Scio Diamond Technology Corp
Form 10-Q/A
August 16, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A
(Amendment No. 1)

x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 31, 2011

o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT OF 1934
For the transition period from ______ to _______

Commission file number: 000-54529

SCIO DIAMOND TECHNOLOGY CORPORATION
(Exact name of registrant as specified in its charter)

Nevada	45-3849662
(state or other jurisdiction of incorporation or organization)	(I.R.S. Employer I.D. No.)

411 University Ridge Suite D
Greenville, SC 29601
(Address of principal executive offices)

(864) 751-4880
(Issuer's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. oYes x No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). o Yes x No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

o Large Accelerated Filer Accelerated Filer o o Non-Accelerated Filer Smaller Reporting Company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

The number of shares of common stock outstanding as of June 30, 2012, $0.001 par value, was 27,570,567.

EXPLANATORY NOTE

Scio Diamond Technology Corporation (the "Company") is filing this Amendment No. 1 to the Quarterly Report on Form 10-Q (the "Amendment No. 1") for the Company's quarterly period ended December 31, 2011, originally filed with the Securities and Exchange Commission ("SEC") on February 14, 2012 (the "Original Report"), to reflect the restatement of the Company's unaudited condensed consolidated financial statements for the fiscal quarter ended December 31, 2011 and certain other matters. This Amendment No. 1 contains a revised Part I, Item 1. Unaudited Condensed Consolidated Financial Statements, Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, and Part I, Item 4. Controls and Procedures, as well as Part II, Item 2. Unregistered Sales of Equity Securities and Use of Proceeds, Part II, Item 5. Other Information, certain material agreements, and updated certifications from the Company's Principal Executive Officer and Principal Financial Officer as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002.

As previously reported, on August 31, 2011, the Company acquired certain assets of Apollo Diamond, Inc. ("ADI") (the "ADI Asset Purchase"), consisting primarily of diamond growing machines and intellectual property related thereto. Also as previously announced, on June 5, 2012, the Company purchased substantially all of the assets of Apollo Diamond Gemstone Corporation ("ADGC") (the "ADGC Asset Purchase"), consisting primarily of cultured diamond gemstone-related know-how, inventory, and various intellectual property.

As previously reported, each of ADI and ADGC had originally contracted in March 2011 to complete the ADI Asset Purchase and the ADGC Asset Purchase with a different, privately held, Nevada company which also had the name Scio Diamond Technology Corporation ("Private Scio"). In connection with obtaining the stockholder approvals for those transactions and the redemption of the outstanding ADI and ADGC shares for $0.01 per share, each of ADI and ADGC arranged for Private Scio to agree to issue warrants to purchase common stock of Private Scio, exercisable for $0.01 per share, to stockholders of ADI and ADGC that were accredited investors and that agreed to have their shares of ADI and ADGC redeemed by such companies. As previously disclosed, on August 5, 2011, Private Scio sold its name to the Company in exchange for 13 million shares of the Company's common stock. On August 31, 2011, the Company completed the ADI Asset Purchase. In September 2011, the Company delivered a letter to certain former ADI and ADGC stockholders stating that, in connection with the Company's acquisition of assets from ADI and ADGC, the Company would provide a right to buy Company common stock for $0.01 per share to such stockholders (the "ADI Shareholder Purchase Rights" or "ADI subscription rights" and the "ADGC Shareholder Purchase Rights," respectively) that were accredited investors, provided certain information to the Company regarding their intentions to purchase such shares of Company common stock, and accepted payment from ADI or ADGC, as applicable, for the repurchase of such stockholders' shares in ADI and ADGC, respectively. However, the Company did not have a definitive written agreement with ADGC with respect to the ADGC Asset Purchase at the time, and based on advice of its then counsel, the Company concluded that it did not have an obligation to issue the common stock purchase documents or an obligation to disclose the proposed sale of such common stock until the Company reached a definitive agreement with ADGC to complete the ADGC Asset Purchase.

As previously reported, the Company has reviewed and further analyzed its previously completed ADI Asset Purchase and the background of the ADGC Transaction, and the Company has concluded that it was obligated to complete the ADI Shareholder Purchase Rights offering at the time of the ADI Asset Purchase on August 31, 2011 and that it was obligated to complete the ADGC Shareholder Purchase Rights offering at the time of the ADGC Asset Purchase on June 5, 2012. After extensive review of the above events, the Company concluded that the ADI Shareholder Purchase Rights offering should have been treated as part of the purchase price of the ADI assets pursuant to the ADI Asset Purchase and that, as a result, the Company should restate its quarterly financial statements and related Form 10-Q filings for each of the quarters ended September 30, 2011 and December 31, 2011 as a result.

This Amendment No. 1 speaks as of the filing date of the Original Report and does not modify disclosures in the Original Report, including the nature and character of such disclosures, to reflect events occurring or items discovered after February 14, 2012, except for disclosures that reflect the restatements and that update certain disclosures affected by events related to the restatements and for disclosures related to certain material contracts for which disclosure was not previously provided. Accordingly, this Amendment No. 1 should be read in conjunction with the Company's filings made with the Securities and Exchange Commission subsequent to February 14, 2012, the filing date of the Original Report, including any amendments to those filings as described above.

Any reference to facts, circumstances or other matters at a "current" date refer to such facts and circumstances as of the filing date of the Original Filing.

SCIO DIAMOND TECHNOLOGYCORPORATION

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Special Note Regarding Forward-Looking Statements

Information included in this Form 10-Q/A contains forward-looking s statements that reflect the Company's views with respect to certain future events. Forward looking statements made by penny stock issuers such as the Company are excluded from the safe harbor in Section 21E of the Securities Exchange Act of 1934. Words such as "expects," "should," "may," "will," "believes," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions of such words, and negatives thereof, are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in this report. These forward-looking statements are based on assumptions that may be incorrect, and there can be no assurance that matters anticipated in our forward-looking statements will come to pass.

Forward-looking statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those anticipated. Such risk and uncertainties include, without limitation, those but are not limited to, those described in Part I, Item 2 of this Amendment No. 1 and under Risk Factors set forth in Part I, Item 1A of our Form 10-K for the fiscal year ended March 31, 2012.

You are cautioned not to place undue reliance on forward-looking statements. Unless they are specifically otherwise stated to be made as of a different date, any forward-looking statement made by us in this Amendment No. 1 are made as of, and speak on as of, November 4, 2011, the filing date of the Original Filing., which speak only as of the date hereof. The Company undertakes no obligation to publish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrences of unanticipated events. You are also urged to review and consider carefully the various disclosures made in the Company's other filing with after November 14, 2011 with the Securities and Exchange Commission, including amendment to those filings. Except as may be required by applicable laws, the Company undertakes no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

PART I - FINANCIAL INFORMATION

ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Scio Diamond Technology Corporation
(Formerly Krossbow Holding Corp.)
(a development stage company)
CONDENSED BALANCE SHEETS

		December 31, 2011 (unaudited) (restated)		March 31, 2011
ASSETS				
Current Assets:				
Cash and cash equivalents	$	1,463,909	$	933
Prepaid expenses		32,030		-
Total current assets		1,495,939		933
Manufacturing equipment		3,173,802		-
Other equipment		52,503		-
Total equipment		3,226,305		-
Intangible assets		9,784,497		-
Other assets		13,800		-
TOTAL ASSETS	$	14,520,541	$	933
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)				
Current Liabilities:				
Notes payable	$	125,000	$	-
Accrued interest		11,274		-
Accounts payable		-		3,500
Accounts payable - related parties		-		8,490
Total Current Liabilities		136,274		11,990
Shareholders' Equity (Deficit):				
Common Stock, $0.001 par value, 75,000,000 shares authorized 25,825,570 and 6,400,000 shares issued and outstanding at December 31, 2011 and March 31, 2011, respectively		25,826		6,400

Additional paid-in capital		15,843,304		19,600
Deficit accumulated during the development stage		(1,484,863)		(37,057)
Total Shareholders' Equity (Deficit)		14,384,267		(11,057)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	$	14,520,541	$	933

The accompanying notes are an integral part of these condensed financial statements.

Scio Diamond Technology Corporation
(Formerly Krossbow Holding Corp.)
(a development stage company)
CONDENSED STATEMENTS OF OPERATIONS
For the three and nine months ended December 31, 2011 and 2010 and for the period September 17, 2009 (inception) through December 31, 2011
(unaudited)

	Three Months Ended December 31,2011 (restated)	Three Months Ended December 31,2010	Nine Months Ended December 31,2011 (restated)	Nine Months Ended December 31,2010	September 17, 2009 (Inception) through December 31,2011 (restated)
Revenue					
Gross revenue	$ -	$ -	$ -	$ -	$ -
Operating expenses					
Professional fees	574,294	2,585	1,081,446	24,264	1,113,734
Marketing costs	6,499	-	17,649	-	17,649
Corporate general and administrative	66,832	-	88,494	-	93,263
Loss from operations	(647,625)	(2,585)	(1,187,589)	(24,264)	(1,224,646)
Other income (expense)					
Interest (expense)	(8,774)	-	(11,274)	-	(11,274)
Gain on restructuring	-	-	11,057	-	11,057
Net loss	$ (656,399)	$ (2,585)	$ (1,187,806)	$ (24,264)	$ (1,224,863)
Loss per share					
Basic and fully diluted:					
Weighted average number of shares outstanding	23,588,380	6,400,000	14,562,232	6,400,000	
Loss per share	$ (0.03)	$ (0.00)	$ (0.08)	$ (0.00)	

The accompanying notes are an integral part of these condensed financial statements.

Scio Diamond Technology Corporation
(Formerly Krossbow Holding Corp.)
(a development stage company)
CONDENSED STATEMENTS OF SHAREHOLDERS' EQUITY
For the nine months ended December 31, 2011 and 2010 and for the period September 17, 2009 (inception) through December 31, 2011
(unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Deficit Accumulated During the Development Stage	Total
Inception, September 17, 2009	-	$ -	$ -	$ -	$ -
Common stock issued to founder					
at $0.002 per share	2,000,000	2,000	2,000	-	4,000
Common stock issued for cash					
at $0.005 per share	4,400,000	4,400	17,600	-	22,000
Net loss for period ended March 31, 2010	-	-	-	(6,211)	(6,211)
Balance, March 31, 2010	6,400,000	6,400	19,600	(6,211)	19,789
Net loss for period ended March 31, 2011	-	-	-	(30,846)	(30,846)
Balance, March 31, 2011	6,400,000	6,400	19,600	(37,057)	(11,057)
Shares issued for purchase of trade name	13,000,000	13,000	247,000	-	260,000
Common stock issued for cash, net of fees,					
at $0.70 per share (restated)	6,425,570	6,426	4,344,697	-	4,351,123
Deemed distribution	-	-	-	(260,000)	(260,000)

(restated)					
ADI subscription rights issued for purchase of assets (restated)	-	-	11,040,000	-	11,040,000
Warrants issued for services from non-employees (restated)	-	-	192,007	-	192,007
Net loss for the nine months ended December 31, 2011 (restated)	-	-	-	(1,187,806)	(1,187,806)
Balance, December 31, 2011 (restated)	25,825,570	$ 25,826	$ 15,843,304	$ (1,484,863)	$ 14,384,267

The accompanying notes are an integral part of these condensed financial statements.

Scio Diamond Technology Corporation
(Formerly Krossbow Holding Corp.)
(a development stage company)
CONDENSED STATEMENTS OF CASH FLOW
For the nine months ended December 31, 2011 and 2010 and for the period September 17, 2009 through December 31, 2011
(unaudited)

	Nine Months Ended December 31,2011 (restated)	Nine Months Ended December 31,2010	September 17, 2009 (inception) through December 31,2011 (restated)
Cash flows from operating activities:			
Net loss	$ (1,187,806)	$ (24,264)	$ (1,224,863)
Adjustments to reconcile net loss to net cash used in operating activities:			
Gain on restructuring	(11,057)		(11,057)
Expense for warrants issued in exchange for services	192,007	-	192,007
Changes in current assets and liabilities:			
(Increase) decrease in current and other assets	(45,830)	-	(45,830)
Increase (decrease) in current liabilities	1,342	(671)	4,842
Net cash used in operating activities	(1,051,344)	(24,935)	(1,084,901)
Cash flows from investing activities:			
Purchase of assets	(1,000,000)	-	(1,000,000)
Proceeds from disposal of property and equipment	81,700	-	81,700
Purchase of property and equipment	(52,503)	-	(52,503)
Net cash (used) in investing activities	(970,803)	-	(970,803)
Cash flows from financing activities			
Services financed with a note payable	250,000		250,000
Proceeds from note payable - related party	9,000	-	17,490
Proceeds from sale of common stock - net of fees	4,351,123	-	4,377,123
Payments on notes payable	(1,125,000)	-	(1,125,000)

Net cash provided by financing activities	3,485,123	-	3,519,613
Net increase in cash and cash equivalents	1,462,976	(24,935)	1,463,909
Cash and cash equivalents, beginning of period	933	25,450	-
Cash and cash equivalents, end of period	$ 1,463,909	$ 515	$ 1,463,909

The accompanying notes are an integral part of these condensed financial statements

(Continued)

Scio Diamond Technology Corporation
(Formerly Krossbow Holding Corp.)
(a development stage company)
STATEMENTS OF CASH FLOW
For the nine months ended December 31, 2011 and 2010 and for the period September 17, 2009 through December 31, 2011
(Continued)

	Nine Months Ended December 31,2011 (restated)	Nine Months Ended December 31,2010	September 17, 2009 (inception) through December 31,2011 (restated)
Supplemental cash flow disclosures:			
Cash paid during the year for:			
Interest	$ -	$ -	$ -
Income Taxes	$ -	$ -	$ -
Non-cash investing and financing activities:			
Purchase of assets funded by note payable	$ 1,000,000	$ -	$ 1,000,000
Purchase of assets funded through ADI subscription right issuance	$ 11,040,000	$ -	$ 11,040,000
Common stock issued for purchase of trade name	$ 260,000	$ -	$ 260,000

The accompanying notes are an integral part of these condensed financial statements

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Scio Diamond Technology Corporation (the "Company") was incorporated under the laws of the State of Nevada as Krossbow Holding Corp. on September 17, 2009. The original business plan of the Company was focused on offsetting C02 emissions through the creation and protection of forest-based carbon "sinks." The Company has since abandoned its original business plan and restructured its business to focus on man-made diamond technology development and commercialization.

On July 13, 2011, the Board of Directors of the Company resolved to authorize a 2-for-1 forward split of its issued and outstanding common shares, whereby every one (1) old share of common stock was to be exchanged for two new shares of the Company's common stock, effective on August 5, 2011. As a result, once the forward split was declared effective by the Financial Industry Regulatory Authority, the issued and outstanding shares of common stock increased from 3,200,000 prior to the forward split to 6,400,000 following the forward split. The forward split shares are payable upon surrender of certificates to the Company's transfer agent. The accompanying financial statements and notes give retroactive effect to the forward split for all periods presented.

Going Concern

The Company has not generated any revenue to date and consequently its operations are subject to all risks inherent in the establishment of a new business enterprise. For the period from inception, September 17, 2009, through December 31, 2011, the Company has accumulated losses of ($1,224,863).

These factors raise substantial doubt about the Company's ability to continue as a going concern. Management has responded to these circumstances by taking the following actions:

- Focused efforts on the construction and start-up of its state-of-the-art manufacturing facility in South Carolina in order to begin production and generate revenues.
- Ongoing solicitation of investment in the Company in the form of a private placement of common shares to accredited investors.
- Responded to potential customer contacts in order to meet potential orders immediately upon production start-up.

In the opinion of management, these actions will be sufficient to provide the Company with the liquidity it needs to meet its obligations and continue as a going concern. There can be no assurance, however, that the Company will successfully implement these plans. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Accounting Basis

The accompanying unaudited financial statements of Scio Diamond Technology Corporation (formerly Krossbow Holding Corp.) (referred to herein as "the Company," "we," "us," or "our") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations.

In the opinion of management, the accompanying unaudited financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the Company's financial position as of March 31, 2011 and December 31, 2011 and the results of operations and cash flows for the interim periods ended December 31, 2011 and 2010 and for the period September 17, 2009 (inception) through December 31, 2011. All interim amounts have not been audited, and the results of operations for the interim periods herein are not necessarily indicative of the results of operations to be expected for the year. These financial statements should be read in conjunction with the Company's audited financial statements and notes thereto included in the Form 10-K Annual Report of Scio Diamond Technology Corporation (formerly Krossbow Holding Corp.) for the year ended March 31, 2011.

Development Stage Company

The financial statements have been prepared following the requirements of GAAP for development-stage companies. A development-stage company is one in which planned principal operations have not commenced or if its operations have commenced, there have been no significant revenues therefrom.

Basic and Diluted Net Loss per Share

Net loss per share is presented under two formats: basic net loss per common share, which is computed using the weighted average number of common shares outstanding during the period, and diluted net loss per common share, which is computed using the weighted average number of common shares outstanding, and the weighted average dilutive potential common shares outstanding, computed using the treasury stock method. Currently, for all periods presented, diluted net loss per share is the same as basic net loss per share as the inclusion of weighted average shares of common stock issuable upon the exercise of warrants would be anti-dilutive.

The following table summarizes the number of securities outstanding at each of the periods presented, which were not included in the calculation of diluted net loss per share as their inclusion would be anti-dilutive:

	December 31,	
	2011	2010
Warrants for common stock	370,014	-

Property, Plant and Equipment

Depreciation of property, plant and equipment is on a straight line basis beginning at the time it is placed in service, based on the following estimated useful lives:

	Years
Machinery and equipment	3–15
Furniture and fixtures	3–10
Engineering equipment	5–12

Leasehold improvements are depreciated over the lesser of the remaining term of the lease or the life of the asset (generally three to five years).

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Equipment has not been placed into service as of December 31, 2011.

Intangible Assets

Intangible assets, such as acquired in-process research and development costs, are considered to have an indefinite useful life until such time as they are put into service at which time they will be amortized on a straight-line basis over the shorter of their economic or legal useful life. Management evaluates indefinite life intangible assets for impairment on an annual basis and on an interim basis if events or changes in circumstances between annual impairment tests indicate that the asset might be impaired. The ongoing evaluation for impairment of its indefinite life intangible assets requires significant management estimates and judgment. Management reviews definite life intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. There were no impairment charges in 2011.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy prescribed by the accounting literature contains three levels as follows:

Level 1— Quoted prices in active markets for identical assets or liabilities.

Level 2— Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3— Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In addition, GAAP requires the Company to disclose the fair value for financial assets on both a recurring and non-recurring basis. At December 31, 2011, the Company has issued ADI subscription rights valued at $11,040,000 for the purchase of assets disclosed in Note 2 measured at fair value on a nonrecurring basis. The fair value of the ADI subscription rights was determined based on an appraisal which used the Black-Scholes model whose assumptions were considered by management to be a level 3 input.

As of December 31, 2011 the Company also had 370,014 warrants outstanding with exercise prices of $.70 per share. The warrants expire in 2016 and 2017. The warrants were issued by the Company as compensation for consulting work and are valued at $.52 per warrant using the Black-Scholes model.

The carrying value of cash and cash equivalents including restricted cash, accounts receivable, other assets and trade accounts payable approximate fair value due to the short-term nature of these instruments.

Restatement

As previously reported, on August 31, 2011, the Company acquired certain assets of Apollo Diamond, Inc. ("ADI") (the "ADI Asset Purchase"), consisting primarily of diamond growing machines and intellectual property related thereto. Also as previously announced, on June 5, 2012, the Company purchased substantially all of the assets of Apollo Diamond Gemstone Corporation ("ADGC") (the "ADGC Asset Purchase"), consisting primarily of cultured diamond gemstone-related know-how, inventory, and various intellectual property.

As previously reported, each of ADI and ADGC had originally contracted in March 2011 to complete the ADI Asset Purchase and the ADGC Asset Purchase with a different, privately held, Nevada company which also had the name Scio Diamond Technology Corporation ("Private Scio"). In connection with obtaining the stockholder approvals for those transactions and the redemption of the outstanding ADI and ADGC shares for $0.01 per share, each of ADI and ADGC arranged for Private Scio to agree to issue warrants to purchase common stock of Private Scio, exercisable for $0.01 per share, to stockholders of ADI and ADGC that were accredited investors and that agreed to have their shares of ADI and ADGC redeemed by such companies. As previously disclosed, on August 5, 2011, Private Scio sold its name to the Company in exchange for 13 million shares of the Company's common stock. On August 31, 2011, the Company completed the ADI Asset Purchase. In September 2011, the Company delivered a letter to certain former ADI and ADGC stockholders stating that, in connection with the Company's acquisition of assets from ADI and ADGC, the Company would provide a right to buy Company common stock for $0.01 per share to such stockholders (the "ADI Shareholder Purchase Rights" or "ADI subscription rights" and the "ADGC Shareholder Purchase Rights," respectively) that were accredited investors, provided certain information to the Company regarding their intentions to purchase such shares of Company common stock, and accepted payment from ADI or ADGC, as applicable, for the repurchase of such stockholders' shares in ADI and ADGC, respectively. However, the Company did not have a definitive written agreement with ADGC with respect to the ADGC Asset Purchase at the time, and based on advice of its then counsel, the Company concluded that it did not have an obligation to issue the common stock purchase documents or an obligation to disclose the proposed sale of such common stock until the Company reached a definitive agreement with ADGC to complete the ADGC Asset Purchase.

The Company has reviewed and further analyzed its previously completed ADI Asset Purchase and the background of the ADGC Transaction, and the Company has concluded that it was obligated to complete the ADI Shareholder Purchase Rights offering at the time of the ADI Asset Purchase on August 31, 2011 and that it was obligated to complete the ADGC Shareholder Purchase Rights offering at the time of the ADGC Asset Purchase on June 5, 2012. After extensive review of the above events, the Company concluded that the ADI Shareholder Purchase Rights offering should have been treated as part of the purchase price of the ADI assets pursuant to the ADI Asset Purchase and that, as a result, the Company should restate its quarterly financial statements and related Form 10-Q filings for each of the quarters ended September 30, 2011 and December 31, 2011 as a result.

The Company is filing this Amendment No. 1 to Form 10-Q for the quarter ended December 31, 2011, and has refiled its Quarterly Report on Form 10-Q/A for the quarter ended September 31, 2005 to reflect the proper accounting treatment.

Effects of the restatement by line item follow for the periods presented in this Amendment No. 1 to Form 10-Q:

	Impact to Balance Sheet December 31, 2011	
	As Previously Reported	As Restated
Equipment	$ 1,750,000	$ 3,173,802

Property and equipment	76,571	52,503
Patents	250,000	9,784,497
Intangibles		
Other assets	260,000 -	- 13,800
Total assets	3,832,510	14,520,541
Additional paid-in-capital	4,308,797	15,843,304
Deficit accumulated during the development stage	(638,387)	(1,484,863)
Total shareholders’ equity	3,696,236	14,384,267
Total liabilities and shareholders’ equity	3,832,510	14,520,541

Impact to Statements of Operations

	Three Months Ended December 31, 2011		Nine Months Ended December 31, 2011		September 17, 2009 (Inception) through December 31, 2011	
	As Previously Reported	As Restated	As Previously Reported	As Restated	As Previously Reported	As Restated
Professional fees	$120,118	$574,294	$204,378	$1,081,446	$204,378	$1,113,734
Marketing costs	268,669	6,499	452,710	17,649	452,710	17,649
Corporate general and administrative	56,562	66,832	67,168	88,494	104,225	93,263
Loss from operations	(445,349)	(647,625)	(724,256)	(1,187,589)	(761,313)	(1,224,646)
Gain on restructuring	-	-	-	11,057	-	11,057
Other income	134,200	-	134,200	-	134,200	-
Net loss	(319,923)	(656,399)	(601,330)	(1,187,806)	(638,387)	(1,224,863)
Loss per share						
Basic and fully diluted:						
Weighted average number of shares outstanding	23,571,440	23,588,380	14,619,607	14,562,232		
Loss per share	$(0.01)	$(0.03)	$(0.04)	$(0.08)		

Impact to Statement of Shareholders' Equity

	December 31, 2011	
	As Previously Reported	As Restated
Common stock issued for cash, net of fees, at $0.70 per share	$ 4,042,197	$ 4,344,697
Deemed distribution	-	(260,000)
ADI subscription rights issued for purchase of assets	-	11,040,000
Warrants issued for services from non-employees	-	192,007
Net loss for the nine months ended December 31, 2011	(601,330)	(1,187,806)
Balance, December 31, 2011	3,696,236	14,384,267

	Impact to Statements of Cash Flow			
	Nine Months Ended December 31, 2011		September 17, 2009 (Inception) through December 31, 2011	
	As Previously Reported	As Restated	As Previously Reported	As Restated
Cash flows from operating activities:				
Net loss	$ (601,330)	$ (1,187,806)	$ (638,387)	$ (1,224,863)
Gain on restructuring	-	(11,057)	-	(11,057)
Expense for warrants issued in exchange for services				
(Increase) decrease in current and other assets	-	192,007	-	
Increase (decrease) in current liabilities	- (44,020)	(45,830) 1,342	- (32,030)	192,007
Net cash used in operating activities	(645,350)	(1,051,344)	(670,417)	(1,084,901)
Cash flows from investing activities:				
Purchase of assets	(2,000,000)	(1,000,000)	(2,000,000)	(1,000,000)
Proceeds from disposal of property and equipment	-	81,700	-	81,700
Purchase of property and equipment	(76,571)	(52,503)	(76,571)	(52,503)
Net cash used in investing activities	(2,076,571)	(970,803)	(2,076,571)	(970,803)
Cash flows from financing activities:				
Services financed with a note payable	-	250,000	-	250,000
Proceeds from note payable - related party	-	9,000	-	17,490
Sale of common stock - net of fees	4,048,623	4,351,123	4,074,623	4,377,123
Proceeds from Apollo payable net of repayments	136,274	-		-
Payments on notes payable	-	(1,125,000)	136,274	(1,125,000)
Net cash used in financing activities	4,184,897	3,485,123	4,210,897	3,519,613

Non-cash investing and financing activities:				
Common stock issued for intangible	260,000	-	260,000	-
Common stock issued for trade name	-	260,000	-	260,000
Purchase of assets funded by note payable	-	1,000,000	-	1,000,000
Purchase of assets funded through ADI subscription rights issuance	-	11,040,000	-	11,040,000

Recent Accounting Pronouncements

In September 2011, the FASB issued ASU 2011-08, Guidance on Testing Goodwill for Impairment. ASU 2011-08 gives entities testing goodwill for impairment the option of performing a qualitative assessment before calculating the fair value of a reporting unit in Step 1 of the goodwill impairment test. If entities determine, on the basis of qualitative factors, that the fair value of a reporting unit is more likely than not less than the carrying amount, the two-step impairment test would be required. Otherwise, further testing would not be needed. ASU 2011-08 will be effective for fiscal and interim reporting periods within those years beginning after December 15, 2011. The adoption of this accounting standard will not have a material effect on the Company's financial statements.

In July 2012 the FASB issued new ASU No. 2012-02, Testing Indefinite-Lived Intangible Assets for Impairment (the revised standard). The revised standard is intended to reduce the cost and complexity of testing indefinite-lived intangible assets other than goodwill for impairment. It allows companies to perform a "qualitative" assessment to determine whether further impairment testing of indefinite-lived intangible assets is necessary, similar in approach to the goodwill impairment test. The revised standard is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. The Company will adopt this new standard in 2013.

There are currently no other accounting standards that have been issued that will have a significant impact on the Company's financial position, results of operations or cash flows upon adoption.

NOTE 2 – ASSET PURCHASE

The Company purchased certain assets from Apollo Diamond Inc. ("ADI") on August 31, 2011, consisting primarily of diamond growing machines and certain intellectual property related thereto. The purchase price consisted of an aggregate of $2,000,000 in a combination of cash and a promissory note bearing interest at 4.00% annually and due and owing in full on September 1, 2012, plus the subscriptions rights for certain current and former stockholders of ADI to acquire approximately 16 million shares of common stock of the Company for $0.01 per share (the "ADI Offering"). The Company has estimated the fair value of these ADI subscription rights to acquire shares of common stock of the Company for $0.01 per share to be $0.69 per right. At the date of the transaction, the fair value of the subscriptions rights was $11,040,000, and this amount was credited to additional paid-in capital. The fair value of the ADI subscription rights was determined using the Black-Scholes model with the following assumptions: estimated volatility of 100%, risk free interest rate of 0.1%, and an expected life of 1 year.

The following table reflects our purchase price allocation of the assets:

Machinery and Equipment	$943,685
Reactors	2,311,818
In-Process Research and Development	9,784,497
Total	$13,040,000

The Company completed a third-party valuation to determine the fair value of the assets acquired. The final amounts allocated to the assets acquired are based upon the results of that valuation appraisal.

NOTE 3 – INTANGIBLE ASSETS

Intangible assets consist of the following:

	Life	December 31, 2011	March 31, 2011
In-process research and development	Indefinite	$ 9,784,497	$ -

NOTE 4 – NOTES PAYABLE

In conjunction with the purchase of certain assets from ADI on August 31, 2011, the Company entered into a promissory note bearing interest at 4.00% annually and due and payable in full on September 1, 2012. As of December 31, 2011, $125,000 of the promissory note to ADI remained unpaid.

NOTE 5 – CAPITAL STOCK

The authorized capital of the Company is 75,000,000 common shares with a par value of $ 0.001 per share.

In December 2009, the Company issued 2,000,000 shares of common stock, post 2-for-1 forward split, at a price of $0.002 per share for total cash proceeds of $4,000.

In January through March 2010, the Company issued 4,400,000 shares of common stock, post 2-for-1 forward split, at a price of $0.005 per share for total cash proceeds of $22,000.

During the three months ended September 30, 2011, the Company issued 18,717,570 shares of common stock on August 5, 2011. 3,200,000 shares were issued in a 2-for-1 forward split from Krossbow Holding Corp. shareholders. As part of a private placement, 2,517,570 shares were issued at a price of $0.70 per share for total cash proceeds, net of fees, of $1,679,064. 13,000,000 shares were issued at a market value price of $0.02 per share purchasing the name "Scio Diamond Technology Corporation" ("the Scio name") for a total purchase price of $260,000. The Company purchased the Scio name from a privately-held Nevada corporation ("Private Scio") that also had the Scio name. The Company and Private Scio are entities under common control. Accounting Standards Codification 805-50-30-5 states that when accounting for a transfer of assets between entities under common control, the entity that receives the asset shall initially measure the recognized asset at the carrying amount in the accounts of the transferring entity at the date of the transfer. As the Scio name acquired had no carrying value, the value of the shares given to purchase the Scio name were recorded as a deemed distribution so that the accounting basis of the Scio name remained at zero. In addition, the Company issued 16 million subscription rights with an exercise price of $0.01 per share to certain current and former stockholders of ADI as part of the asset purchase discussed in Note 2.

During the three months ended December 31, 2011, the Company issued 3,908,000 shares at a price of $0.70 per share for total cash proceeds, net of fees, of $2,672,059. The Company has 25,825,570 shares of common stock issued and outstanding as of December 31, 2011.

As of December 31, 2011 the Company had 370,014 warrants outstanding with exercise prices of $.70 per share. The warrants expire in 2016 and 2017. The warrants were issued by the Company as compensation for consulting work and valued at $.52 per warrant using the Black-Scholes model.

NOTE 6 – RELATED PARTIES

The Company incurred expenses of $108,004 for professional and consulting services provided by AdamsMonahan, LLP, a firm in which our board members, Edward S. Adams and Michael R. Monahan, are partners, for the nine months ended December 31, 2011 and for the period September 17, 2009 (inception) through December 31, 2011. For the nine months ended December 31, 2011, the Company did not incur expenses for professional and consulting services provided by AdamsMonahan, LLP.

On August 5, 2011, the Company executed the Scio Asset Purchase Agreement with another privately-held Nevada corporation that also had the name "Scio Diamond Technology Corporation" ("Private Scio"). Under the terms of the Scio Asset Purchase Agreement, the Company purchased the name "Scio Diamond Technology Corporation" and acquired other rights from Private Scio for 13,000,000 newly issued shares of common stock of the Company. Our directors Edward S. Adams and Michael R. Monahan were directors of Private Scio and Joseph D. Lancia was an officer of Private Scio, and they owned 31.5%, 31.5% and 15.4%, respectively, of Private Scio. At the time that the Scio Asset Purchase Agreement was executed, our directors Edward S. Adams and Michael R. Monahan had control of the Company. Edward S. Adams and Michael R. Monahan each acquired, directly or indirectly, 4,100,000 shares of our common stock pursuant to the Scio Asset Purchase Agreement, and Joseph D. Lancia acquired 2,000,000 shares pursuant to the Scio Asset Purchase Agreement.

The Company purchased certain assets from ADI on August 31, 2011, consisting primarily of diamond growing machines and intellectual property related thereto. The purchase price consisted of an aggregate of $2,000,000 in a combination of cash and a promissory note bearing interest at 4.00% annually and due and owing in full on September 1, 2012, plus the right for certain current and former stockholders of ADI to acquire approximately 16 million shares of common stock of the Company for $0.01 per share. These rights were valued at $11,040,000 in total using the Black-Scholes model. Both Mr. Adams, in an executive role, and Mr. Monahan previously served in various capacities with ADI through early 2011.

NOTE 7 – SUBSEQUENT EVENTS

In January 2012, the Company issued 187,500 shares of common stock at a share price of $0.70 for total cash proceeds of approximately $94,499.

Effective January 9, 2012, Charles G. Nichols was appointed Chief Financial Officer of the Company.

Beginning in April 2012 through June 30, 2012, the Company issued 2,538,750 units each consisting of one share of common stock and one warrant for the purchase of a share of common stock at an exercise price of $1.60 for a unit price of $0.80 for total net cash proceeds of approximately $1,999,920. As of the date of this filing, the total number of units issued is 4,453,750 for net cash proceeds of $3,522,760.

On May 7, 2012, the Company implemented equity compensation arrangements for our executive officers and several key employees. These included grant agreements with certain of its executive officers pursuant to which such executive officers were granted options to purchase shares of the Company's common stock. Under certain of the agreements, the Company granted options with each such option being subject to the achievement of certain performance milestones by the Company. Under certain of the agreements, the Company also granted options with each of these options vesting immediately upon execution of such agreements. The options are intended to qualify as incentive stock options within the meaning of Section 422A of the Internal Revenue Code. The exercise price for each option is $0.70 per share. The options expire on the last business day preceding the three year anniversary of the grant date unless fully exercised or terminated earlier.

On June 5, 2012, the Company acquired substantially all of the assets of Apollo Diamond Gemstone Corporation ("ADGC") (the "ADGC Asset Purchase"), consisting primarily of cultured diamond gemstone-related know-how, inventory, and various intellectual property, in exchange for $100,000 in cash and the opportunity for certain current and former stockholders of ADGC that are accredited investors to acquire up to approximately 1 million shares of common stock of the Company for $0.01 per share (the "ADGC Offering") with the intent that ADI Offering be conducted substantially concurrently with the ADGC Offering (collectively, the "ADI/ADGC Stockholder Offering"). The ADI/ADG Stockholder Offering began in June and is expected to close on or about August 30, 2012.

On July 24, 2012, the Company announced that it had signed a purchase order with an international supplier of precision diamond cutting tool products pursuant to which the Company will be providing CVD single crystal diamond in specified wafer sizes. The purchase order calls for near term Company sales of an estimated minimum of $1,000,000, with such sales to occur in the second and third fiscal quarters of the fiscal year ending March 31, 2013, and under certain circumstances and depending upon, among other things, ongoing demand as estimated by the end product manufacturer, could produce aggregate sales by the Company of up to an estimated $5,000,000 during the first 24 months of the order.

On August 3, the Company entered into amended and restated employment agreements and change in control agreements with our executive officers. In addition, the Company authorized equity compensation arrangements for our executive officers and adopted an amended and restated Code of Ethics and Business Conduct.

The Company, certain directors and others were served with a complaint in August 2012 filed by a former shareholder of Apollo Diamond, Inc. (ADI). The complaint alleges certain security and other law violations in connection with the ADI Asset Purchase (see note2). The claimant seeks damages to be established at trial and has not specified monetary damages.

In the opinion of management, the ultimate disposition of this matter will not have a material adverse effect on the Company's financial position, results of operations or liquidity.

On August 13, 2012, the Company named Bernard M. McPheely to the Board of Directors.

END NOTES TO FINANCIALS

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION ANDRESULTS OF OPERATIONS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Information included in this Form 10-Q/A contains forward-looking s statements that reflect the Company's views with respect to certain future events. Forward looking statements made by penny stock issuers such as the Company are excluded from the safe harbor in Section 21E of the Securities Exchange Act of 1934. Words such as "expects," "should," "may," "will," "believes," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions of such words, and negatives thereof, are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in this report. These forward-looking statements are based on assumptions that may be incorrect, and there can be no assurance that matters anticipated in our forward-looking statements will come to pass.

Forward-looking statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those anticipated. Such risk and uncertainties include, without limitation, those but are not limited to: (1) if the Company is not able to obtain further financing, its business operations may fail, (2) the Company has not generated any meaningful revenues, and as a result, faces a high risk of business failure, (3) the Company's lack of diversification increases the risks associated with the Company's business and an investment in the Company, and the Company's financial condition may deteriorate rapidly if it fails to succeed in developing the Company's business, (4) the Company may not effectively execute the Company's business plan or manage the Company's potential future business development, (5) the Company's business could be impaired if it fails to comply with applicable regulations, (6) the Company may not be able to attract and maintain key management personnel to manage the Company or laboratory scientists to carry out the Company's business operations, which could have a material adverse effect on the Company's business, (7) the Company may expend a substantial amount of time and resources in connection with its review and restatement of its previously filed financial statements and other disclosures and the transactions related thereto, and in connection with responding to potential inquiries or legal actions by the Securities and Exchange Commission or stockholders, which may impair the Company's ability to raise capital and to operate its business, and (8) such other risks and uncertainties as have been disclosed or are hereafter disclosed from time to time in the Company's filings with the Securities and Exchange Commission, including, without limitations described under Risk Factors set forth in Part I, Item 1A of our Form 10-K for the fiscal year ended March 31, 2012.

You are cautioned not to place undue reliance on forward-looking statements. Unless they are specifically otherwise stated to be made as of a different date, any forward-looking statement made by us in this Amendment No. 1 are made as of, and speak on as of, November 14, 2011, the filing date of the Original Filing., which speak only as of the date hereof. The Company undertakes no obligation to publish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrences of unanticipated events. You are also urged to review and consider carefully the various disclosures made in the Company's other filing with after November 14, 2011 with the Securities and Exchange Commission, including amendment to those filings. Except as may be required by applicable laws, the Company undertakes no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

GENERAL

Restatements and Corporate History

We were incorporated on September 17, 2009 in the State of Nevada under the name Krossbow Holdings Corporation. Krossbow's original business plan was focused on offsetting CO2 emissions through the creation and protection of forest-based carbon "sinks." Krossbow planned to assess carbon resource potentials, prescribe and implement ecosystem restorations to develop those resources, and thereby generate carbon offset products. However, we have since abandoned that original business plan and restructured our business to focus on man-made diamond technology development. We decided to acquire existing technology and to seek to efficiently and effectively produce man-made diamond. In connection with this change in business purpose, Krossbow changed its name to Scio Diamond Technology Corporation to reflect its new business direction.

On August 5, 2011, Edward S. Adams and Michael R. Monahan, both of whom now serve on the Company's Board of Directors, acquired control of the Company through the purchase of two million (2,000,000) shares of the Company's issued and outstanding common stock from Jason Kropp, Krossbow's sole director and executive officer at that time, in accordance with a common stock purchase agreement among Mr. Kropp, Mr. Adams and Mr. Monahan. Concurrently with the execution of the stock purchase agreement, Mr. Kropp resigned from all positions with Krossbow, including, but not limited to, that of President, Chief Executive Officer, Chief Financial Officer, Treasurer, Secretary and Director.

On August 5, 2011, the Company executed an Asset Purchase Agreement (the "Scio Asset Purchase Agreement") with another privately-held Nevada corporation that also had the name "Scio Diamond Technology Corporation" ("Private Scio"). Under the terms of the Scio Asset Purchase Agreement, the Company purchased the name "Scio Diamond Technology Corporation" and acquired other rights from Private Scio for 13,000,000 newly issued shares of common stock of the Company. Mr. Adams and Mr. Monahan were directors of Private Scio, and Mr. Lancia was an officer of Private Scio, and they owned 31.5%, 31.5% and 15.4%, respectively, of Private Scio. Edward S. Adams and Michael R. Monahan each acquired, directly or indirectly, 4,100,000 shares of our common stock pursuant to the Scio Asset Purchase Agreement, Joseph D. Lancia, our Chief Executive Officer, acquired 2,000,000 shares pursuant to the Scio Asset Purchase Agreement.

On August 31, 2011, the Company acquired certain assets of Apollo Diamond, Inc. ("ADI") (the "ADI Asset Purchase"), consisting primarily of diamond growing machines and intellectual property related thereto, for which the Company paid ADI an aggregate of $2,000,000 in a combination of cash and a promissory note to ADI with a September 1, 2012 maturity date (which promissory note had a remaining outstanding balance of $1,000,000 as of September 30, 2011). In connection with the ADI Asset Purchase, the Company also agreed to provide certain current and former stockholders of ADI that are accredited investors the right to acquire up to approximately 16 million shares of common stock of the Company for $0.01 per share (the "ADI Offering"). After extensive review of the above events, the Company concluded that the ADI Offering should have been treated as part of the purchase price of the ADI assets pursuant to the ADI Asset Purchase and that, as a result, the Company should restate its quarterly financial statements and related Form 10-Q filings for each of the quarters ended September 30, 2011 and December 31, 2011 as a result. Accordingly, the purchase price for the ADI assets was an aggregate of $2,000,000, in a combination of cash and a promissory note, plus the ADI subscription rights.

As of the date of the Original Filing, the Company intended to acquire (and it subsequently did acquire on June 5, 2012) substantially all of the assets of Apollo Diamond Gemstone Corporation ("ADGC"), consisting primarily of cultured diamond gemstone-related know-how, inventory, and various intellectual property, in exchange for $100,000 in cash and the opportunity for certain current and former stockholders of ADGC that are accredited investors to acquire up to approximately 1 million shares of common stock of the Company for $0.01 per share (the "ADGC Offering").

Business Overview

The Company's primary mission is the development of profitable and sustainable commercial applications for its planned mass production of high quality, single-crystal diamond in a laboratory environment using its Diamond Technology and patented Mosaic production approach. The Company intends to target both the commercial/industrial and gemstone markets and anticipates opportunities in areas including, but not limited to, diamond gemstone jewelry, power switches, optoelectronics, cutting devices, semi-conductors and life sciences.

As of the date of the Original Filing, the Company had not generated any revenue from the sale of diamond or diamond materials nor did it have firm orders placed by potential customers. However, if the Company is able to produce high-quality, relatively low-cost diamond and diamond materials in reliable quantities, then such products may be incorporated into existing applications and technologies and spur new technologies. In such case, the Company expects numerous product development and licensing opportunities for the Company. The unique physical properties of diamond combined with consistent availability made possible by our Diamond Technology and patented Mosaic production approach lead to potential market opportunities in electronics, optics, communications, and computing..

CRITICAL ACCOUNTING POLICIES

We have adopted various accounting policies that govern the application of accounting principles generally accepted in the United States ("GAAP"). We describe our significant accounting policies in the notes to our audited financial statements filed with our Form 10-K for the fiscal year ended March 31, 2012.

Some of the accounting policies involve significant judgments and assumptions by us that have a material impact on the carrying value of our assets and liabilities. We consider these accounting policies to be critical accounting policies. The judgment and assumptions we use are based on historical experience and other factors that we believe to be reasonable under the circumstances. Because of the nature of the judgments and assumptions we make, actual results could differ from these judgments and estimates and could materially affect the carrying values of our assets and liabilities and our results of operations.

The following is a summary of the more judgmental estimates and complex accounting principles, which represent our critical accounting policies.

Development Stage Company

The Company's financial statements have been prepared in accordance with generally accepted accounting principles related to development-stage companies. A development-stage company is one in which planned principal operations have not commenced or if its operations have commenced, there have been no significant revenues therefrom.

Asset Purchases

The Company purchased certain assets from ADI on August 31, 2011, consisting primarily of diamond growing machines and intellectual property related thereto. The purchase price consisted of an aggregate of $2,000,000 in a combination of cash and a promissory note bearing interest at 4.00% annually and due and owing in full on September 1, 2012, plus the right for certain current and former stockholders of ADI to acquire approximately 16 million shares of common stock of the Company for $0.01 per share. The Company has estimated the fair value of these subscription rights to acquire shares of common stock of the Company for $0.01 per share to be $0.69 per right for a total of $11,040,000 for these rights.

The following table reflects our purchase price allocation of the assets:

Machinery and Equipment	$	943,685
Reactors		2,311,818
In-Process Research and Development		9,784,497
Total	$	13,040,000

The Company completed a third-party valuation to determine the fair value of the assets acquired. The final amounts allocated to the assets acquired are based upon the results of that valuation appraisal.

We believe that the acquisition of these assets from ADI was not the acquisition of a "business" within the definition set forth in GAAP or Rule 11-01(d).

Property, Plant and Equipment

Depreciation of property, plant and equipment is on a straight line basis beginning at the time it is placed in service, based on the following estimated useful lives:

	Years
Machinery and equipment	3–15
Furniture and fixtures	3–10
Engineering equipment	5–12

Leasehold improvements are depreciated over the lesser of the remaining term of the lease or the life of the asset (generally three to five years).

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Equipment has not been placed into service as of September 30, 2011.

After initial recognition, tangible assets acquired that are used in commercialization activities are accounted for in accordance with their nature. FASB ASC 360 requires that these assets be classified as indefinite-lived until the completion or abandonment of the associated commercialization efforts, at which time the asset would be considered to be placed in service and the entity would determine the assets' appropriate useful lives. In consideration thereof, we believe that the useful life of the reactors (the primary tangible assets) is indefinite until such time as the production and effective commercialization of the production of the reactors (lab-grown diamond) occurs or is more definite. The mechanical components of the reactors have relatively long lives, upwards of ten (10) years, but the capacity limitations of the reactors may render them obsolete from an efficiency perspective as technology in the industry continues to evolve. We, therefore, plan to reassess or redetermine the useful lives of such assets on an annual basis. The lives of the remainder of the tangible assets will be considered based on their technological and functional obsolescence and depreciated accordingly once they are placed in service.

Intangible Assets

Regarding intangible assets including the patents, the Company believes that, due to the inability to identify unique, specific commercialization potential with any degree of certainty, it is appropriate to consider the entire portfolio "In Process Research and Development," or "IPRD". The Company believes that the IPRD has alternative future uses. At such time that production begins and commercialization of separate components of the intellectual property portfolio are then marketed to varying distribution channels, segmentation and bifurcation of the IPRD asset to finite-lived commercialized intellectual property assets will be considered. Applicable accounting guidance requires an indefinite life for IPRD assets until such time as the commercialization can be reasonably estimated at which time the assets will be available for their intended use At such time as those requirements are met, we believe that consideration of the legal life of the intellectual property protection should be of considerable importance in determining the useful life. Upon commercialization and determination of the useful life of the intellectual property assets, consideration will be given to the eventual expiration of the intellectual property rights underlying certain critical aspects of our manufacturing process.

RESULTS OF OPERATIONS

Three Month Period Ended December 31, 2011 Compared to the Three Month Period Ended December 31, 2010

Our net loss for the three-month period ended December 31, 2011 was ($656,399), compared to net losses of ($2,585) during the three months ended December 31, 2010. Our cumulative net loss since inception (September 17, 2009) through December 31, 2011 was ($1,224,863). Through December 31, 2011, we had not generated any revenue since inception.

During the three-month period ended December 31, 2011, we incurred total expenses of $656,399, compared to total expenses of $2,585 during the three months ended December 31, 2010. Since inception (September 17, 2009) through December 31, 2011, we have incurred total expenses of $1,235,920, which have generally related to corporate overhead, marketing, financial and administrative contracted services, such as legal and accounting, developmental costs, and expenses associated with the filing of our registration statement and other SEC filings.

We have not had any revenue to offset our expenses, and so, we have incurred net losses. Our net loss per share for the three-month period ended December 31, 2011 was ($0.03) per share, compared to a net loss per share of ($0.00) for the three months ended December 31, 2010. The weighted average number of shares outstanding was 23,588,380 and 6,400,000, respectively, for the three-month periods ended December 31, 2011 and 2010.

Nine Month Period Ended December 31, 2011 Compared to the Nine Month Period Ended December 31, 2010

Our net loss for the nine-month period ended December 31, 2011 was ($1,187,806), compared to net losses of ($24,264) during the nine months ended December 31, 2010. Our cumulative net loss since inception (September 17, 2009) through December 31, 2011 was ($1,224,863). Through December 31, 2011, we had not generated any revenue since inception.

During the nine-month period ended December 31, 2011, we incurred total expenses of $1,198,863, compared to total expenses of $24,264 during the nine months ended December 31, 2010. Since inception (September 17, 2009) through December 31, 2011, we have incurred total expenses of $1,235,920, which have generally related to corporate overhead, marketing, financial and administrative contracted services, such as legal and accounting, developmental costs, and expenses associated with the filing of our registration statement and other SEC filings.

We have not had any revenue to offset our expenses, and so, we have incurred net losses. Our net loss per share for the nine-month period ended December 31, 2011 was ($0.08) per share, compared to a net loss per share of ($0.00) for the nine months ended December 31, 2010. The weighted average number of shares outstanding was 14,562,232 and 6,400,000, respectively, for the nine-month periods ended December 31, 2011 and 2010.

FINANCIAL CONDITION

At December 31, 2011, we had total assets of $14,520,541, compared to total assets of $933 at March 31, 2011. This increase in assets was primarily related to the ADI Asset Purchase which included indefinite lived intangible assets of $9,784,497 and fixed assets of S$3,255,503. We had cash of $1,463,909 at December 31, 2011.

Total liabilities at December 31, 2011 were $136,274, compared to total liabilities of $11,990 at March 31, 2011. Total liabilities at December 31, 2011 were comprised primarily of notes payable and accrued interest.

Total shareholders' equity was $14,384,267 at December 31, 2011, compared to ($11,057) at March 31, 2011. Shareholders' equity increased during the period primarily due to the issuance of subscription rights in connection with the ADI Asset Purchase. Other components of the change in shareholders' equity related to sales and issuances of common stock and net losses during the period.

CASH FLOWS

Operating Activities

As of December 31, 2011, we had not generated positive cash flows from operating activities. For the nine-month period ended December 31, 2011, net cash flows used in operating activities were ($1,051,344), consisting primarily of a net loss of ($1,187,806) offset by expense for warrants issued in exchange for services of $192,007, compared to net cash flows used in operating activities for the nine months ended December 31, 2010 of ($24,935). Since inception (September 17, 2009) through December 31, 2011, net cash flows used in operating activities were ($1,084,901).

Investing Activities

For the nine-month period ended December 31, 2011, net cash flows used in investing activities were ($970,803), consisting primarily of the ADI Asset Purchase. Net cash flows used in investing activities were $0 for the nine months ended December 31, 2010 and ($970,803) for the period from inception (September 17, 2009) to December 31, 2011.

Financing Activities

We have financed our operations primarily through advancements or the issuance of equity or debt securities. For the nine-month periods ended December 31, 2011 and December 31, 2010, we generated $3,485,123 and $0, respectively, from financing activities. For the period from inception (September 17, 2009) to December 31, 2011, net cash flows provided by financing activities were $3,519,613, consisting primarily of proceeds from the sale of our common stock offset by payments on certain notes payable.

LIQUIDITY AND CAPITAL RESOURCES

We expect that working capital requirements will continue to be funded through a combination of our existing funds and further issuances of securities. Our working capital requirements are expected to increase in line with the growth of our business.

Existing cash is expected to be adequate to fund our operations over the next fiscal quarter through March 31, 2012. We have no lines of credit or other bank financing arrangements. Generally, we have financed operations to date through the proceeds of sales of our common stock and warrants to acquire common stock. In connection with our business plan, management anticipates additional increases in operating expenses and capital expenditures relating to: (i) manufacturing operations; (ii) developmental expenses associated with a start-up business; and (iii) marketing expenses. We intend to finance these expenses with further issuances of securities. Thereafter, we expect we will need to raise additional capital and generate revenues to meet long-term operating requirements.

Additional issuances of equity or convertible debt securities may result in dilution to our current shareholders. Such securities might have rights, preferences or privileges senior to our common stock. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to take advantage of prospective new business endeavors or opportunities, which could significantly and materially restrict our business operations.

MATERIAL COMMITMENTS AND ARRANGEMENTS

On August 31, 2011, the Company acquired certain assets of ADI, consisting primarily of diamond growing machines and intellectual property related thereto, for which the Company paid ADI an aggregate of $2,000,000 in a combination of cash and a promissory note to ADI with a September 1, 2012 maturity date (which promissory note had a remaining outstanding balance of $1,000,000 as of September 30, 2011). In connection with the ADI Asset Purchase, the Company also agreed to provide certain current and former stockholders of ADI that are accredited investors the right to acquire up to approximately 16 million shares of common stock of the Company for $0.01 per share. The Company has estimated the fair value of these ADI subscription rights to acquire shares of common stock of the Company for $0.01 per share to be $0.69 per right for a total of $11,040,000 for these rights.

As of the date of the Original Filing, the Company intended to acquire (and it subsequently did acquire on June 5, 2012) substantially all of the assets of ADGC, consisting primarily of cultured diamond gemstone-related know-how, inventory, and various intellectual property, in exchange for $100,000 in cash and the opportunity for certain current and former stockholders of ADGC that are accredited investors to acquire up to approximately 1 million shares of common stock of the Company for $0.01 per share.

The Company understands that most of the outstanding shares of ADI and ADGC were redeemed prior to and in anticipation of the Company’s purchase of assets from ADI and ADGC. Mr. Adams and his spouse owned approximately 2% of the common stock of ADI and 11% of the common stock of ADGC (prior to the stock repurchases by such companies in 2011). Neither Mr. Adams nor his spouse will participate in the ADI Offering or the ADGC Offering. Mr. Monahan held no stock of ADI and approximately 4% of the stock of ADGC (prior to the stock repurchases by ADGC in 2011). Mr. Monahan will not participate in the ADI Offering or the ADGC Offering. Mr. Adams and Mr. Monahan and their law firm have provided legal services to each of ADI, ADGC and the Company. Robert C. Linares, the Chairman of the Board of each of ADI and ADGC, who is also the largest stockholder of each of ADI and ADGC, is the father-in-law of Mr. Adams. Mr. R. Linares may purchase up to 250,000 shares of common stock of the Company as a former ADI stockholder in connection with the ADI Offering and ADGC Offering. Bryant R. Linares, a former executive officer of both ADI and ADGC, and the second largest stockholder previously of both ADI and ADGC, may purchase up to 1,000,000 shares of common stock of the Company as a former ADI stockholder in connection with the ADI Offering. Mr. B. Linares is the brother-in-law of Mr. Adams.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this Quarterly Report, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to the Company's management, including our President and Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In connection with the Original Report, the Company, under the supervision and with the participation of the management team at that time, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2011. Based on that evaluation, our management concluded that our disclosure controls and procedures were effective as of such date to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

Subsequent to the evaluation made in connection with the Original Report and in connection with the restatement and filing of this Amendment No. 1, our current management team, including our President and Chief Executive Officer and Chief Financial Officer, re-evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2011 and concluded that, because of weaknesses in our internal control over financial reporting, which have required the restatement of our financial statements for the quarterly periods ended September 30, 2011 and December 31, 2011, and the amendment of our Form 10-Q for the quarterly period ended September 30, 2011 and the Original Report, our disclosure controls and procedures were not effective as of December 31, 2011.

In connection with the evaluation described above, the current management team identified material weaknesses as of December 31, 2011, in the following areas:

- Lack of written documentation of our internal control policies and procedures.
- Lack of a functioning audit committee due to a lack of a majority of independent members and a lack of a majority of outside directors on our board of directors, resulting in ineffective oversight in the establishment and functioning of required internal controls and procedures.
- Insufficient communication processes in connection with period end financial disclosure and reporting.
- Due to our small size, limited segregation of duties in certain areas of our financial reporting and other accounting processes and procedures.

In March 2012, current management changed the Company's outside counsel in an effort to improve the disclosure advice available to it.

Changes In Internal Control over Financial Reporting

After considerable effort, the current management of the Company was unable to determine the internal controls over financial reporting that were used prior to August 5, 2011, and, accordingly, is not able to assess whether there were changes in the Company's internal control over financial reporting during the three months ended December 31, 2011 that have material affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Remediation of Material Weaknesses in Internal Controls over Financial Reporting

Subsequent to December 31, 2011, the Company has been actively engaged in implementation and remediation efforts to address the material weaknesses in the Company's internal controls over financial reporting as of December 31, 2011. These remediation efforts, outlined below, were specifically designed to address the material weaknesses identified by the Company's management.

To further remediate such weaknesses, we hope to implement the following changes during our fiscal year ending March 31, 2013:

- Adding one or more independent directors and establishing an audit committee.
- Refining our internal procedures, including our communication and data gathering processes in connection with period end financial disclosure and reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None as of the date of the Original Filing.

ITEM 1A. RISK FACTORS

Not applicable.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the quarter ending December 31, 2011, the Company issued 3,908,000 shares at a price of $0.70 per share for total cash proceeds, net of fees, of $2,672,059.

The shares of Common Stock referenced herein were issued in reliance upon the exemption from securities registration afforded by the provisions of Section 4(2) of the Securities Act of 1933, as amended, ("Securities Act"), and Rule 506 of Regulation D, as promulgated by the U.S. Securities and Exchange Commission under the Securities Act, based upon the following: (a) each of the persons to whom the shares of Common Stock were issued (each such person, an "Investor") confirmed to the Company that such investor is an "accredited investor," as defined in Rule 501 of Regulation D promulgated under the Securities Act and has such background, education and experience in financial and business matters as to be able to evaluate the merits and risks of an investment in the securities, and (b) there was no public offering or general solicitation with respect to the offering of such shares, (c) each Investor acknowledged that all securities being purchased were being purchased for investment intent and were "restricted securities" for purposes of the Securities Act, and agreed to transfer such securities only in a transaction registered under the Securities Act or exempt from registration under the Securities Act and (d) a legend has been, or will be, placed on the certificates representing each such security stating that it was restricted and could only be transferred if subsequently registered under the Securities Act or transferred in a transaction exempt from registration under the Securities Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

On October 14, 2011, the Company entered into a seven-year lease with Innovation Center, LLC, related to our 9,003 square foot corporate headquarters and production facility located at 411 University Ridge, Greenville, South Carolina 29601. Annual rental payments for the next seven years are as follows:

2013	$135,045
2014	135,045
2015	135,045
2016	198,516
2017 and thereafter	595,548

On October 27, 2011, Gruber & Company, LLC (“Gruber”) was engaged as the registered independent public accountant for Scio Diamond Technology Corp., a Nevada corporation (the “Company”) and Silberstein Ungar, PLLC CPA’s and Business Advisors (“Ungar”) was dismissed as the registered independent public accountant for the Company. The decisions to appoint Gruber and dismiss Ungar were approved by the Board of Directors of the Company on October 27, 2011.

On November 19, 2011, the Company entered into employment agreements with Joseph D. Lancia and Michael W. McMahon to serve as the Company’s President and Chief Executive Officer and the Company’s Chief Operating Officer, respectively. On November 30, 2011, the Company also entered into an employment agreement with Charles G. Nichols to serve as the Company’s Chief Financial Officer.

Pursuant to their respective employment agreements, each of Messrs. Lancia, McMahon and Nichols are entitled to annual base salaries of $225,000, $150,000, and $125,000, respectively, subject to potential increases in connection with an annual salary review by the Board of Directors. The Board of Directors, in its discretion, may award any of the executives with an annual bonus. Each such executive is entitled during their term of employment, to such vacation, medical and other employee benefits (including eligibility to participate in any 401(k) retirement plan that may be adopted and offered by the Company, subject to the terms and conditions thereof) as the Company may offer from time to time, subject to applicable eligibility requirements, and is entitled to 15 days paid vacation each calendar year. Mr. Lancia and Mr. McMahon are each entitled to one year of salary and reimbursement of their COBRA costs if they are terminated without cause, provided that they cease to receive these post-termination benefits if they become entitled to receive benefits under their respective change in control agreements. The employment agreements contain one year non-compete agreements and two year customer and employee non-solicitation provisions.

Each of Messrs. Lancia, McMahon and Nichols is also eligible to participate in any stock option plan adopted by the Company, with the extent, terms and conditions of any options provided to a named executive officer to be determined by the Company’s Board of Directors or its Compensation Committee, if any, in its sole and unilateral discretion. Each of Messrs. Lancia, McMahon and Nichols is subject to a proprietary information and inventions agreement, and each is an employee-at-will.

On December 21, 2011, the Board of Directors elected Theodorus Strous to the Company's Board of Directors. Prior to his election as a director, Mr. Strous served as a consultant to the Company pursuant to the terms of a consulting agreement dated May 26, 2011. Under the terms of the consulting agreement, Mr. Strous provided various services to the Company in connection with, among other things, the Company's capital raising efforts and the development of the Diamond Technology. The consulting agreement terminated on November 30, 2011. Pursuant to the terms of the consulting agreement, Mr. Strous earned $43,000, as well as 61,500 warrants to purchase shares of our common stock at $0.70 per share.

Mr. Strous was not elected to the Board of Directors pursuant to any arrangement or understanding with any other person pursuant to which he was selected as a director. In accordance with the standard compensation arrangements for our directors, Mr. Strous will receive $1,250, plus related expenses, per board meeting.

ITEM 6. EXHIBITS

The following exhibits are filed as part of this Report:

Exhibit No.	Description	Filing
10.01	Lease with Innovation Center, LLC	Filed herewith.
10.02	Employment Agreement of Joseph D. Lancia	Incorporated by reference to the Form 8-K filed with the SEC on August 8, 2012.
10.03	Employment Agreement of Michael McMahon	Incorporated by reference to the Form 8-K filed with the SEC on August 8, 2012.
10.04	Employment Agreement of Charles G. Nichols	Incorporated by reference to the Form 8-K filed with the SEC on August 8, 2012.
10.05	Consulting Agreement of Theodorus Strous	Filed herewith.
31.01	Certification of Principal Executive Officer Pursuant to Rule 13a-14	Filed herewith.
31.02	Certification of Principal Financial Officer Pursuant to Rule 13a-14	Filed herewith.
32.01	CEO and CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act	Filed herewith.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SCIO DIAMOND TECHNOLOGY CORPORATION.

Dated: August 16, 2012	/s/ Joseph D. Lancia By: Joseph D. Lancia Its: President and Chief Executive Officer
Dated: August 16, 2012	/s/ Charles G. Nichols By: Charles G. Nichols Its: Chief Financial Officer

INDEX TO EXHIBITS

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Exhibit 10.01

Lease Agreement

by and between

Innovation Center, LLC

and

SCIO Diamond Technology Corporation

October 14, 2011

For
Suite D
411 University Ridge
Greenville, SC 29601

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