

July 27, 2009

China Sky Selected for IBD List Just Before \$2 Warrant Expiration

China Sky One Medical, Inc. (NASDAQ: CSKI) appeared on the Investor's Business Daily IBD-100 list this week, the publication's list of high-performing "growth" stocks. It is the fourth time this year the stock has appeared on the list. In previous cases, CSKI was removed from the list one week after appearing on it. A report previously issued by asensio.com commented on CSKI's on-again, off-again status with the IBD list. [here](http://www.asensio.com/Reports/ReportView.aspx?ReportId=941&CompanyId=165&CompanyName=China+Sky+) to read the report.

This re-appearance of China Sky on the IBD list happens to coincide with an expiration of warrants issued by the company in connection with its reverse merger, allowing for the purchase of CSKI shares at \$2.00 per share. China Sky's 2008 Form 10-K states, "the Company agreed to grant warrants to advisors for the services they already performed for the reverse merger in July 2006, entitling them to purchase up to 500,000 shares on or before July 31, 2009, at a price of \$2.00 per share." The 10-K also states, 'All of these warrants are also exercisable on a "cashless" basis under certain circumstances.'

China Sky's Form 10-Q for the quarter ending March 31, 2009, discloses that warrants for 150,000 shares at an exercise price of \$2.00 per share remained outstanding at the end of the first quarter. The profit from the 'cashless' exercise of those remaining warrants would be about \$2 million at today's CSKI share price.

Last week, CSKI shares showed very irregular trading activity, which again caused IBD to add it to its list. In particular, on Tuesday, July 21st, CSKI shares traded up 6% in the first fifteen minutes of the trading day on no news.

If history is any guide, CSKI's place on the IBD list will not last more than a week. It is also likely fair to predict that the \$2 warrants will not go unexercised.