SCIO DIAMOND TECHNOLOGY CORP

FORM 8-K
(Current report filing)

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

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report: **January 29, 2013**
(Date of earliest event reported)

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

Commission File Number: **333-166786**

Nevada	**45-3849662**
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)

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

(864) 751-4880
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

Appointment of Chief Executive Officer

On January 29, 2013, the Board of Directors of Scio Diamond Technology Corporation (the "Company") appointed Michael W. McMahon to serve as Chief Executive Officer of the Company, effective on February 1, 2013. Mr. McMahon, age 62, has served as Chief Operating Officer of the Company since October 2011. Prior to that time, from May 2006 until September 2011, Mr. McMahon was the President of Unique Solutions, LLC, a company that provides expertise in the control of engineering and construction projects, and from September of 2001 until May of 2006 he served as a Senior Vice President with Fluor Corporation, a leading engineering construction company. From August 1994 until August of 2001, Mr. McMahon was a Senior Vice President with Jacobs Engineering Corporation, a provider of technical, professional and construction services.

Mr. McMahon does not have a direct or indirect material interest in any currently proposed transaction to which the Company is to be a participant in which the amount involved exceeds $120,000, nor has Mr. McMahon had a direct or indirect material interest in any such transaction since the beginning of the Company's last fiscal year. There are no family relationships between Mr. McMahon and any other director or executive officer of the Company.

In connection with Mr. McMahon's appointment, he and the Company entered into a letter agreement dated January 29, 2013 (the "Employment Letter"), setting forth the terms under which Mr. McMahon will serve as the Company's Chief Executive Officer. The Employment Letter supersedes the Amended and Restated Employment Agreement entered into between the Company and Mr. McMahon on August 3, 2012, which is described in the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 8, 2012. The Employment Letter has no set term and provides that Mr. McMahon is an employee at will.

Pursuant to the Employment Letter, Mr. McMahon is entitled to:

- a base salary, initially in the amount of $20,833.25 per month ($249,999 per year), subject to increase (but not decrease absent Mr. McMahon's consent) in the discretion of the Company's Compensation Committee or the Board;
- eligibility for a 2013 fiscal year performance bonus of up to $100,000 for achieving performance targets in the Company's 2013 fiscal year plan, as determined in the sole and unilateral discretion of the Board, with the performance targets to be agreed upon by Mr. McMahon and the Company following acceptance of the Company's 2013 fiscal year plan by the Board;
- incentive options, which were granted on January 29, 2013 pursuant to the Company's 2012 Share Incentive Plan (the "Plan"), to purchase 1,500,000 shares of the Company's common stock, $0.001 par value ("Common Stock"), at an exercise price of $0.93 per share, which shall vest as follows: 271,250 shares immediately upon Mr. McMahon's February 1, 2013 start date; 234,375 shares upon the six-month anniversary of the start date; 468,750 shares when the Company achieves cumulative revenues of $5 million (cumulative from January 1, 2013); 234,375 shares when the Company achieves cumulative EBITDA of $1 million (cumulative from January 1, 2013), and 291,250 shares when the Company achieves cumulative EBITDA of $2.5 million (cumulative from January 1, 2013), subject to the terms of the Plan; and
- participate in all employee benefit plans and programs available to similarly situated employees, and up to twenty days of paid vacation per calendar year.

The Employment Letter also provides that if Mr. McMahon's employment is terminated for any reason other than for "Cause" (as defined in the Employment Letter) or his voluntary resignation, in exchange for a general release by Mr. McMahon of the Company and its officers, directors, employees, shareholders, and agents from liability, as well as one-year non-solicitation and non-competition covenants from Mr. McMahon, Mr. McMahon will be entitled to receive, for twelve months following his date of termination, (i) his base salary plus (ii) $2,000 per

month to offset his potential medial, dental and life insurance expenses and any premiums required under COBRA comparable state law, each paid in accordance with the Company's payroll and benefit policies. In addition, the Company will (also in exchange for a general release by Mr. McMahon of the Company and its officers, directors, employees, shareholders, and agents from liability) (1) extend the period during which Mr. McMahon may exercise his option with respect to any portion or all of his vested options to purchase shares to within twelve months following his date of separation, and (2) agree not to exercise any right of repurchase. All granted options will automatically vest in the event of a "change in control" of the Company, which will be deemed to have occurred on the date of closing of any of the following: (i) a merger in which the Company is not the surviving entity, (ii) a sale of all of the outstanding shares of the Company's stock or (iii) a sale by the Company of substantially all of its assets)). In this case, the Employment Letter provides that the options will be exercisable for five years from the vesting date, subject to approval of the Board, provided that no options may be exercised after ten years following the date of grant. If Mr. McMahon's employment is terminated for "Cause" or due to his voluntary resignation, he will not be entitled to severance or benefit payments.

In addition, under the Employment Letter, in the event Mr. McMahon's employment is terminated, for any reason other than for "Cause" or his voluntary resignation, during the four-month period before or the twelve-month period after a "change in control" that implies a Company value of $50,000,000 or more, Mr. McMahon will be entitled to (i) a lump-sum cash payment equal to the sum of (a) 2.0 times his annual base salary on the day before the change in control or the day before termination, whichever is higher, plus (b) any base salary or bonus earned or accrued through the date of termination and not previously paid, and (ii) payment of $2,000 per month for 24 months, which payments are intended to offset potential medical, dental and life insurance expenses. Mr. McMahon would also remain subject to the terms of the Company's Proprietary Information and Inventions Agreement.

The foregoing description of the Employment Letter is not complete and is qualified in its entirety by reference to the Employment Letter, a copy of which is filed as Exhibit 10.1 to this Current Report on Form 8-K and is incorporated herein by reference. The options granted to Mr. McMahon were awarded pursuant to the Plan and are subject to all the terms and conditions of the Plan as well as the related Qualified Stock Option Grant Agreement. A copy of the form of Qualified Stock Option Grant Agreement used in connection with the award to Mr. McMahon is on file with the Securities and Exchange Commission as Exhibit 10.7 to the Company's Current Report on Form 8-K filed on August 8, 2012, provided that the options granted to Mr. McMahon will automatically vest in the event of a "change in control" of the Company and be exercisable in such event as provided above. The Plan, an omnibus plan that allows for the issuance of stock options, stock appreciation rights, phantom stock, and other stock-based awards, was adopted on May 7, 2012. A total of up to 5,000,000 shares (subject to adjustment) may be issued under the Plan. The foregoing summary of the Plan is not complete and is qualified in its entirety by reference to the full text of the Plan, a copy of which is attached as Exhibit 10.2 to this Current Report on Form 8-K.

Appointment of Director

On January 29, 2013, the Board of Directors of the Company appointed Robert C. Linares to serve as a member of the Board, filling the existing vacancy on the Board. Pursuant to our existing director compensation policy, for each Board meeting he attends Mr. Linares will (i) receive $1,250, plus related expenses, and (ii) be eligible to receive options to purchase 6,250 shares of Common Stock pursuant to the Plan, to be granted by the Board in accordance with its standard procedure for such grants.

There are no family relationships between Mr. Linares and any other director or executive officer of the Company, except that he is the father-in-law of Edward S. Adams, who serves as Chairman of the Board. Other than as described below, Mr. Linares does not have a direct or indirect material interest in any currently proposed transaction to which the Company is to be a participant in which the amount involved exceeds $120,000, nor has Mr. Linares had a direct or indirect material interest in any such transaction since the beginning of the Company's last fiscal year.

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. In connection with the ADI Asset Purchase, the Company also agreed to provide certain current and former stockholders of ADI that were 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"). 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. In addition, 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. Cumulatively, the Company has issued 14,337,473 shares under the ADI and ADGC subscription rights. Mr. Linares served as Chairman of the Board of each of ADI and ADGC and was the largest stockholder of each of ADI and ADGC. Mr. Linares purchased 250,000 shares of Common Stock of the Company as a former ADI stockholder in connection with the ADI Offering and ADGC Offering.

Item 7.01 Regulation FD Disclosure

On February 1, 2013, the Company issued a press release announcing the appointment of Mr. McMahon as Chief Executive Officer. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

10.1	Employment Letter Agreement dated January 29, 2013 between Scio Diamond Technology Corporation and Michael McMahon
10.2	Scio Diamond Technology Corp. 2012 Share Incentive Plan
99.1	Press release dated February 1, 2013

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SCIO DIAMOND TECHNOLOGY CORPORATION

By: /s/ Edward S. Adams
Edward S. Adams
Chairman of the Board

Date: February 4, 2013

Exhibit 10.1

January 29, 2013

Mr. Michael McMahon
411 University Ridge, Suite D
Greenville, SC 29601

Dear Michael:

We are delighted to make this offer of employment with Scio Diamond Technology Corporation, Inc. ("SCIO" or the "Company") as the Chief Executive Officer. The terms of the offer are as follows:

Compensation : Your base salary shall be fixed at $20,833.25 per month, less applicable withholdings, payable in periodic installments in accordance with the Company's payroll policies as established from time to time. You will receive a review by the Compensation Committee at least annually (typically, within ninety days following the end of the Company's fiscal year), and the Compensation Committee, or in the absence of such a committee, the Company's Board of Directors (the "Board"), may, in its sole and unilateral discretion, increase (but without your consent may not decrease) your base salary at any time it shall determine to do so. At the discretion and direction of the Company's Chairman of the Board, you will report directly to the Company's Chairman of the Board.

Performance Bonus : You will be eligible for a 2013 fiscal year performance bonus of up to $100,000 for achieving performance targets, as determined in the sole and unilateral discretion of the Board, for the Company's 2013 fiscal year plan. For performance in excess of the plan you may be eligible in the sole and unilateral discretion of the Board for up to an additional $50,000 performance bonus. The performance targets, to which award of these bonuses will be subject, must be agreed to by both you and the Company following acceptance of the Company's 2013 operating plan by the Board. Any such performance bonuses will be paid within 45 days of the close of the fiscal year to which the bonuses relate, provided that you have not voluntarily terminated employment or been terminated for Cause (as defined below) prior to that date, in which event no bonus amount shall be due or payable.

Severance: Upon termination during the effectiveness of this letter for all reasons other than for Cause or your voluntary resignation, the Company agrees that in exchange for a general release by you to the Company and its officers, employees, shareholders, and agents from liability to be reasonably agreed upon by you and the Company and one-year non-solicitation and non-competition restrictions from you, you will be entitled to receive for a period of twelve months from your date of termination, (i) your base salary plus (ii) $2,000, which $2,000 per month payments are intended to offset your potential medical, dental and life insurance expenses and any premiums required under COBRA or comparable state law, each paid in accordance with the Company's payroll and benefit policies. If the termination of your employment is for Cause or due to your voluntary resignation, you will not be entitled to any severance or benefit payment.

Fringe Benefits . You will be entitled to participate in all employee benefit plans and programs available to similarly situated employees of the Company, which the Company shall have in force from time to time. You will be entitled to 20 days of paid vacation each calendar year.

Equity : You are offered herein an incentive stock option grant to purchase 1,500,000 common shares, of Scio Diamond Technology Corporation, Inc. Common Stock, $0.001 par value, at an exercise price equal to the closing price on the date of this agreement. These stock options shall vest according to the following schedule: options to purchase 271,250 shares immediately upon your start date, options to purchase 234,375 shares upon the six-month anniversary of your start date, options to purchase 468,750 shares when SCIO achieves cumulative revenue of $5 million (U.S.) (cumulative from January 1, 2013 forward), options to purchase 234,375 shares when SCIO achieves cumulative EBITDA of $1 million (U.S.) (cumulative from January 1, 2013 forward), and options to purchase 291,250 shares when SCIO achieves cumulative EBITDA of $2.5 million (U.S.) (cumulative from January 1, 2013 forward). In the event of termination for all reasons other than for Cause or your voluntary resignation, the Company agrees that, in exchange for a general release by you to the Company and its officers, directors, employees, shareholders, and agents from liability to be reasonably agreed upon by you and the Company, the Company will: 1) extend the period during which you may exercise your option with respect to any portion or all of your vested options to purchase shares to within twelve months following your date of separation; and 2) agree not to exercise any right of repurchase. All granted options will automatically vest in the event of a "change in control" (as defined below) of the Company. The options may be exercised for five years from the vesting date, subject to approval of the Board (and in no event, and despite anything contained herein to the contrary, may any option be exercised after ten years from the grant date). Notwithstanding anything contained herein to the contrary, the grant of incentive stock options and the terms therein are at all times subject to approval of the Board and subject to compliance with the Company's Share Incentive Plan, the relevant qualified stock option grant agreement and applicable law.

Change in Control : In the event of termination, for any reason other than for Cause or your voluntary resignation, during the four-month period before or the twelve-month period after a "change in control" that implies a Company value of $50,000,000 or more, you will be entitled to (i) a lump-sum cash payment equal to the sum of (a) 2.0 times your annual base salary on the day before the change in control or the day before your termination, whichever is higher, plus (b) any base salary or bonus earned or accrued through the date of termination and not previously paid, and (ii) payment of $2,000 per month for 24 months, which payments are intended to offset your potential medical, dental and life insurance expenses. In such event, you will remain subject to the terms of the Company's Proprietary Information and Inventions Agreement. For purposes of this letter, a "change in control" shall be deemed to occur on the date of closing of any of the following: (x) a merger in which SCIO is not the surviving entity; (y) a sale of all of the outstanding shares of SCIO's stock; or (z) a sale by SCIO of substantially all of its assets.

Definition of "Cause" : As applied to the terms of this letter, the term "Cause" means: (i) conviction of, or plea of guilty or no contest by you of a felony or crime of dishonesty or moral turpitude; (ii) your commission, as determined by the Board, of an intentional act, or an act of fraud, dishonesty, or theft affecting the property, reputation, or business of the Company; (iii) your willful and persistent neglect of the duties and responsibilities of your position; (iv) failure or refusal to carry out the lawful directives of the Board; (v) diverting any business opportunity of the Company or its affiliates for your own personal gain; (vi) misrepresentation of a significant fact on your employment application and/or resume; (vii) misuse of alcohol or drugs affecting work performance, or (viii) death or disability that prevents you from performing the essential functions of your position with or without reasonable accommodation.

Employee at Will: Your employment relationship will be as an employee at will, which means that either you or the Company may terminate your employment at any time and for any reason or for no reason.

No Obstacle to Acceptance: You represent and warrant that you are not subject to any non-compete, non-disclosure, or similar agreement or restrictive covenant that would prevent you from accepting this position or that would materially impair your ability to perform the duties of this position.

Confidentiality, Etc. Agreement: You agree that you will be subject to, and shall execute, the Company's Proprietary Information and Inventions Agreement, a copy of which is attached hereto as Exhibit A and incorporated herein by reference.

Amendments: The terms of your employment may in the future be amended, but only by a writing which is signed by both you and, on behalf of the Company, a duly authorized officer.

Entire Agreement: This letter agreement constitutes the entire agreement between the parties, and supersedes all prior agreements and understandings, relating to the subject matter of this letter agreement.

Additional Terms: This letter agreement shall be governed by and construed in accordance with the substantive law of the State of South Carolina, without regard to choice of law principles. The parties agree that the exclusive jurisdiction and venue for resolution of any disputes arising out of this letter agreement or your employment with the Company shall be solely in the federal or state courts located in South Carolina, and the parties do hereby waive the right to proceed in any other forum. If any portion or provision of this letter agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this letter agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this letter agreement shall be valid and enforceable to the fullest extent permitted by law. This letter agreement may be executed in one or more counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts taken together, when delivered, will constitute one and the same instrument.

All of us at SCIO are genuinely enthusiastic about the prospect of your joining the Company and helping to move us forward over what promises to be a very exciting and challenging future. I look forward to your joining us at SCIO.

*****

Regards,

/s/ Edward S. Adams
Edward S. Adams
Chairman, Board of Directors, SCIO DIAMOND TECHNOLOGY CORPORATION

By signature attached below, I accept this offer of employment and the terms herein.

My employment as CEO will commence on February 1, 2013.

/s/ Michael McMahon	January 31, 2013
Michael McMahon	Date of Acceptance

EXHIBIT A

PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

This Proprietary Information and Inventions Agreement (this "Agreement") is made between me, the undersigned employee (sometimes referred to as "Executive"), and Scio Diamond Technology Corporation (the "Company"), and is a material part of the consideration for my employment by the Company, the premises, mutual covenants and representations contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties:

1. No Conflict . I have not entered into, and I agree I will not enter into, any agreement either written or oral in conflict with this Agreement or my employment with the Company. I will not violate any agreement with or rights of any third party or, except as expressly authorized by the Company in writing hereafter, use or disclose my own or any third party's confidential information or intellectual property when acting within the scope of my employment or otherwise on behalf of the Company. Further, I have not retained anything containing any confidential information of a prior employer or other third party, whether or not created by me.

2. Intellectual Property Assignment . The Company shall own all right, title and interest (including, but not limited to, patent rights, copyrights, trade secret rights, mask work rights, *sui generis* database rights and all other intellectual and industrial property rights of any sort throughout the world) relating to any and all inventions (whether or not patentable), works of authorship, mask works, designs, know-how, research, development, trade secrets, techniques, processes, procedures, plans, policies, discoveries, hardware, software, screens, specifications, designs, drawings, ideas and information made or conceived or reduced to practice, in whole or in part, by me or any other employee, independent contractor or agent of the Company during the term of my employment with Company (collectively, "Inventions"), and I will promptly disclose all Inventions to the Company. "Inventions" is to be broadly defined. By way of example only and without limitation, Inventions include all items mentioned in the first sentence of this paragraph and any and all information concerning teaching techniques, processes, formulas, innovations, discoveries, improvements, research or development and test results, data, formats, marketing plans, business plans, strategies, forecasts, unpublished financial information, budgets, projections, and customer and supplier identities, characteristics and agreements.

I hereby make all assignments necessary to accomplish the foregoing. I shall further assist the Company, at the Company's expense, to further evidence, record and perfect such assignments, and to perfect, obtain, maintain, enforce, and defend any rights specified to be so owned or assigned. I hereby irrevocably designate and appoint the Company and its agents as attorneys-in-fact to act for and in my behalf to execute and file any document and to do all other lawfully permitted acts to further the purposes of the foregoing with the same legal force and effect as if executed by me. If I wish to clarify that something created by me prior to my employment that relates to the Company's actual or proposed business is not within the scope of this Agreement, I have listed it on Appendix A. If I use or (except pursuant to this paragraph 2) disclose my own or any third party's confidential information or intellectual property when acting within the scope of my employment or otherwise on behalf of the Company, the Company will have and I hereby grant the Company a perpetual, irrevocable, worldwide, royalty-free, non-exclusive, sublicensable right and license to exploit and exercise all such confidential information and intellectual property rights.

3. Reserved .

4. Moral Rights . To the extent allowed by law, paragraph 2 includes all rights of paternity, integrity, disclosure and withdrawal and any other rights that may be known as or referred to as "moral

rights," "artist's rights," "droit moral," or the like (collectively "Moral Rights"). To the extent I retain any such Moral Rights under applicable law, I hereby ratify and consent to any action that may be taken with respect to such Moral Rights by or authorized by the Company and agree not to assert any Moral Rights with respect thereto. I will confirm any such ratifications, consents and agreements from time to time as requested by the Company.

5. Confidential Information . I agree that all Inventions and all other business, technical and financial information (including, without limitation, the identity of and information relating to customers, potential customers, suppliers, strategic partners, service providers, employees, agents or shareholders of the Company) I develop, learn or obtain during the term of my employment that relate to the Company or the business or demonstrably anticipated business of the Company or that are received by or for the Company in confidence, constitute "Proprietary Information." Proprietary Information includes not only information disclosed by the Company or its clients to me in the course of my employment, but also information developed or learned by me during the course of my employment with the Company, such as Inventions (as defined above). Proprietary Information is to be broadly defined. Proprietary Information includes, but is not limited to, all information that has or could have commercial value or other utility in the business in which the Company or clients are engaged or contemplate engaging, which also includes, but is not limited to, all information of which the unauthorized disclosure could be detrimental to the interests of the Company or clients, whether or not such information is identified as Proprietary Information by the Company or clients, which does not rise to the level of a Trade Secret. By way of example only and without limitation, Proprietary Information includes any and all information concerning teaching techniques, processes, innovations, inventions, discoveries, improvements, research or development and test results, specifications, data, know-how, formats, marketing plans, business plans, strategies, forecasts, unpublished financial information, budgets, projections, and customer and supplier identities, characteristics, and agreements which does not rise to the level of a Trade Secret. The term Trade Secret(s), as such term is used herein, means information, without regard to form, including, but not limited to, technical or nontechnical data, a formula, a pattern, a compilation, a program, a device, a method, a technique, a drawing, a process, financial data, financial plans, product plans, or a list of actual or potential customers or suppliers which is not commonly known by or available to the public and which information (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. During the term of my employment and until the fifth anniversary of the conclusion of my employment with the Company, I will hold in confidence and not divulge, disclose or otherwise use any Proprietary Information except within the scope of my employment by the Company. I further covenant and agree that during the term of my employment and at all times thereafter, I will hold in confidence and not divulge, disclose or otherwise use any Trade Secrets of the Company except within the scope of my employment by the Company. However, I shall not be obligated under this paragraph with respect to information I can document is or becomes readily publicly available without restriction through no fault of mine. I acknowledge that all Proprietary Information, in any form or medium, including copies thereof is the sole and exclusive property of the Company. Upon termination of my employment, I will promptly return to the Company any and all items containing or embodying Proprietary Information in any form or medium (including all copies), except that I may keep a single personal copy of (i) my compensation records, (ii) materials distributed to shareholders generally and (iii) this Agreement. I also recognize and agree that I have no expectation of privacy with respect to the Company's telecommunications, networking or information processing systems (including, without limitation, stored computer files, email messages and voice messages) and that my activity and any files or messages on or using any of those systems may be monitored or retrieved at any time without notice.

6. Non-Solicitation . I agree that during the term of my employment and until the second anniversary of the conclusion of my employment with the Company, I will not encourage or solicit any

employee or consultant of the Company to leave the Company for any reason (except for the bona fide firing of Company personnel within the scope of my employment). I also agree that during the term of my employment (whether or not during business hours) and until the second anniversary of the conclusion of my employment with the Company, I will not solicit business from, divert business from, or attempt to convert to other methods of using or offering the same or similar products or services as provided by the Company or its affiliates to any person or entity that is or was a client or prospective client of the Company or its affiliates at any time during the 24 months prior to the date of termination of my employment.

7. Non-Compete . During Executive's employment with the Company and for a period of 12 months thereafter, Executive shall not (without the prior written consent of the Company) compete with the Company or any of its Affiliates by, directly or indirectly, forming, serving as an organizer, director or officer of, or consultant to, or acquiring or maintaining more than a 5% investment in, a Competing Business located in the Territory. "Affiliate" shall mean any business entity controlled by, controlling or under common control with the Company. "Business" shall mean the production of cultured diamonds, and any other related business engaged in by the Company or any of its Affiliates as of the date of termination. "Competing Business" shall mean any business that, in whole or in part, is the same or substantially the same as the Business. "Territory" shall mean any state in the continental United States of America and the States of Alaska and Hawaii into which the Company has sold products during the 60 day period ending of the date of the Executive's termination.

8. Survival . I agree that my obligations under paragraphs 2, 3, 4, 5, 6 and 7 of this Agreement shall continue in effect after termination of my employment, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary on my part, and that the Company is entitled to communicate my obligations under this Agreement to any future employer or potential employer of mine. My obligations under paragraphs 2, 4 and 5 also shall be binding upon my heirs, executors, assigns, and administrators and shall inure to the benefit of the Company, its subsidiaries, successors and assigns.

9. Governing Law; Choice of Forum . Any dispute in the meaning, effect or validity of this Agreement shall be resolved in accordance with the laws of the State of South Carolina without regard to the conflict of laws provisions thereof. I further agree that if one or more provisions of this Agreement are held to be illegal or unenforceable under applicable South Carolina law, such illegal or unenforceable portion(s) shall be limited or excluded from this Agreement to the minimum extent required so that this Agreement shall otherwise remain in full force and effect and enforceable in accordance with its terms. I also agree that if any restriction in this Agreement shall be determined to be invalid and unenforceable, it shall automatically be modified, or may be modified by a court of competent jurisdiction, to the extent necessary to make it valid and enforceable. I also understand that any breach of this Agreement will cause irreparable harm to the Company for which damages would not be an adequate remedy, and, therefore, the Company will be entitled to injunctive relief with respect thereto in addition to any other remedies. I hereby waive any requirement that the Company post a bond or similar security or instrument in connection with any action the Company may commence in an effort to enforce this Agreement.

10. Miscellaneous . Except for my employment agreement with the Company, this Agreement supersedes all prior agreements and understandings between the parties—whether communicated in writing, orally or otherwise—and the representations, covenants and agreements herein shall be binding and in full force against the parties effective from the commencement of my employment with the Company. I may not assign this Agreement or any rights or obligations hereunder. This Agreement shall bind and inure to the benefit of each party and its respective successors, heirs and assigns. Any references to the "Company" in this Agreement shall include any subsidiary, affiliate, strategic partner, assign and/or successor of the Company or any similarly situated party.

I HAVE READ THIS AGREEMENT CAREFULLY AND I UNDERSTAND AND ACCEPT THE OBLIGATIONS WHICH IT IMPOSES UPON ME WITHOUT RESERVATION. I SIGN THIS AGREEMENT VOLUNTARILY AND FREELY, IN DUPLICATE, WITH THE UNDERSTANDING THAT ONE COUNTERPART WILL BE RETAINED BY COMPANY AND THE OTHER COUNTERPART WILL BE RETAINED BY ME.

EXECUTIVE

/s/ Michael McMahon
Michael McMahon

February 1, 2013
Date of Commencement of Employment

February 1, 2013
Date Signed

Accepted and Agreed to:
Scio Diamond Technology Corporation

/s/ Edward S. Adams
Edward S. Adams
Chairman of the Board of Directors

APPENDIX A
PRIOR MATTER

None

SCIO DIAMOND TECHNOLOGY CORP.

2012 SHARE INCENTIVE PLAN

1. **Establishment, Purpose and Types of Awards** . Scio Diamond Technology Corp., a Nevada corporation (the "Corporation") hereby establishes the 2012 SHARE INCENTIVE PLAN (the "Plan"). The purpose of the Plan is to advance the interests of the Corporation by providing directors, selected employees and consultants of the Corporation with the opportunity to acquire shares of Common Stock. By encouraging stock ownership, the Corporation seeks to attract, retain and motivate the best available personnel for positions of substantial responsibility; to provide additional incentive to directors, selected employees and consultants of the Corporation to promote the success of the business as measured by the value of its shares; and generally to increase the commonality of interests among directors, employees, consultants and other shareholders.

The Plan permits the granting of stock options (including incentive stock options within the meaning of Code Section 422 and non-qualified stock options), stock appreciation rights, restricted or unrestricted stock awards, phantom stock, performance awards, other stock-based awards, or any combination of the foregoing.

2. **Definitions** . Under the Plan, except where the context otherwise indicates, the following definitions apply:

" *Administrator* " means the Board or the committee(s) or officer(s) appointed by the Board that have authority to administer the Plan as provided in Section 3 hereof.

" *Affiliate* " means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with, the Corporation, including, but not limited to, joint ventures, limited liability companies, and partnerships. For this purpose, "control" shall mean ownership of 50% or more of the total combined voting power or value of all classes of stock or interests of the entity.

" *Award* " means any stock option, stock appreciation right, stock award, phantom stock award, performance award, or other stock-based award pursuant to the Plan.

" *Board* " means the Board of Directors of the Corporation.

"Cause" has the meaning ascribed to such term or words of similar import in Participant's written employment or service contract with the Corporation and, in the absence of such agreement or definition, means Participant's (i) conviction of, or plea of guilty or nolo contendere to, a felony or crime involving moral turpitude; (ii) fraud on or misappropriation of any funds or property of the Corporation, any affiliate, customer or vendor; (iii) personal dishonesty, incompetence, willful misconduct, willful violation of any law, rule or regulation (other than minor traffic violations or similar offenses), or breach of fiduciary duty which involves personal profit; (iv) willful misconduct in connection with Participant's duties or willful failure to perform Participant's responsibilities in the best interests of the Corporation; (v) illegal use or distribution of drugs; (vi) violation of any Corporation rule, regulation, procedure or policy; or (vii) breach of any provision of any employment, non-disclosure, non-competition, non-solicitation or other similar agreement executed by Participant for the benefit of the Corporation, all as determined by the Administrator, which determination will be conclusive.

"Change of Control" means if any of the following occurs:

(i) any individual, firm, corporation or other entity, or any group (as defined in Section 13(d)(3) or the Exchange Act becomes, directly or indirectly, the beneficial owner (as defined in the general rules and regulations of the Securities and Exchange Commission with respect to Sections 13(d) and 13(g) of the Act) of more than 35% of the then outstanding shares of the Corporation's capital stock entitled vote generally in the election of directors of the Corporation; or

(ii) the stockholders of the Corporation approve a definitive agreement for (i) the merger or other business combination of the Corporation with or into another corporation pursuant to which the stockholders of the Corporation do not own, immediately after the transaction, more than 50% of the voting power of the corporation that survives and is a publicly owned corporation and not a subsidiary of another

corporation, or (ii) the sale, exchange or other disposition of all or substantially all of the assets of the Corporation.

" *Code* " means the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder.

" *Common Stock* " means the Corporation's common stock, par value $0.001 per share.

" *Corporation* " means Scio Diamond Technology Corp., a Nevada corporation.

" *Consultant* " means an individual consultant or advisor who renders or has rendered bona fide services, including acting as distributors for the Corporation's product line(s), other than services in connection with the offering or sale of securities of the Corporation in a capital-raising transaction or as a market maker or promoter of the Corporation's securities.

" *Disability* " shall mean the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve months. The Administrator may require such proof of Disability as the Administrator in its sole discretion deems appropriate and the Administrator's good faith determination as to whether Participant is totally and permanently disabled will be final and binding on all parties concerned.

" *Employee* " means any person employed by the Corporation or any affiliate, other than in the capacity as director, advisory director or comparable status.

" *Exchange Act* " means the Securities Exchange Act of 1934, as amended.

" *Fair Market Value* " means, with respect to a share of Common Stock for any purpose on a particular date: the price as determined by the Board. For all purposes under the Plan, the term "relevant date" as used in this definition means the date as of which Fair Market Value is to be determined in the Administrator's sole discretion.

" *Grant Agreement* " means a written document memorializing the terms and conditions of an Award granted pursuant to the Plan. Each Grant Agreement shall incorporate the terms of the Plan.

" *Participants* " shall have the meaning set forth in Section 5.

" *Parent* " shall mean a corporation, whether now or hereafter existing, within the meaning of the definition of "parent corporation" provided in Code section 424(e), or any successor thereto.

" *Performance Goals* " shall mean performance goals established by the Administrator which may be based on one or more business criteria selected by the Administrator that apply to an individual or group of individuals, the Corporation and/or one or more of its Affiliates either separately or together, over such performance period as the Administrator may designate, including, but not limited to, criteria based on operating income, earnings or earnings growth, sales, return on assets, equity or investment, regulatory compliance, satisfactory internal or external audits, improvement of financial ratings, achievement of balance sheet or income statement objectives, or any other objective goals established by the Administrator, and may be absolute in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated.

" *Subsidiary* " and " *Subsidiaries* " shall mean only a corporation or corporations, whether now or hereafter existing, within the meaning of the definition of "subsidiary corporation" provided in section 424(f) of the Code, or any successor thereto.

" *Ten-Percent Stockholder* " shall mean a Participant who (applying the rules of Code section 424(d)) owns stock possessing more than 10% of the total combined voting power or value of all classes of stock or interests of the Corporation.

3. **Administration** .

(a) Administration of the Plan . The Plan shall be administered by the Board or a committee that may be appointed by the Board from time to time. To the extent allowed by applicable state or federal law, the Board by resolution may authorize an officer or officers to grant Awards (other than stock Awards) to other officers and employees of the Corporation and its Affiliates, and, to the extent of such authorization, such officer or officers shall be the Administrator.

(b) Powers of the Administrator . The Administrator shall have all the powers vested in it by the terms of the Plan, such powers to include authority, in its sole discretion, to grant Awards under the Plan, prescribe Grant Agreements evidencing such Awards and establish programs for granting Awards.

The Administrator shall have full power and authority to take all other actions necessary to carry out the purpose and intent of the Plan, including, but not limited to, the authority to: (i) determine the eligible persons to whom, and the time or times at which, Awards shall be granted; (ii) determine the types of Awards to be granted; (iii) determine the number of shares to be covered by or used for reference purposes for each Award; (iv) impose such terms, limitations, restrictions and conditions (not inconsistent with the Plan) upon any such Award as the Administrator shall deem appropriate, including, but not limited to, whether a stock option shall be an incentive stock option or a nonqualified stock option, any exceptions to non-transferability, any Performance Goals applicable to Awards, any provisions relating to vesting, any circumstances in which the Awards would terminate, the period during which Awards may be exercised, and the period during which Awards shall be subject to restrictions; (v) modify, amend, extend or renew outstanding Awards, or accept the surrender of outstanding Awards and substitute new Awards (provided however, that, except as provided in Section 6 or 7(d) of the Plan, any modification that would materially adversely affect any outstanding Award shall not be made without the consent of the holder); (vi) accelerate, extend or otherwise change the time in which an Award may be exercised or becomes payable and to waive or accelerate the lapse, in whole or in part, of any restriction or condition with respect to such Award, including, but not limited to, any restriction or condition with respect to the vesting or exercisability of an Award following termination of any grantee's employment or other relationship with the Corporation or an Affiliate; (vii) establish objectives and conditions (including, without limitation, vesting criteria), if any, for earning Awards and determining whether such objectives and conditions have been satisfied; (viii) determine the Fair Market Value of the Common Stock from time to time in accordance with the Plan; and (ix) for any purpose, including but not limited to, qualifying for preferred tax treatment under foreign tax laws or otherwise complying with the regulatory requirements of local or foreign jurisdictions, to establish, amend, modify, administer or terminate sub-plans, and prescribe, amend and rescind rules and regulations relating to such sub-plans.

The Administrator shall have full power and authority, in its sole discretion, to administer and interpret the Plan, Grant Agreements and all other documents relevant to the Plan and Awards issued thereunder, and to adopt and interpret such rules, regulations, agreements, guidelines and instruments for the administration of the Plan and for the conduct of its business as the Administrator deems necessary or advisable.

(c) Non-Uniform Determinations . The Administrator's determinations under the Plan (including, without limitation, determinations of the persons to receive Awards, the form, amount and timing of such Awards, the terms and provisions of such Awards and the Grant Agreements evidencing such Awards) need not be uniform and may be made by the Administrator selectively among persons who receive, or are eligible to receive, Awards under the Plan, whether or not such persons are similarly situated.

(d) Limited Liability . To the maximum extent permitted by law, no member of the Administrator shall be liable for any action taken or decision made in good faith relating to the Plan or any Award thereunder.

(e) I ndemnification . To the maximum extent permitted by law and by the Corporation's charter and by-laws, the members of the Administrator shall be indemnified by the Corporation in respect of all their activities under the Plan.

(f) Reliance on Reports . Each member of the Board shall be fully justified in relying or acting in good faith upon any report made by the accountants of the Corporation, and upon any other information furnished in connection with this Plan. In no event shall any person who is or shall have been a member of the Board or the

Administrator be liable for any determination made or other action taken or any omission to act in reliance upon any such report or information, or for any action taken, including the furnishing of information, or failure to act, if in good faith.

(g) Effect of Administrator's Decision. All actions taken and decisions and determinations made by the Administrator on all matters relating to the Plan pursuant to the powers vested in it hereunder shall be in the Administrator's sole discretion and shall be conclusive and binding on all parties concerned, including the Corporation, its stockholders, any participants in the Plan and any other employee, consultant, or director of the Corporation, and their respective successors in interest.

4. Shares Available for the Plan . The aggregate number of shares of Common Stock issuable pursuant to all Awards granted under the Plan shall not exceed 5,000,000. In no event (subject to adjustment as provided in Section 7(f)), may the number of shares issuable pursuant to the exercise of incentive stock options granted hereunder exceed 5,000,000. The aggregate number of shares of Common Stock available for grant under this Plan and the number of shares of Common Stock subject to outstanding Awards shall be subject to adjustment as provided in Section 7(f).

The Corporation shall reserve such number of shares for Awards under the Plan, subject to adjustments as provided in Section 7(f) of the Plan. If any Award, or portion of an Award, under the Plan expires or terminates unexercised, becomes unexercisable or is forfeited or otherwise terminated, surrendered or canceled as to any shares, or if any shares of Common Stock are repurchased by or surrendered to the Corporation in connection with any Award (whether or not such surrendered shares were acquired pursuant to any Award), or if any shares are withheld by the Corporation, the shares subject to such Award and the repurchased, surrendered and withheld shares shall thereafter be available for further Awards under the Plan; provided, however, that to the extent required by applicable law, any such shares that are surrendered to or repurchased or withheld by the Corporation in connection with any Award or that are otherwise forfeited after issuance shall not be available for purchase pursuant to incentive stock options intended to qualify under Code section 422.

5. Participation. Participation in the Plan shall be open only to those employees, officers, and directors of, and consultants providing bona fide services to or for, the Corporation, or of any Affiliate of the Corporation, as may be selected by the Administrator from time to time. The Administrator may also grant Awards to individuals in connection with hiring, retention or otherwise, prior to the date the individual first performs services for the Corporation or an Affiliate, provided that such Awards shall not become vested or exercisable prior to the date the individual first commences performance of such services.

6. Awards . The Administrator, in its sole discretion, shall establish the terms of all Awards granted under the Plan. All Awards shall be subject to the terms and conditions provided in the Grant Agreement. Awards may be granted individually or in tandem with other types of Awards. Each Award shall be evidenced by a Grant Agreement, and each Award shall be subject to the terms and conditions provided in the applicable Grant Agreement. The Administrator may permit or require a recipient of an Award to defer such individual's receipt of the payment of cash or the delivery of Common Stock that would otherwise be due to such individual by virtue of the exercise of, payment of, or lapse or waiver of restrictions respecting, any Award. If any such deferral is required or permitted, the Administrator shall, in its sole discretion, establish rules and procedures for such deferral.

(a) Stock Options . The Administrator may from time to time grant to eligible Participants Awards of incentive stock options as that term is defined in Code section 422 or non-qualified stock options; provided, however, that Awards of incentive stock options shall be limited to employees of the Corporation or of any current or hereafter existing "parent corporation" or "subsidiary corporation," as defined in Code sections 424(e) and (f), respectively, of the Corporation. The exercise price of any option granted under the Plan shall be determined by the sole discretion of the Administrator. No stock option shall be an incentive stock option unless so designated by the Administrator at the time of grant or in the Grant Agreement evidencing such stock option.

(i) Special Rules for Incentive Stock Options . The aggregate Fair Market Value, as of the date the Option is granted, of the shares of Common Stock with respect to which incentive stock options are exercisable for the first time by a Participant during any calendar year (under all incentive stock option plans, as defined in Section 422 of the Code, of the Corporation, or any Parent or Subsidiary), shall not

exceed $100,000 or such other dollar limitation as may be provided in the Code. Notwithstanding the prior provisions of this Section, the Board may grant Options in excess of the foregoing limitations, in which case such Options granted in excess of such limitation shall be Options which are non-qualified stock options.

(b) Stock Appreciation Rights. The Administrator may from time to time grant to eligible Participants Awards of Stock Appreciation Rights ("SAR"). A SAR may be exercised in whole or in part as provided in the applicable Grant Agreement and entitles the grantee to receive, subject to the provisions of the Plan and the Grant Agreement, a payment having an aggregate value equal to the product of (i) the excess of (A) the Fair Market Value on the exercise date of one share of Common Stock over (B) the base price per share specified in the Grant Agreement, which shall not be less than the Fair Market Value of one share of Common Stock as of the date the SAR is granted, times (ii) the number of shares specified by the SAR, or portion thereof, which is exercised. Payment by the Corporation of the amount receivable upon any exercise of a SAR may be made by the delivery of Common Stock or cash, or any combination of Common Stock and cash, as specified in the Grant Agreement or as determined in the sole discretion of the Administrator. If upon settlement of the exercise of a SAR a grantee is to receive a portion of such payment in shares of Common Stock, the number of shares shall be determined by dividing such portion by the Fair Market Value of a share of Common Stock on the exercise date. No fractional shares shall be used for such payment and the Administrator shall determine whether cash shall be given in lieu of such fractional shares or whether such fractional shares shall be eliminated.

(c) Stock Awards. The Administrator may from time to time grant restricted or unrestricted Stock Awards to eligible Participants in such amounts, on such terms and conditions (which terms and conditions may condition the vesting or payment of Stock Awards on the achievement of one or more Performance Goals), and for such consideration, including no consideration or such minimum consideration as may be required by law, as it shall determine.

(d) Phantom Stock . The Administrator may from time to time grant Awards to eligible participants denominated in stock-equivalent units ("Phantom Stock") in such amounts and on such terms and conditions as it shall determine, which terms and conditions may condition the vesting or payment of Phantom Stock on the achievement of one or more Performance Goals. Phantom Stock units granted to a Participant shall be credited to a bookkeeping reserve account solely for accounting purposes and shall not require a segregation of any of the Corporation's assets. An Award of Phantom Stock may be settled in Common Stock, in cash, or in a combination of Common Stock and cash, as specified in the Grant Agreement. Except as otherwise provided in the applicable Grant Agreement, the grantee shall not have the rights of a stockholder with respect to any shares of Common Stock represented by a phantom stock unit solely as a result of the grant of a phantom stock unit to the grantee. In granting any such Phantom Stock Awards, the Administrator shall consider the potential application of Section 409A of the Code, and the applicable Grant Agreement shall include appropriate disclosure with respect to any such potential application.

(e) Performance Awards . The Administrator may, in its sole discretion, grant Performance Awards, which become payable on account of attainment of one or more Performance Goals established by the Administrator. Performance awards may be paid by the delivery of Common Stock or cash, or any combination of Common Stock and cash, as specified in the Grant Agreement.

(f) Other Stock-Based Awards . The Administrator may from time to time grant other stock-based awards to eligible Participants in such amounts, on such terms and conditions, and for such consideration, including no consideration or such minimum consideration as may be required by law, as it shall determine. Other stock-based awards may be denominated in cash, in Common Stock or other securities, in stock-equivalent units, in stock appreciation units, in securities or debentures convertible into Common Stock, or in any combination of the foregoing and may be paid in Common Stock or other securities, in cash, or in a combination of Common Stock or other securities and cash, all as determined in the sole discretion of the Administrator as set forth in the Grant Agreement. In granting any such Awards, the Administrator shall consider the potential application of Section 409A of the Code, and the applicable Grant Agreement shall include appropriate disclosure with respect to any such potential application.

7. Miscellaneous .

(a) Investment Representations. The Administrator may require each person acquiring shares of Common Stock pursuant to Awards hereunder to represent to and agree with the Corporation in writing that such person is acquiring the shares without a view to distribution thereof. The certificates for such shares may include any legend that the Administrator deems appropriate to reflect any restrictions on transfer. All certificates for shares issued pursuant to the Plan shall be subject to such stock transfer orders and other restrictions as the Administrator may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Common Stock is then listed or interdealer quotation system upon which the Common Stock is then quoted, and any applicable federal or state securities laws. The Administrator may place a legend or legends on any such certificates to make appropriate reference to such restrictions.

(b) Compliance with Securities Law . Each Award shall be subject to the requirement that if, at any time, counsel to the Corporation shall determine that the listing, registration or qualification of the shares subject to such an Award upon any securities exchange or interdealer quotation system or under any state or federal law, or the consent or approval of any governmental or regulatory body, or that the disclosure of nonpublic information or the satisfaction of any other condition is necessary in connection with the issuance or purchase of shares under such an Award, such Award may not be exercised, in whole or in part, unless such satisfaction of such condition shall have been effected on conditions acceptable to the Administrator. Nothing herein shall be deemed to require the Corporation to apply for or to obtain such listing, registration or qualification, or to satisfy such condition.

(c) Withholding of Taxes . Grantees and holders of Awards shall pay to the Corporation or its Affiliate, or make provision satisfactory to the Administrator for payment of, any taxes required to be withheld in respect of Awards under the Plan no later than the date of the event creating the tax liability. The Corporation or its Affiliate may, to the extent permitted by law, deduct any such tax obligations from any payment of any kind otherwise due to the grantee or holder of an Award. In the event that payment to the Corporation or its Affiliate of such tax obligations is made in shares of Common Stock, such shares shall be valued at Fair Market Value on the applicable date for such purposes and shall not exceed in amount the minimum statutory tax withholding obligation.

(d) Loans . To the extent otherwise permitted by law, the Corporation or its Affiliate may make loans to grantees to assist grantees in exercising Awards and satisfying any withholding tax obligations.

(e) Transferability . Except as otherwise determined by the Administrator or provided in a Grant Agreement, and in any event in the case of an incentive stock option or a stock appreciation right granted with respect to an incentive stock option, no Award granted under the Plan shall be transferable by a grantee otherwise than by will or the laws of descent and distribution or pursuant to the terms of a "qualified domestic relations order" (within the meaning of Section 414(p) of the Code and the regulations and rulings thereunder). Unless otherwise determined by the Administrator in accord with the provisions of the immediately preceding sentence, an Award may be exercised during the lifetime of the grantee, only by the grantee or, during the period the grantee is under a legal disability, by the grantee's guardian or legal representative.

(f) Adjustments for Corporate Transactions and Other Events .

(i) Capital Adjustments . In the event of any change in the outstanding Common Stock by reason of any stock dividend, stock split, reverse stock split, split up, recapitalization, reclassification, reorganization, combination or exchange of shares, merger, consolidation, liquidation or the like, then (A) the maximum number of shares of such Common Stock as to which Awards may be granted under the Plan, and (B) the number of shares covered by and the exercise price and other terms of outstanding Awards, shall, without further action of the Board, be appropriately adjusted to reflect such event, unless, with respect to Section 7(f)(i)(A) only, the Board determines, at the time it approves such action that no such adjustment shall be made. The Administrator may make adjustments, in its sole discretion, to address the treatment of fractional shares and fractional cents that arise with respect to outstanding Awards as a result of the stock dividend, stock split or reverse stock split.

(ii) Change of Control Transactions . In the event of any transaction resulting in a Change of Control of the Corporation, (A) outstanding stock options and other Awards that are payable in or convertible into Common Stock under the Plan will terminate upon the effective time of such Change of

Control unless provision is made in connection with the transaction for the continuation or assumption of such Awards by, or for the substitution of the equivalent awards of, the surviving or successor entity or a parent thereof; (B) except as provided in the next sentence of this Section 7(f)(ii), all outstanding stock options and other Awards shall vest and become exercisable to the extent provided for in the applicable Grant Agreement, and (C) the holders of stock options and other Awards under the Plan will be permitted, immediately before the Change of Control, to exercise or convert all portions of such stock options or other Awards under the Plan that are then exercisable or convertible or which become exercisable or convertible upon or prior to the effective time of the Change of Control.

(g) Termination, Amendment and Modification of the Plan . The Board may terminate, amend or modify the Plan or any portion thereof at any time, but no amendment or modification shall be made which would impair the rights of any grantee under any Award theretofore made, without his or her consent. Notwithstanding anything to the contrary contained in the Plan, the Board may not amend or modify the Plan or any portion thereof without stockholder approval where such approval is required by applicable law. Furthermore, notwithstanding anything to the contrary contained in the Plan, the Administrator may not amend or modify any Award if such amendment or modification would require the approval of the stockholders if the amendment or modification were made to the Plan.

(i) Non-Guarantee of Employment or Service . Nothing in the Plan or in any Grant Agreement thereunder shall confer any right on an individual to continue in the service of the Corporation or shall interfere in any way with the right of the Corporation to terminate such service at any time with or without cause or notice and whether or not such termination results in (i) the failure of any Award to vest; (ii) the forfeiture of any unvested or vested portion of any Award; and/or (iii) any other adverse effect on the individual's interests under the Plan.

(h) No Trust or Fund Created . Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Corporation and a grantee or any other person. To the extent that any grantee or other person acquires a right to receive payments from the Corporation pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Corporation.

(i) Governing Law . The validity, construction and effect of the Plan, of Grant Agreements entered into pursuant to the Plan, and of any rules, regulations, determinations or decisions made by the Administrator relating to the Plan or such Grant Agreements, and the rights of any and all persons having or claiming to have any interest therein or thereunder, shall be determined exclusively in accordance with applicable federal laws and the laws of the State of Nevada without regard to its conflict of laws principles. Any suit with respect to the Plan shall be brought in the federal or state courts in the districts which include the city and state in which the principal offices of the Corporation are located.

(j) Effective Date; Termination Date . The Plan is effective as of the date approved by Board and shall continue in effect for a term of ten (10) years, unless earlier terminated pursuant to Section 7(g) hereof. No Award shall be granted under the Plan after the close of business on the day immediately preceding the tenth anniversary of the effective date of the Plan, or if earlier, the tenth anniversary of the date the Plan is approved by the stockholders, and no Award under the Plan shall have a term of more than ten (10) years. Subject to other applicable provisions of the Plan, all Awards made under the Plan prior to such termination of the Plan shall remain in effect until such Awards expire or have been satisfied or terminated in accordance with the Plan and the terms of such Awards; provided, however, that no Award that contemplates exercise or conversion may be exercised or converted, and no Award that defers vesting, shall remain outstanding and unexercised, unconverted or unvested, in each case, for more than ten (10) years after the date such Award was initially granted.

(k) Regulatory Restrictions . The Plan and the Corporation's obligations under the Plan and any Grant Agreement shall be subject to all applicable federal and state laws, rules and regulations, and to such approvals by any regulatory or governmental agency as may be required. Without limiting the generality of the foregoing, (i) the Corporation shall not be required to sell or issue any shares of Common Stock pursuant to any Award if the sale or issuance of such shares would constitute a violation by the individual exercising the Award or the Corporation of any provision of any law or regulation of any governmental authority, including without

limitation any federal or state securities laws or regulations, and (ii) the inability of the Corporation to obtain any necessary authority from any regulatory body having jurisdiction, which authority is deemed by the Corporation's counsel to be necessary to the lawful exercise or payment of any Award hereunder, shall relieve the Corporation of any liability in respect of the exercise or payment of such Award to the extent such requisite authority shall have been deemed necessary and shall not have been obtained.

PLAN APPROVAL:

Dated: May 7, 2012

/s/ Edward S. Adams
Edward S. Adams — Chairman

Exhibit 99.1

SCIO Diamond Announces Michael McMahon as CEO

GREENVILLE, SC, February 1, 2013 /CNW/ — Scio Diamond Technology Corporation (OTCBB: SCIO.OB) (hereinafter "Scio" or the "company") today announced that its Board of Directors appointed Michael McMahon as Chief Executive Officer, effective February 1, 2013.

Mr. McMahon has been the company's Chief Operating Officer since 2011. Mr. McMahon is a graduate of the University of Cincinnati and has over 30 years of senior management leadership experience. He has held Senior Executive positions at Fluor Corporation, Jacobs Engineering, and CRSS, Inc. managing the design and construction of over 19 billion dollars of constructed value worldwide, much of it in high technology.

Ed Adams, Chairman of Scio's Board of Directors, said: "We are delighted that Michael has accepted our offer to lead Scio. Michael's leadership in designing, building, and starting up Scio's production facilities enabled Scio to now aggressively ramp production and revenue. His diverse skill set, international business experience, corporate governance expertise and business acumen are a great fit for the company. His vision of mass production of diamond for both the industrial and gemstone markets is clear, concise and focused. Michael has already demonstrated a leadership perspective that fits ideally with Scio's. There is no doubt that Michael will lead Scio to being the most productive and efficient diamond operation in the world. More importantly, his strategic approach and previous experience in building successful partnerships will lead Scio to new markets that can exploit the power of diamond as a disruptive material technology."

Michael McMahon commented: "The growth possibilities for Scio are immense, and I look forward to leading the company to achieve its full potential. Our achievements to date in starting mass production are just the beginning. Our patented technology will enable us to continue our production ramp in the months ahead."

About Scio

Scio employs a patent-protected chemical vapor deposition process to produce high-quality, single-crystal diamonds in a controlled laboratory setting, with such diamonds referred to as "lab-grown" or cultivated diamonds. These cultivated diamonds have chemical, physical and optical properties identical to mined diamonds. The company's manufacturing process enables it to produce high-quality, high-purity, single-crystal colorless, near colorless and fancy colored diamonds.

Scio's technology offers the flexibility to produce lab-grown diamonds in size, color and quality combinations that are very rare in nature. Scio produces diamonds for industrial, gemstone, medical and semiconductor applications.

Cautionary Note Regarding Forward-Looking Statements

This press release contains forward-looking statements that may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Scio to be materially different from future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe future plans, strategies and expectations of the company, are generally identifiable by use of the words "may," "will," "should," "could," "would," "forecast," "potential," "continue," "contemplate," "expect," "anticipate," "estimate," "believe," "intend," "or "project" or the negative of these words or other

variations on these words or comparable terminology. These forward-looking statements are based on assumptions that may be incorrect, and there can be no assurance that these projections included in these forward-looking statements will come to pass. Actual results of the company could differ materially from those expressed or implied by the forward-looking statements as a result of various factors. Except as required by applicable laws, the company has 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.

SOURCE: Scio Diamond

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