

Scio Diamond Technology Corp
Form 10-Q
August 20, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
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FORM 10-Q
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QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2012

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
(state or other jurisdiction of
incorporation or organization)

45-3849662
(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. Yes 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). Yes 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.

Large Accelerated Filer Accelerated
Filer

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Non-Accelerated Filer

Smaller Reporting Company

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 August 14, 2012, \$0.001 par value, was 30,466,817.

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SCIO DIAMOND TECHNOLOGY CORPORATION

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Special Note Regarding Forward-Looking Statements

Information included in this Form 10-Q contains forward-looking 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 or variations thereof, 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 under Risk Factors set forth in Part I, Item 1A of our Form 10-K for the fiscal year ended March 31, 2012 filed on August 16, 2012.

You are cautioned not to place undue reliance on forward-looking statements. You are also urged to review and consider carefully the various disclosures made in the Company's other filings with the Securities and Exchange Commission, including amendments to those filings, if any. 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 FINANCIAL STATEMENTS

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

	June 30, 2012	March 31, 2012
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,274,994	\$ 808,516
Inventory	160,595	2,502
Prepaid expenses	14,781	23,295
Prepaid rent	23,050	-
Total current assets	1,473,420	834,313
Property, plant and equipment		
Facility	737,855	145,301
Construction in progress	-	270,000
Manufacturing equipment	3,258,102	3,178,577
Other equipment	64,015	58,144
Total property, plant and equipment	4,059,972	3,652,022
Less accumulated depreciation	(6,883)	(3,397)
Net property, plant and equipment	4,053,089	3,648,625
Intangible assets	10,524,497	9,784,497
Prepaid rent, noncurrent	82,625	41,938
Other assets	13,800	13,800
TOTAL ASSETS	\$ 16,147,431	\$ 14,323,173
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Notes payable	\$ 75,000	\$ 125,000
Accounts payable	185,719	66,080
Accounts payable - related parties	-	131,984
Stock subscription proceeds	28,588	-
Accrued expenses	255,076	400,437

Total current liabilities	544,383	723,501
Shareholders' Equity (Deficit):		
Common stock, \$0.001 par value, 75,000,000 shares authorized		
28,551,820 and 6,400,000 shares issued and outstanding at		
June 30, 2012 and March 31, 2012, respectively	28,551	26,013
Additional paid-in capital	19,759,953	15,937,616
Deficit accumulated during the development stage	(4,185,456)	(2,363,957)
Total shareholders' equity (deficit)	15,603,048	13,599,672
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 16,147,431	\$ 14,323,173

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

Scio Diamond Technology Corporation
(Formerly Krossbow Holding Corp.)
(a development stage company)
CONDENSED STATEMENTS OF OPERATIONS
For the three months ended June 30, 2012 and 2011 and for the period September 17, 2009
(inception) through June 30, 2012

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	September 17, 2009 (Inception) through June 30, 2012
Revenue			
Gross revenue	\$ 11,952	\$ -	\$ 11,952
Cost of goods sold			
Cost of goods sold	14,986	-	14,986
Gross margin	(3,034)	-	(3,034)
Operating expenses			
Professional and consulting fees	224,922	5,121	1,791,728
Salaries and benefits	1,344,097	-	1,628,450
Rent, equipment lease and facilities expense	151,687	-	248,702
Marketing costs	15,180	-	43,527
Depreciation	5,436	-	8,833
Corporate general and administrative	76,307	-	271,383
Loss from operations	(1,820,663)	(5,121)	(3,995,657)
Other income (expense)			
Interest expense	(836)	-	(15,856)
Gain on restructuring	-	-	11,057
Other income	-	-	75,000
Net loss	\$ (1,821,499)	\$ (5,121)	\$ (3,925,456)
Loss per share			
Basic:			
Weighted average number of shares outstanding	28,089,734	6,400,000	
Loss per share	\$ (0.06)	\$ (0.00)	
Fully diluted:			

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Weighted average number of shares outstanding	28,089,734	6,400,000
Loss per share	\$ (0.06)	\$ (0.00)

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

Scio Diamond Technology Corporation
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(a development stage company)
CONDENSED STATEMENTS OF SHAREHOLDERS'
EQUITY
For period September 17, 2009 (inception) through June 30,
2012

	Common Stock		Additional Paid in Capital	Deficit Accumulated During the Development Stage	Total
	Shares	Amount			
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 the year 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	6,613,070	6,613	4,439,009	-	4,445,622
Deemed distribution	-	-	-	(260,000)	(260,000)
Subscription rights issued for purchase of assets	-	-	11,040,000	-	11,040,000

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Warrants issued for services from non-employees	-	-	192,007	-	192,007
Net loss for the year ended					
March 31, 2012	-	-	-	(2,066,900)	(2,066,900)
Balance, March 31, 2012	26,013,070	\$ 26,013	\$ 15,937,616	\$ (2,363,957)	\$ 13,599,672
Common stock issued for cash, net of fees, at \$0.80 per share	2,538,750	2,538	1,996,382	-	1,998,920
Subscription rights issued for purchase of assets			790,000		790,000
Warrants issued for real property lease			39,000		39,000
Employee stock based compensation	-	-	996,955	-	996,955
Net loss for the three months ended					
June 30, 2012	-	-	-	(1,821,499)	(1,821,499)
Balance, June 30, 2012	28,551,820	\$ 28,551	\$ 19,759,953	\$ (4,185,456)	\$ 15,603,048

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

Scio Diamond Technology Corporation
(Formerly Krossbow Holding Corp.)
(a development stage company)
CONDENSED STATEMENTS OF CASH FLOW
For the three months ended June 30, 2012 and 2011 and for the period September 17, 2009
(inception) through June 30, 2012

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	September 17, 2009 (Inception) through June 30, 2012
Cash flows from operating activities:			
Net loss	\$ (1,821,499)	\$ (5,121)	\$ (3,925,456)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	5,436	-	8,833
Gain on restructuring	-	-	(11,057)
Expense for warrants issued in exchange for services	-	-	192,007
Expense for incentive and performance options	996,955	-	996,955
Changes in assets and liabilities:			
Increase in prepaid expenses and rent	(18,173)	-	(83,406)
Increase in inventory	(8,093)	-	(24,395)
Increase (decrease) in accounts payable	(112,345)	-	85,719
Increase (decrease) in accrued expenses	(145,361)	(3,245)	248,644
Net cash from operating activities	(1,103,080)	(8,366)	(2,512,156)
Cash flows from investing activities:			
Purchase of assets	-	-	(1,000,000)
Proceeds from disposal of property, plant and equipment	-	-	97,270
Purchase of property, plant and equipment	(407,950)	-	(901,740)

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Net cash from investing activities	(407,950)	-	(1,804,470)
Cash flows from financing activities			
Services financed with a note payable	-	-	250,000
Proceeds from note payable - related party	-	9,000	17,490
Proceeds from stock subscriptions	28,588		