

**EARLY WARNING REPORT
(Form 62-103F1)**

**Made Pursuant To
NATIONAL INSTRUMENT 62-103
*The Early Warning System and Related Take-Over Bid and
Insider Reporting Issues***

(Update to Early Warning Report dated May 13, 2019)

Item 1. – Security and Reporting Issuer

1.1 State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.

Securities: Unsecured convertible debenture (the “**Debenture**”), convertible into common shares (the “**Shares**”)

Issuer: **Pure Nickel Inc. (the “Corporation”)**
161 Bay Street, 27th Floor
PO Box 508
Toronto, Ontario
M5J 2S1

1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.

Not applicable. See item 2.2.

Item 2 – Identity of the Acquiror

2.1 State the name and address of the acquiror.

2176423 Ontario Ltd. (“2176423 Ontario”)
200 Bay Street, Suite 2600
Royal Bank Plaza, South Tower
Toronto, Ontario M5J 2J1

2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.

On September 5 2019, pursuant to an investment agreement between the Corporation and 2176423 Ontario, 2176423 Ontario acquired (the “**Acquisition**”) ownership and control of an unsecured convertible debenture in the principal amount of \$3,000,000 (the “**Debenture**”). The Debenture matures two years from the date of issue (the “**Maturity Date**”) and bears interest, payable at a rate of 8.0% per annum. 2176423 Ontario is beneficially owned by Eric Sprott. As partial commission for the Acquisition, the Corporation also issued 1,800,000 Shares.

The Debenture is convertible into Shares at the option of 2176234 Ontario, in whole or in part, at any time up to the Maturity Date, at a conversion price of \$0.05 per Share until the date that is 12 months prior to the Maturity Date, and at a conversion price of \$0.10 thereafter.

Pursuant to the terms of the Debenture, 2176423 Ontario will be prohibited from converting the principal amount outstanding on the Debenture to Shares if, as a result of such conversion, 2176423 Ontario (and any persons acting jointly or in concert) would own more than 19.9% of the total number of Shares then issued and outstanding (the “**Restriction**”), until such time as the shareholders of the Corporation have approved 2176423 Ontario as a “control person” in accordance with the policies and procedures of the TSX Venture Exchange.

2.3 State the names of any joint actors.

Not applicable.

Item 3 – Interest in Securities of the Reporting Issuer

3.1 State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file the report and the change in the acquiror’s securityholding percentage in the class of securities.

See item 2.2. The Acquisition results in an increase in partially diluted holdings of up to 19.9% of the outstanding Shares assuming the Restriction is still effective and up to approximately 48.6% of the outstanding Shares if requisite approvals have been obtained as set forth in item 3.4, below.

3.2 State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file the report.

2176423 acquired ownership of the Debenture See item 2.2.

3.3 If the transaction involved a securities lending arrangement, state that fact.

Not applicable.

3.4 State the designation and number or principal amount of securities and the acquiror’s securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.

Prior to the Acquisition, Mr. Sprott beneficially owned 10,221,732 Shares representing approximately 12.4% of the outstanding Shares.

After giving effect to the Acquisition, Mr. Sprott will beneficially own and control 10,221,732 Shares and the Debenture representing approximately 12.1 % of the outstanding Shares on an undiluted basis and 19.99% of the outstanding Shares on a partially diluted basis assuming conversion of the Debenture is subject to the Restriction.

After giving effect to the Acquisition and assuming requisite approvals have been obtained to allow Mr. Sprott to be a control person, Mr. Sprott will beneficially own and control 10,221,732 Shares and the Debenture representing approximately 12.1 % of the outstanding Shares on an undiluted basis and 48.6% of the outstanding Shares on a partially diluted basis assuming full conversion of the Debenture at \$0.05 per Share.

3.5 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which

- (a) the acquiror, either alone or together with any joint actors, has ownership and control,**

See item 3.4.

- (b) the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and**

Not applicable.

- (c) the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.**

Not applicable.

3.6 If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.

Not applicable.

3.7 If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.

State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.

Not applicable.

3.8 If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.

Not applicable.

Item 4 – Consideration Paid

4.1 State the value, in Canadian dollars, of any consideration paid or received per security and in total.

\$3,000,000 for the Debenture.

- 4.2 In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.**

See item 4.1.

- 4.3 If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.**

Not applicable

Item 5 – Purpose of the Transaction

State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:

- (a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;**
- (b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;**
- (c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;**
- (d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;**
- (e) a material change in the present capitalization or dividend policy of the reporting issuer;**
- (f) a material change in the reporting issuer's business or corporate structure;**
- (g) a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;**
- (h) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;**
- (i) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;**
- (j) a solicitation of proxies from securityholders; and/or**
- (k) an action similar to any of those enumerated above.**

The Debenture was acquired for investment purposes. Mr. Sprott has a long-term view of the investment and may acquire additional securities, including on the open market or through private acquisitions, or sell the securities, including on the open market or through private dispositions, in the future depending on market conditions, reformulation of plans and/or other relevant factors. Mr. Sprott currently has no other plans or intentions that relate to, or would result in the matters listed in clauses (a) to (k), above. Depending on market conditions, general economic and industry conditions, the Corporation's business and financial condition and/or other relevant factors, Mr. Sprott may develop such plans or intentions in the future.

Item 6 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer

Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.

See item 2.2. The closing of the Acquisition was disclosed by the Corporation in a press release issued on September 5, 2019.

Item 7 – Change in material fact

If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer's securities.

Not applicable

Item 8 – Exemption

If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.

Not applicable.

Item 9 – Certification

I, as the acquiror, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

Date: September 5, 2019

“Eric Sprott”

Eric Sprott, President
2176423 Ontario Ltd.