reflect the work done in connection with these proceedings. Further, it is the Proposal Trustee’s opinion that the fees and disbursements are fair, reasonable and justified in the circumstances.

8.0 Company’s Request for a Stay Extension

1. Pursuant to section 50.4(9) of the BIA, the Company is requesting an extension of the Stay of Proceedings until March 24, 2026 to allow further time for the Company to advance the SISP.
2. The Proposal Trustee supports the request for the extension of the Stay of Proceedings and believes that it is appropriate in the circumstances for the following reasons:
 - a) since the Fourth Report, the Proposal Trustee has observed that the Company is acting, and continues to act, in good faith and with due diligence;
 - b) the Proposal Trustee does not believe that any creditor will be materially prejudiced by the requested extension of the Stay of Proceedings;
 - c) the extension of the Stay of Proceedings will provide the Company with the time advance the Bids received in the SISP;
 - d) neither the Company nor the Proposal Trustee are aware of any party opposed to an extension of the Stay of Proceedings; and
 - e) the Fourth Cash Flow Statement reflects that the Company is projected to have sufficient liquidity during the proposed extension of the Stay of Proceedings provided the requested funds are made available by the Interim Lender and/or the Non-Operating Working Interest Transactions or an increase in the Interim Facility Term Sheet are approved by the Court at a future Court application.

9.0 Conclusion and Recommendation

1. Based on the forgoing, the Proposal Trustee respectfully recommends that this Honourable Court grant the relief sought by the Company.

* * *

All of which is respectfully submitted,

A handwritten signature in blue ink that reads "KSV Restructuring Inc." in a cursive style.

KSV RESTRUCTURING INC.,
in its capacity as Proposal Trustee in the proposal of
Blue Sky Resources Ltd., and not in its personal capacity

Appendix “A”

Blue Sky Resources Ltd.
Cash Flow Forecast
December 15, 2025 to February 8, 2026

For the week ending, in CAD	Notes	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total
		Performance To Date	21-Dec-25	28-Dec-25	04-Jan-26	11-Jan-26	18-Jan-26	25-Jan-26	01-Feb-26	08-Feb-26	
Opening cash balance		27,189	762,030	22,030	410,310	670,092	101,092	298,592	1,351,697	588,052	27,189
Cash Receipts											
Revenue from Operations		6,245,306	-	1,288,280	-	-	-	1,213,105	-	-	8,746,691
Less TIK obligations		(1,894,230)	-	-	-	-	-	-	-	-	(1,894,230)
	Note 1	4,351,076	-	1,288,280	-	-	-	1,213,105	-	-	6,852,461
Cash Disbursements											
Operating Expenses											
Payroll - Operators	Note 2	(1,487,979)	-	-	-	(485,000)	-	-	-	-	(1,972,979)
Operating Expenses - Power & Utilities	Note 3	(969,268)	(400,000)	(750,000)	(400,000)	-	-	-	(600,000)	-	(3,119,268)
Operating Expenses - Fuel & Chemical	Note 3	(89,498)	(10,000)	-	-	(39,000)	-	-	(16,500)	-	(154,998)
Operating Expenses - Sales Oil Hauling & Processing	Note 3	(290,134)	-	(110,000)	-	(20,000)	-	(20,000)	-	-	(440,134)
Operating Expenses - Repairs and maintenance	Note 3	(253,969)	(25,000)	-	-	(25,000)	-	(25,000)	-	-	(328,969)
Operating Expenses - Surface & mineral leases	Note 3	(366,698)	(110,000)	-	-	-	-	(115,000)	-	-	(591,698)
Operating Expenses - Regulatory compliance	Note 3	(208,284)	(25,000)	-	(25,000)	-	(50,000)	-	-	(35,000)	(343,284)
Rent	Note 4	(145,247)	-	-	(46,645)	-	-	-	(46,645)	-	(238,537)
Operating Contingency		(11,857)	-	-	(15,000)	-	(15,000)	-	-	-	(41,857)
		(3,822,934)	(570,000)	(860,000)	(486,645)	(569,000)	(65,000)	(160,000)	(663,145)	(35,000)	(7,231,724)
Other Disbursements											
General and administrative expense - Payroll Employees/Office Consultants	Note 5	(852,730)	-	-	(100,500)	-	(100,500)	-	(100,500)	-	(1,154,230)
General and administrative expense - Other	Note 6	(237,655)	(5,000)	-	(53,073)	-	(5,000)	-	-	(53,073)	(353,801)
		(1,090,386)	(5,000)	-	(153,573)	-	(105,500)	-	(100,500)	(53,073)	(1,508,032)
Total disbursements before professional fees		(4,913,319)	(575,000)	(860,000)	(640,218)	(569,000)	(170,500)	(160,000)	(763,645)	(88,073)	(8,739,755)
Professional Fees											
Company counsel legal fees		(203,493)	(75,000)	-	-	-	(75,000)	-	-	-	(353,493)
Trustee fees		(163,744)	(50,000)	-	-	-	(50,000)	-	-	-	(263,744)
Trustee's counsel fees		(2,680)	(40,000)	(40,000)	-	-	(40,000)	-	-	-	(122,680)
Total Professional Fees		(369,916)	(165,000)	(40,000)	-	-	(165,000)	-	-	-	(739,916)
Net cash flow		(932,160)	(740,000)	388,280	(640,218)	(569,000)	(335,500)	1,053,105	(763,645)	(88,073)	(2,627,210)
Interim financing											
Interim financing advances / (repayments)	Note 7	967,000	-	-	900,000	-	533,000	-	-	-	2,400,000
Asset sales											
Proceeds from asset sales		700,000	-	-	-	-	-	-	-	-	700,000
Closing cash balance		762,030	22,030	410,310	670,092	101,092	298,592	1,351,697	588,052	499,979	499,979

Management of Blue Sky Resources Ltd. ("Blue Sky" or the "Company") has prepared this forecasted cash-flow statement (the "Cash Flow Forecast") based on probable and hypothetical assumptions detailed in Notes 1 to 7. The Cash Flow Forecast has been prepared solely for the purpose of supporting the Notice of Intention to Make a Proposal ("NOI") filed by the Company on September 24. As such, readers are cautioned that it may not be appropriate for their purposes. The Cash Flow Forecast of the Company is prepared in accordance with the provisions of the *Bankruptcy and Insolvency Act* and should be read in conjunction with the Trustee's Report on the Cash-flow Statement.

Dated at the City of Calgary in the Province of Alberta, this 15th day of December 2025.

Blue Sky Resources Ltd.

Per:  Signed by:

Mike Bourn
 President

KSV Restructuring Inc.

Per:  Signed by:

Andrew Bas
 Managing Director

Blue Sky Resources Ltd.
Notes to the Cash Flow Forecast
December 15, 2025 to February 8, 2026

Note 1: Reflects the Company's cash receipts, which will no longer be net of a take-in-kind credit agreement with the Company's secured lender. Revenues assume the Company is able to continue production of certain sites licensed by the AER in accordance with its Operating Plan.

Note 2: Reflects payroll costs for the Company's operating employees.

Note 3: Reflects production and operating expenses including trucking, utilities, mineral and surface leases, repair and maintenance and regulatory compliance.

Note 4: Represents occupancy costs for the Company's head office and camp locations.

Note 5: Reflects payroll costs for the Company's head office employees and contractors.

Note 6: Reflects the Company's miscellaneous admin costs including insurance.

Note 7: The Cash Flows Forecast reflects draw downs from the funds available under the Interim Facility Term Sheet, which reflects the needs of the Company as forecasted by the cash flow.

**Report on Cash Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the BIA**

The management of Blue Sky Resources Ltd. (the “Company”) has developed the assumptions and prepared the attached statement of projected cash flow of the Company for the period ending February 8, 2026.

The hypothetical and probable assumptions are suitably supported and consistent with the purpose of the projection and the plans of the Company and provide a reasonable basis for the projection. All such assumptions are disclosed in Notes 1 to 7.

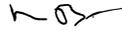
Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose of supporting the Company’s Notice of Intention to Make a Proposal filed on September 24, using a set of hypothetical and probable assumptions set out in Notes 1 to 7. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at Calgary, this 15th day of December, 2025.

Blue Sky Resources Ltd.

Signed by:



4DBA86A5ACC8474...

Per: Mike Bouvier

Appendix “B”

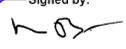
Blue Sky Resources Ltd.
Cash Flow Forecast
January 26, 2026 to March 29, 2026

For the week ending, In CAD	Notes	Actual	Week 19	Week 20	Week 21	Week 22	Week 23	Week 24	Week 25	Week 26	Week 27	Forecast	
		Performance To Date	01-Feb-26	08-Feb-26	15-Feb-26	22-Feb-26	01-Mar-26	08-Mar-26	15-Mar-26	22-Mar-26	29-Mar-26	Forecast Period Total	Total
Opening cash balance		27,189	1,070,665	717,264	605,191	522,691	1,364,546	1,038,075	436,502	372,502	360,002	1,070,665	27,189
Cash Receipts													
Revenue from Operations		9,124,849	-	-	-	-	1,010,829	-	-	-	300,000	1,310,829	10,435,678
Less TIK obligations		(2,902,040)	-	-	-	-	(400,000)	-	-	-	-	(400,000)	(3,302,040)
	Note 1	6,222,809	-	-	-	-	610,829	-	-	-	300,000	910,829	7,133,838
Cash Disbursements													
Operating Expenses													
Payroll - Operators	Note 2	(1,903,974)	(74,401)	(378,000)	-	-	-	(236,000)	-	-	(139,500)	(827,901)	(2,731,875)
Operating Expenses - Power & Utilities	Note 3	(2,308,390)	-	(36,000)	-	-	(350,000)	-	-	-	(700,563)	(1,086,563)	(3,394,952)
Operating Expenses - Fuel & Chemical	Note 3	(89,498)	(57,700)	(25,000)	-	-	(45,000)	-	-	-	(20,000)	(147,700)	(237,198)
Operating Expenses - Sales Oil Hauling & Processing	Note 3	(353,771)	(78,000)	-	-	-	(58,000)	-	-	-	(290,000)	(426,000)	(779,771)
Operating Expenses - Repairs and maintenance	Note 3	(375,987)	-	-	-	(131,500)	(55,000)	(25,000)	(7,500)	-	(72,000)	(291,000)	(666,987)
Operating Expenses - Royalties, Surface & Mineral Leases	Note 3	(533,603)	-	-	-	(430,000)	(350,000)	-	-	-	(1,500,000)	(2,280,000)	(2,813,603)
Operating Expenses - Regulatory compliance	Note 3	(225,329)	(15,000)	-	-	(150,000)	(10,000)	-	-	-	(10,000)	(185,000)	(410,329)
Rent	Note 4	(153,047)	(7,800)	-	-	(46,645)	(7,800)	-	-	-	(46,645)	(108,890)	(261,937)
Operating Contingency		(11,857)	(12,500)	(12,500)	(12,500)	(12,500)	(12,500)	(12,500)	(12,500)	(12,500)	(350,000)	(450,000)	(461,857)
		(5,955,456)	(245,401)	(451,500)	(12,500)	(770,645)	(888,300)	(273,500)	(20,000)	(12,500)	(3,128,708)	(5,803,054)	(11,758,509)
Other Disbursements													
General and administrative expense - Payroll Employees/Office Consultants	Note 5	(1,069,275)	(85,000)	-	(70,000)	-	(44,000)	-	(44,000)	-	(119,000)	(362,000)	(1,431,275)
General and administrative expense - Other	Note 6	(304,199)	(23,000)	(53,073)	-	-	(5,000)	(53,073)	-	-	(5,000)	(139,146)	(443,345)
		(1,373,474)	(108,000)	(53,073)	(70,000)	-	(49,000)	(53,073)	(44,000)	-	(124,000)	(501,146)	(1,874,620)
Total disbursements before professional fees		(7,328,930)	(353,401)	(504,573)	(82,500)	(770,645)	(937,300)	(326,573)	(64,000)	(12,500)	(3,252,708)	(6,304,200)	(13,633,130)
Professional Fees													
Company counsel legal fees		(203,493)	-	(50,000)	-	(250,000)	-	(150,000)	-	-	(250,000)	(700,000)	(903,493)
Trustee fees		(211,622)	-	(37,500)	-	(112,500)	-	(75,000)	-	-	(150,000)	(375,000)	(586,622)
Trustee's counsel fees		(26,163)	-	(25,000)	-	(25,000)	-	(50,000)	-	-	(80,000)	(180,000)	(206,163)
Total Professional Fees		(441,277)	-	(112,500)	-	(387,500)	-	(275,000)	-	-	(480,000)	(1,255,000)	(1,696,277)
Net cash flow		(1,547,398)	(353,401)	(617,073)	(82,500)	(1,158,145)	(326,471)	(601,573)	(64,000)	(12,500)	(3,432,708)	(6,648,371)	(8,195,769)
Interim financing													
Interim financing advances / (repayments)	Note 7	1,890,874	-	505,000	-	-	-	-	-	-	-	505,000	2,395,874
Asset sales													
Proceeds from asset sales		700,000	-	-	-	2,000,000	-	-	-	-	3,100,000	5,100,000	5,800,000
Closing cash balance		1,070,665	717,264	605,191	522,691	1,364,546	1,038,075	436,502	372,502	360,002	27,294	27,294	27,294

Management of Blue Sky Resources Ltd. ("Blue Sky" or the "Company") has prepared this forecasted cash-flow statement (the "Cash Flow Forecast") based on probable and hypothetical assumptions detailed in Notes 1 to 8. The Cash Flow Forecast has been prepared solely for the purpose of supporting the Notice of Intention to Make a Proposal ("NOI") filed by the Company on September 24. As such, readers are cautioned that it may not be appropriate for their purposes. The Cash Flow Forecast of the Company is prepared in accordance with the provisions of the *Bankruptcy and Insolvency Act* and should be read in conjunction with the Trustee's Report on the Cash-flow Statement.

Dated at the City of Calgary in the Province of Alberta, this 1st day of February 2026.

Blue Sky Resources Ltd.
 Per:

Signed by:


Mike Bouvier
 President

KSV Restructuring Inc.
 Per:



Andrew Basi, CPA, CA, CIRP, LIT
 Managing Director

Blue Sky Resources Ltd.
Notes to the Cash Flow Forecast
January 26, 2026 to March 29, 2026

Note 1: Reflects the Company's cash receipts, which reflects the shut in of its Alberta assets and production of its BC assets only by the end of March 2026.

Note 2: Reflects payroll costs for the Company's operating employees.

Note 3: Reflects production and operating expenses including trucking, utilities, crown and freehold royalties, mineral and surface leases, repair and maintenance and regulatory compliance.

Note 4: Represents occupancy costs for the Company's head office and camp locations.

Note 5: Reflects payroll costs for the Company's head office employees and contractors.

Note 6: Reflects the Company's miscellaneous admin costs including insurance.

Note 7: The Cash Flows Forecast reflects draw downs from the funds available under the Interim Facility Term Sheet, which reflects the needs of the Company as forecasted by the cash flow. There is some uncertainty on whether these amounts will be received however the Company has made the assumption these amounts will be received for the purposes of this Cash Flow Forecast.

Note 8: Reflects asset sales completed pursuant to the SISP.

**Report on Cash Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the BIA**

The management of Blue Sky Resources Ltd. (the “Company”) has developed the assumptions and prepared the attached statement of projected cash flow of the Company for the period ending March 29, 2026.

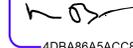
The hypothetical and probable assumptions are suitably supported and consistent with the purpose of the projection and the plans of the Company and provide a reasonable basis for the projection. All such assumptions are disclosed in Notes 1 to 8.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose of supporting the Company’s Notice of Intention to Make a Proposal filed on September 24, using a set of hypothetical and probable assumptions set out in Notes 1 to 8. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at Calgary, this 1st day of February, 2026.

Blue Sky Resources Ltd.

Signed by:


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Per: Mike Bouvier

Appendix “C”

**Trustee's Report on Cash-flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)**

The attached statement of projected cash-flow of Blue Sky Resources Ltd. (the "Company"), as of the 1st day of February, 2026, consisting of a weekly cash flow statement for the period January 26, 2026 to March 29, 2026, has been prepared by the management of the insolvent person for the purpose of supporting the Company's Notice of Intention or Make a Proposal ("NOI"), using the probable and hypothetical assumptions set out in Notes 1-8.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by the management and employees of the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose of supporting the Company's NOI and readers are cautioned that it may not be appropriate for other purposes.

Dated this 1st day of February, 2026.

**KSV RESTRUCTURING INC.
TRUSTEE**

KSV Restructuring Inc.

Per: Andrew Basi, Managing Director

Appendix “D”



Calgary Head Office

📍 Suite 1000, 250 – 5 Street SW
Calgary, Alberta T2P 0R4

tel 403-297-8311

aer.ca

By email only

January 20, 2026

DLA Piper

**Alberta Energy Regulator – Regulatory
Compliance Branch**

Attention: Carole Hunter
Anthony Mersich

Attention: Danielle Brezina, Counsel
Oluchi Chijioke, Counsel

Dear Parties:

**RE: Stay Request and Late Filing Request- Request for Regulatory Appeal by Blue Sky Resources Ltd.
(Blue Sky)**

Alberta Energy Regulator – Regulatory Compliance Branch (Regulatory Compliance)

**Regulatory Compliance’s December 8, 2025 response to Blue Sky’s proposed Operating Plan under
November 10, 2025 Suspension Order**

Locations: Various

On December 15, 2025, Blue Sky Resources Ltd. (**Blue Sky**) requested a regulatory appeal under section 38 of the *Responsible Energy Development Act (REDA)*. The request is with respect to Regulatory Compliance declining to approve an operating plan (**Operating Plan**) that Blue Sky submitted pursuant to the terms of a November 10, 2025 Suspension Order (**Order**), in respect of select assets (**Proposed Assets**) that Blue Sky wishes to operate (the declining to approve the Operating Plan being the “**Denial**”). Blue Sky’s request for regulatory appeal includes a request for a stay of the Denial and for a stay of the Order as it applies to the Proposed Assets addressed in the Operating Plan (**Stay Request**). Blue Sky has not filed a request for regulatory appeal in respect of the Order itself.

Following review and consideration of the submissions provided by both Blue Sky and Regulatory Compliance, the Alberta Energy Regulator (**AER**) denies Blue Sky’s request for a stay of the Denial and the Order as it applies to the Proposed Assets for the reasons set out below.

Blue Sky also made an alternative argument in its reply submission seeking an extension of the time to file a request for regulatory appeal in respect of the Order (the **Late Appeal Request**). Regulatory Compliance was given the opportunity to file a submission which it did on January 12, 2026 and Blue Sky had the opportunity to further reply on whether an extension should be granted, which it did on January 15, 2026. The Stay Request and

📞 **Inquiries** 1-855-297-8311

📞 **24-hour emergency** 1-800-222-6514

📧 inquiries@aer.ca

the Late Appeal Request appear to be intertwined so decisions on both requests are set out in this letter. For reasons set out in the latter section of this letter, the Late Appeal Request is denied.

One further ground of alternative relief sought by Blue Sky in its reply submission dated January 15, 2026 is an extension of the deadline for suspending the Proposed Assets to either March 24, 2026 or whenever the regulatory appeal of the Denial is decided in accordance with section 41(2) of the *Alberta Energy Regulator Rules of Practice (Rules)*.¹ This provision allows the AER to set time limits for doing anything provided for in the *Rules*, and unless otherwise provided, the AER may on motion by a party, extend a time limit specified or prescribed in the *Rules* or set by the AER. The time limit in the Order is not one provided for in the *Rules* but rather is a time limit set by the statutory decision-maker who issued the Order. Statutory provisions must be read together in a harmonious manner in the context of the legislation. This provision of the *Rules* applies to time limits in respect of a request for regulatory appeal.

Pursuant to *REDA*, section 41(2), AER decisions such as the Order may be confirmed, varied, suspended, or revoked in a decision on a regulatory appeal. As noted previously, Blue Sky has not submitted a request for regulatory appeal of the Order. The only matter properly before us is therefore Blue Sky's request for a stay of the Denial pursuant to section 39(2) of *REDA* and in the alternative, its request for an extension of the time to file a request for regulatory appeal of the Order pursuant to section 41(2) of the *Rules*.

BACKGROUND

Regulatory Compliance issued the Order to Blue Sky under sections 22 and 27 of the *Oil and Gas Conservation Act (OGCA)* and section 23 of the *Pipeline Act* on November 10, 2025. The Order requires Blue Sky to suspend/discontinue all its wells, facilities and pipelines by December 10, 2025 unless otherwise authorized in an approved Operating Plan. The Order indicated that Blue Sky may submit an Operating Plan by November 24, 2025 if Blue Sky wished to propose continuing to operate select assets.

Regulatory Compliance declined approval of the Operating Plan submitted by Blue Sky, but granted Blue Sky an extension to December 17, 2025 to suspend the Proposed Assets. After Blue Sky filed its request for regulatory appeal and Stay Request, on December 17, 2025 Regulatory Compliance granted a further extension to January 19, 2026 to suspend the Proposed Assets.

Blue Sky advised in its submission materials that it filed a notice of intention to make a proposal under the *Bankruptcy and Insolvency Act* on September 24, 2025 (**NOI Proceedings**), and has initiated a court-approved Sale and Investment Solicitation Process (**SISP**) to sell its business and property. In its January 15, 2026 further reply submissions, Blue Sky advised that it has sought a further extension of the time to suspend the Proposed Assets to February 6, 2026.

¹ Alta Reg 99/2013.

REASONS FOR DECISION

AER's Authority re: Stays

Section 38(2) of *REDA* states that filing a request for a regulatory appeal does not operate to stay the appealable decision. Under section 39(2) of *REDA*, the AER may stay all or part of an appealable decision on any terms and conditions it determines, if requested by a party to a regulatory appeal. When considering a stay request, the AER applies the three-part test set out by the Supreme Court of Canada in *RJR-MacDonald Inc v Canada (Attorney General)*.² The three parts of the test are:

1. Is there a serious question to be heard at the appeal?
2. Will the stay applicant suffer irreparable harm if the stay request is refused?
3. On the balance of convenience, which party would suffer greater harm from the grant or refusal of the stay request?³

Further, the party seeking the stay (Blue Sky) has the onus to demonstrate the test is met.

As Blue Sky has not, to date, requested a regulatory appeal of the Order, it would not be in accordance with the AER's authority under section 39(2) of *Rules* to grant a stay of the Order, or part of it. For the purposes of deciding this Stay Request in a fair and expeditious manner, we have nevertheless considered the parties' submissions on all three steps of the *RJR MacDonald* request as they pertain to both the Denial, and the Order as it applies to the Proposed Assets addressed by the Denial.

1 Serious Question

The first step in the test requires the stay applicant to establish that there is a serious issue to be heard. The applicant has to demonstrate that there is some basis on which to present an argument on the requested appeal. This is a very low threshold. The stay applicant need only show that the requested appeal is not frivolous or vexatious.

Blue Sky alleges that the serious issues to be heard are as follows:

- Whether the Denial is an "appealable decision", and whether Blue Sky is an "eligible person";
- Whether the Denial is procedurally unfair or unreasonable;
- Blue Sky may not have appealed the Order, but is seeking a stay of the effect of the Order, or alternatively is seeking permission to extend the timeline for filing a request for regulatory appeal of the Order; and
- The Denial will cause the NOI proceedings to collapse.

² [1994] 1 SCR 311 [*RJR MacDonald*].

³ *Ibid* at 334.

Regulatory Compliance's submissions regarding this branch of the test are that:

- The Denial is not an "appealable decision," and even if it were, Blue Sky is not an "eligible person";
- Blue Sky is attempting a collateral attack on the Order, in respect of which it did not submit a request for regulatory appeal within the mandated appeal timeline;
- The Denial was procedurally fair and reasonable in the circumstances; and
- The Denial's effect on Blue Sky's NOI proceedings is irrelevant.

Some of the issues raised in Blue Sky's request for regulatory appeal *may* constitute serious issues to be heard, within the meaning of the *RJR MacDonald* test. The threshold on the first part of this three-part test is a low one. However, in light of the AER's decision with respect to the irreparable harm and balance of convenience factors in the test, the AER comes to no conclusion on this part of the Stay Request. In particular, consideration of whether the Denial is an "appealable decision" and whether Blue Sky is an "eligible person" will be more appropriately decided at the request for regulatory appeal of the Denial determination stage.

This determination in no way predetermines the disposition of the request for regulatory appeal of the Denial or the issues that would be the subject of a hearing on the regulatory appeal should the request be granted.

2 Irreparable Harm

The second step in the test requires the applicant for the stay to establish that they will suffer irreparable harm if the stay is not granted. Irreparable harm will occur if the stay applicant will be adversely affected by the conduct that the stay would prevent if the applicant ultimately prevails on the regulatory appeal. It is the nature of the harm and not its magnitude that is considered. The harm must be of the sort that cannot be remedied through damages (i.e., monetary terms) or otherwise cured.⁴

The Federal Court of Canada has described the onus that rests upon the stay applicant to meet the irreparable harm test as follows:

The burden is on the party seeking the stay to adduce clear and non-speculative evidence that irreparable harm will follow if their motion is denied.

That is, it will not be enough for a party seeking a stay to show that irreparable harm *may arguably result* if the stay is not granted, and allegations of harm that are merely hypothetical will not suffice. Rather, the burden is on the party seeking the stay to show that irreparable harm *will result*.⁵

As noted above, Blue Sky has requested a partial stay of the Order without having requested a regulatory appeal of the Order. Its request for regulatory appeal is solely with respect to the Denial. We have

⁴ *Ibid* at 341; *Ominayak v Norcen Energy Resources Ltd*, 1985 ABCA 12 at para 31, citing *High on The Law of Injunction*, 4th ed, vol 1 at 36.

⁵ *Canada (Attorney General) v Amnesty International Canada*, 2009 FC 426 at paras 29 and 30 [citations omitted] [emphasis in the original].

nevertheless considered Blue Sky's submissions with respect to the irreparable harm it argues will arise if a stay is not granted of both the Denial and the Order as it applies to the Proposed Assets, as this is the relief sought in Blue Sky's Stay Request.

Blue Sky argues that absent a stay, it will not have financial resources to complete its NOI proceedings, that the SISP will be threatened, and that bankruptcy or receivership will result. The harms to Blue Sky in this regard are monetary in nature. It cannot be said that a suspension of the Proposed Assets eliminates their value. The Proposed Assets will continue to be available after suspension for future use, if and when a party finds itself in a position to operate these assets. The potential change in the process for the selling of Blue Sky's Proposed Assets through a receivership instead of through the existing NOI Proceedings does not necessarily determine that there will be harm to Blue Sky.

The AER finds that Blue Sky has not adduced sufficiently clear and non-speculative evidence of irreparable harms in respect of the Denial and the Order as it applies to the Proposed Assets. Among other things, Blue Sky points to the possibility that Blue Sky's restructuring plans will fail due to a suspension of its assets and that therefore Blue Sky will default on all obligations to creditors, suppliers, working interest partners and others, that a shut-in threatens the SISP due to the prospective ability of purchasers to reactivate assets and the "potential" for vandalism at unmonitored sites, and that it is unlikely that an interim lender would fund revenue shortfalls to continue the NOI Proceedings. While it is possible that a stay increases the likelihood of one or more of these things occurring such that they *may arguably result*, Blue Sky has not demonstrated that these and related or resulting harms *will result*.

Thus, the AER finds that the Blue Sky has failed to demonstrate that it will suffer irreparable harm if the stay is not granted. Accordingly, Blue Sky has not satisfied the second branch of the stay test and the request for a stay is denied.

3 Balance of Convenience

As explained above, an applicant for a stay must satisfy each element of the three-part test for the stay to be granted. Blue Sky has failed to satisfy the second part of the test (demonstrating irreparable harm), so consideration of the third part of the test (balance of convenience) is not strictly necessary. This notwithstanding, we have proceeded to consider the third part of the stay test.

We have considered Blue Sky's submissions regarding the balance of convenience both in respect of the Denial and the Order, while recognizing that Blue Sky has requested a partial stay of the Order without having requested a regulatory appeal of the Order.

When evaluating the balance of convenience, we must weigh which party will suffer greater harm from the grant or refusal of a stay. This requires consideration of significant factors and is not simply a cost-benefit analysis. As the Supreme Court of Canada stated in *RJR MacDonald*, the public interest is an important factor when considering the balance of convenience:

In the case of a public authority, the onus of demonstrating irreparable harm to the public interest is less than that of a private applicant. The test will nearly always be satisfied simply upon proof that the authority is charged with the duty of promoting or protecting the public interest and upon some indication that the impugned legislation, regulation, or activity was undertaken pursuant to that responsibility. Once these minimal requirements have been met, the court should in most cases assume that irreparable harm to the public interest would result from the restraint of that action.⁶

Moreover, though the passage above relates to irreparable harm, it overlaps with and is material to the application of the balance of convenience test to Blue Sky's stay request. Irreparable harm to the public interest is assumed where a stay would have the effect of restraining actions taken pursuant to public interest legislation. From this, it can be taken that there would be irreparable harm to the public interest if the Order or actions taken by the AER further to the Order are stayed, and this is a significant factor in the balance of convenience test weighing against the granting of a stay.

In cases involving orders protecting the public and environment, the public interest is a relevant consideration as it is not only the impact to the body issuing the order that needs to be measured, but the potential impact to the public and the environment.⁷

Blue Sky has pointed to potential harms that it argues will occur in the absence of a stay – harms to Blue Sky and to the OWA as well as potentially to creditors, suppliers, working interest partners, and prospective purchasers of Blue Sky assets. It has also submitted that, absent a stay, Blue Sky's uneconomic assets will transfer to the OWA, shifting the burden of the associated abandonment and reclamation liabilities to the public.

However, we must consider that the AER is charged with the authority of protecting the public interest in the environment and safety of the public. Regulatory Compliance submitted that it issued the Order pursuant to valid legislation to effect Blue Sky's compliance with its regulatory obligations, and that the Order's purpose was to ensure Blue Sky's operations were safe, orderly, and environmentally responsible. The objects of the legislation under which the Order was issued include securing the observance of safe and efficient operating practices, responsible management of oil and gas infrastructure, pollution control, and the responsible development in the public interest of the oil and gas resources of Alberta. This legislation and actions taken to ensure compliance clearly serve the public interest which must be factored into the balance of convenience analysis.⁸

Blue Sky has not, to date, requested a regulatory appeal of the Order. Further, its reply submission acknowledges that it "does not take issue with the Suspension Order". Presumably, this means it does not take serious issue with Blue Sky's compliance history as set out in the preamble clauses of the Order, notwithstanding Blue Sky's assertions in its submissions that Regulatory Compliance inflated Blue Sky's non-

⁶ *RJR MacDonald* at 346.

⁷ [KinMerc Oil & Gas Inc, Decision re: Stay Request \(March 12, 2021\) at 4 \[KinMerc\]](#).

⁸ *RJR MacDonald* at 348-349.

compliances. Additionally, although Blue Sky argues that it would be inequitable for the AER to not grant a stay of the Denial when the AER is also evaluating the transfer applications of Blue Sky asset purchasers, we note that it appears that some or all of the sold assets are not part of the Proposed Assets such that it is not clear that any third party purchasers may be impacted by the Denial.

Nevertheless, Blue Sky submits that it is seeking both a partial stay of the Order and a stay of the Denial of the Operating Plan submitted pursuant to that Order. It suggests a stay should be granted for a period ranging from approximately two months, to the date on which Blue Sky's regulatory appeal is determined, which could be a significant time period should this matter proceed to a hearing.

Given the nature of the Order, and the Denial of Blue Sky's proposed Operating Plan which if approved would have allowed an exception or relaxation from the requirements of the Order, and the mandate of the AER, we are not convinced that the balance of convenience favours Blue Sky. Blue Sky has not demonstrated that the potential harms that it asserts may result if a stay is not granted outweigh the public interest served by maintaining the Denial and the Order as it applies to the Proposed Assets. Considering specifically the site-specific information of the Proposed Assets and the risks to the public and the environment from noncompliance or inadequate or unsafe operations, we find the balance of convenience favours protecting the public interest by maintaining in force the Denial, as well as the Order as it applies to the Proposed Assets.

Consequently, the AER finds that, in addition to failing to demonstrate irreparable harm, Blue Sky has not established that the balance of convenience favours the AER granting the Stay Request.

Blue Sky's Alternative Relief Request

In its reply submissions to the AER, Blue Sky made two alternative requests pursuant to s. 41(2) of the *Rules*: the Late Appeal Request (the request for an extension of time to file a request for regulatory appeal of the Order) or a request to extend the deadline for suspending the Proposed Assets to either March 24, 2026 or whenever the regulatory appeal of the Denial is decided (**Suspension Deadline Request**).

Blue Sky argues that its Late Appeal Request or Suspension Deadline Request should be granted in the alternative to its Stay Request because:

- It filed its request for regulatory appeal of the Denial within 7 days of receiving the Denial, and any request for regulatory appeal of the Order before the Denial would have been premature and doomed to fail;
- It will be severely prejudiced if its Late Appeal Request or Suspension Deadline Request are not granted because without such relief, it will have to suspend the Proposed Assets and its NOI Proceedings will collapse.

Blue Sky argued in its January 15, 2026 further reply submission that it would have been nonsensical for it to file a request for regulatory appeal of the Order while it was still complying with the Order by preparing and

submitting its Operating Plan. It reiterated that it was not opposed to suspending its assets as the Order required. Blue Sky advised further that it had, as recent as January 13, 2026, requested from Regulatory Compliance an extension of the deadline to suspend the Proposed Assets, to February 6, 2026.

Regulatory Compliance Response

In response to Blue Sky's Late Appeal Request and Blue Sky's Suspension Deadline Request, Regulatory Compliance submitted on January 12, 2026 that Blue Sky had approximately three months' notice that it would be required to suspend its assets, Blue Sky did not act expeditiously in filing a request for regulatory appeal of the Order, and that there are no extenuating circumstances that warrant an extension. Regulatory Compliance further argued that if Blue Sky took issue with the Order, it could have immediately requested a regulatory appeal to preserve its rights and then asked for the appeal to be held in abeyance pending an outcome on the Operating Plan. In its January 12, 2026 submission Regulatory Compliance notes that the Order expressly references the appeal process for regulatory appeals. Regulatory Compliance submitted that accepting a request for regulatory appeal several weeks late would undermine regulatory certainty.

Regulatory Compliance also argued in its submissions that because the Order has not been appealed it is only Regulatory Compliance that at this point has authority to amend the Order or stay the operations of its requirements.

Analysis

The AER has discretion under section 41 of the *Rules* to extend the time within which a person may request a regulatory appeal:

- 41 (1) The Regulator may set time limits for doing anything provided for in these Rules.
- (2) Unless otherwise provided, the Regulator may, on its own initiative or on motion by a party, extend or abridge a time limit specified or prescribed in these Rules or set by the Regulator, on any terms that the Regulator considers appropriate.
- (3) The Regulator may exercise its discretion under this section before or after the expiration of a time limit specified in these Rules or set by the Regulator.

The AER has previously held that an extension of time to file a request for regulatory appeal will only be granted "in limited cases, such as where circumstances indicate that an extension is warranted to protect procedural fairness for the parties concerned" and that "the onus is on the person requesting an extension to demonstrate circumstances exist that support extending the filing deadline."⁹

⁹ *AER Decision on Request for Regulatory Appeal from Gregory and Beverly Wieben re Canadian Natural Resources Limited (March 15, 2021) at page 2.*

In applying its discretion under section 41 of the *Rules*, the AER typically considers whether the requester acted expeditiously in filing their request for regulatory appeal and whether any of the parties on balance would be prejudiced by the time extension.

We find that Blue Sky has not demonstrated that it acted expeditiously in filing its request for regulatory appeal of the Order.

While it is possible that if Blue Sky filed a request for regulatory appeal within the 7 day deadline for doing so, Regulatory Compliance might have argued that it was premature, the possibility of that argument being raised does not make it reasonable for Blue Sky to delay requesting an appeal of the Order. There was nothing prohibiting Blue Sky from filing a request for regulatory appeal of the Order in the event that its Operating Plan was denied – the Order itself contains a section on page 10 that informed Blue Sky of its right to appeal under *REDA* and gave Blue Sky general instructions on how to file such an appeal. While Blue Sky says it takes no issue with the Order itself, in effect it does take issue with the Order as it applies to the Proposed Assets, and so it should have requested a regulatory appeal within the prescribed time to do so.

The filing deadlines exist because there is a need for finality and certainty in the AER's decisions. As the AER has said in previous decisions, it is expected that those requesting a regulatory appeal know and follow the regulatory appeal process, and any other applicable processes under the *REDA* and the *Rules*.¹⁰

In the case of the Order, the deadline for filing a request for regulatory appeal was November 17, 2025. Blue Sky first explicitly requested an extension of time to file a request for regulatory appeal of the Order on January 12, 2026, as alternative relief to its Stay Request. This is not expeditious in the circumstances.

Further, we find that Blue Sky has not demonstrated that it will suffer significant prejudice absent an extension to file a regulatory appeal, and that such prejudice would outweigh interests in upholding the regulatory certainty of deadlines prescribed in the *Rules*.

Lastly, in respect of Blue Sky's Suspension Deadline Request, as discussed above, section 41(2) of the *Rules* allows the AER to extend a time limit for filing a request for regulatory appeal. We do not read it as allowing us to extend a deadline for suspension of assets pursuant to a suspension order. The *REDA* and *Rules* provide that the appropriate process to seek such a remedy with the effect of an interim delay of the provisions of a compliance order, in circumstances like this one, is by requesting a regulatory appeal and by satisfying the applicable test to obtain a stay of the decision under appeal.

Blue Sky's Suspension Deadline Request is therefore not granted.

Conclusion

We dismiss the Stay Request because Blue Sky has failed to meet the second and third parts of the stay test related to irreparable harm and balance of convenience.

¹⁰ AER Decision on Request for Regulatory Appeal by Jaycor Resources Inc. (Jaycor) (September 9, 2025) at page 3.

We deny Blue Sky's Late Appeal Request.

The AER will provide further correspondence in due course with respect to the process and timelines for the request for regulatory appeal of the Denial.

Sincerely,



Jason Brunet

Director, Science and Innovation



Paul Ferensowicz

Principal Regulatory Advisor



Steve Thomas

Director, Oil and Gas Subsurface, Waste
and Storage

cc: Kaitlin Szacki, Regulatory Compliance

Appendix “E”

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**

Appendix “F”

Blue Sky Resources Ltd.
Schedule of Professional Fees

Invoice #	Date	Professional Fees (\$)	Disbursements (\$)	GST (\$)	Total Fees (\$)
Proposal Trustee's Fees					
Invoice #4700	October 6, 2025	41,920.00	-	2,096.00	44,016.00
Invoice #4772	November 5, 2025	113,231.50	-	5,661.58	118,893.08
Invoice #4865	December 8, 2025	45,576.50	21.91	2,279.92	47,878.33
Invoice #4152	January 8, 2026	69,894.50	502.36	3,519.84	73,916.70
Total Proposal Trustee's Fees		270,622.50	524.27	13,557.34	284,704.11
Proposal Trustee's Legal Counsel Fees:					
Invoice 1654675	September 30, 2025	2,552.00	-	127.60	2,679.60
Invoice 1660403	November 7, 2025	22,296.00	68.83	1,118.24	23,483.07
Invoice 1667791	December 15, 2025	11,269.50	310.00	577.98	12,157.48
Total Proposal Trustee's Legal Counsel Fees		36,117.50	378.83	1,823.82	38,320.15