



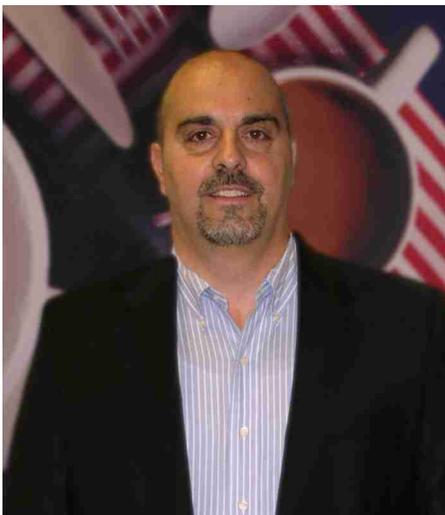
Producing Cultured Diamonds From their CVD Reactor in South Carolina to be Used in Commercial as well as Industrial Applications, Scio Diamond Technology Corporation is Revolutionizing the Jewelry Industry and Changing the Way Many Products are Made

**Manufacturing
Diamonds
(SCIO-OTCBB)**

**Scio Diamond Technology
Corporation**

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**Joseph D. Lancia
Chief Executive Officer**

BIO: Joseph Lancia was the President and CEO of D&W Fine Pack, a \$300+ million manufacturer of disposable packaging products with locations in 5 states.

Mr. Lancia currently serves on the following boards:

Custom Engineering Wheels (CEW)
SCIO Diamond Technology Corp.
BTC Electronic Components, Inc.
Senior Advisory Board at Clemson University

When Joe joined the company, it had \$48 million in revenues, generating \$6.9 million EBITDA with 630 employees. Under Joe's direction, Dispoz-O was reorganized, creating a unique vertical sales and marketing organization, along with incorporating a lean manufacturing culture with equipment and systems automation. In just 6 six years the company through organic growth more than doubled its revenues to \$106 million and nearly tripled its earnings with \$21.7 million in EBITDA.

After the sale, Joe was retained as President & CEO to complete the integration between Dispoz-O Products, Wilkinson Industries and C&M Fine Pack which created a new company, D&W Fine Pack, with \$310 million in revenue, over \$50 EBITDA, and over 2 million square feet of manufacturing & distribution space in five states with 1,500 employees. Joe successfully guided the integration of three companies in 16 months. In the first year under Joe's direction he & his team delivered \$4.1 million in realized synergies that fell to the bottom line.

Joe possesses expertise in a wide range of manufacturing and distribution industries (consumer products, packaging, food service, electrical, metal fabrication, electronics industries), along with a wealth of experience in establishing strategies for the integration, implementation and restructuring/redirection of businesses. Having completed and managed 14 deals outside of the US, Joe has a wealth of international experience. Joe's unique ability to analyze financial data has allowed him to pinpoint potential weak areas and develop action plans.

Company Profile:

Scio Diamond Technology is a company deeply rooted in values. We believe in making the best possible products for our customers and in making their buying experience a true pleasure. Scio cultured diamonds will become an important component of the diamond jewelry market. In technology and industrial applications, we believe that diamond will become the operating system and wear-resistant material of choice. We also believe in the talents and character of our employees and in our responsibility to the communities in which we live and work. We believe that Scio Diamond Technology, its employees and its customers can and will make a difference in our world.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine**

CEOCFO: Mr. Lancia, what is the overall plan for Scio Diamond Technology?

Mr. Lancia: Scio Diamond Technology Corp owns and controls technology that allows in a controlled lab environment through a CVD reactor process, the ability to grow pure diamonds. That is what we are in a nutshell. As to where we are going to take this, there are really two paths. We can grow beautiful gemstones that go on people's fingers, which is really nice. However, there are incredible opportunities in industrial and commercial uses. For example, diamonds could be used for making surgical scalpel blades. A diamond blade is incredibly sharper than you could ever hone a steel blade. In addition, it has properties that allow you to pass

laser beams through those blades, so a surgeon can cauterize right behind his cut with one hand instead of two hands. There are also all kinds of electrical and electronic properties that diamond brings into play with everything from heat sinks, to photonics, to other types of diodes. It basically conducts and transfers energy hundreds of times better than any other material found on earth. The reason why it is not widely used commercially yet is because diamonds are so scarce, rare and difficult to process that when diamonds are found in the ground, they are brought into the retail side into gemstones and jewelry. Very few of the millions of carats that are harvested every year out of the ground end up in the commercial industrial side. Therefore, our plan is to take the technology and commercialize it through our technology. Not only can we grow gemstones, but we can actually grow a one-inch by one-inch diamond sheet. This is what you will use to carve out laser pieces for making things like blades, diodes, heat sinks, etc.

CEOCFO: How do you grow a diamond?

Mr. Lancia: It is complicated, yet simple. There is something called a chemical vapor deposition process. That technology has been around forever. It is used to grow gallium arsenide, other types of silicon wafers and things that are used in electronics. Inside our reactor, we create a very high-energy plasma field. First, we take our diamond and slice ½ millimeter wafers of diamond—that is what we call our seed. It is our base from which our diamond grows. You generate a very high-energy field plasma, thousands of degrees, of which you start to introduce different gasses at different times and at different levels. You basically create carbon 14 or carbon. The atoms bounce around this reactor, becoming supersaturated in the plasma cloud, and the carbon rains down and attaches to both the metal plate that these little seeds are sitting on and the wafer itself. When they hit the wafer, they end up crystallizing to create the diamond.

CEOCFO: Is it a new concept to grow diamonds? Has it been tried unsuccessfully?

Mr. Lancia: Both. There has been some success with people growing single pieces of diamond at a time. Our reactors, we have the ability to grow 30 pieces at a time right now and we have the next generation that can actually double that. Our technology is the CVD (Chemical Vapor deposition). There is an HTHP concept out there that uses high pressure, high temperature, but they can only grow a single seed at one time. This is not something that just came out in the last couple years. For many years, they have used chemical vapor deposition in gallium arsenide and silicon has been produced. Many people thought the next step would be to do diamond. This has been progressing over a number of years. The technology in itself took over seven years to develop to the point where

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we now have the ability to commercialize it. It had been in R&D stage for over seven years.

CEOCFO: Scio Diamond Technology has a new facility; what is going on at the company day to day?

Mr. Lancia: Right now, we have a small R&D facility in Massachusetts, which is where the technology was created the prior seven years. We moved to South Carolina for a couple of reasons. The biggest reason is that the cost for growing a diamond is in the power and energy that is used. Therefore, we put together a very nice partnership with the state of South Carolina and Duke Energy to be able to purchase power at a quarter of the cost that it was up in Massachusetts. Therefore, it is a huge cost benefit to come here, because 40% of the cost of growing a diamond is power. That was the biggest driver for me to live here. The environment here and the partnership that we made with the state was phenomenal for a company

that was coming to Greenville, but it was pure technology. It was not necessarily, because we were a company that was going to create hundreds of jobs that you read about in the papers. Normally those companies get the press and the cooperation with a state. We are not obviously creating large numbers of jobs, but we are creating very high-tech jobs, which is one of the big strategic goals of Nicki Haley our governor. Governor Haley was intimately involved in this deal and knew quite a bit about it for this very reason. We are going to be training people to be lab technicians and a grower in our facility is not something that you just advertise for. That person has done this for ten years and you hire that person. That was another interesting attribute for what we were doing, in that we were going to be training and have a whole educational process for people, which was another attractive factor for the state.

In our final stages, all of our first ten reactors are here in South Carolina, our infrastructure is just about done, and over the next thirty to sixty days, we will be firing up and starting to bring one or two reactors online per week.

CEOCFO: What about some of the other applications for your technology?

Mr. Lancia: We have some great prototypes of blades for cutting tools that are just phenomenal. If you were cutting out a lens for something, whether it was a glass lens, plastic lens or metal lens, typically, you would cut that with a metal cutter, and then you would have to send it out for polishing—it would be a two-step operation. Diamond blades will allow you to make the cut and polish it at the same time, because of the clean precision of the cut. With that, you have all kinds of potential industrial applications. Then you have the use of diamond substrate, which would be little wafers that can contribute in many aspects of circuitry and electronics. If you just do a little bit of research by Googling properties of diamond or uses of diamond, you will see what scientists for years have been studying. One scientist from the US Defense Department said that

diamonds have the most versatile set of properties of anything found on earth. Now that is pretty strong. That means it has applications across the board. However, it is very costly and very dangerous to mine diamonds, which are still mined manually, so they do not use big heavy equipment. When you are mining gold, oil and coal, you dig and you find the vein or the source. Then you just use heavy equipment to pull the product out of the earth. Diamonds are not done that way. Diamonds are still found with someone crawling around caves and mines and manually harvesting the product, so it's inherently very dangerous. You hear a lot about blood diamonds and the unsafe conditions in which many people work all over the world, mainly in South Africa, where many of your diamond mines are found. Compare that to our CVD process and there's a clear human and environmental benefit in lab-grown diamond. We have over 18 patents issued and over 40 patents pending for our technology, which includes the ability to grow diamond in a sheet. This is where it will really be hugely commercialized. In other words, you will end up being able to grow a 2 inch by 2 inch by 5 millimeter thick piece of diamond, which you could never find in the earth. This could then be cut and sliced into different types of wafers and substrates to be used in all different types of applications. We have made some prototype diodes for water purification equipment.

CEOCFO: With the vast array of opportunities, how do you decide where you are going to be focused as you commercialize?

Mr. Lancia: There are two biggest challenges to getting this company out of R&D and into commercialization. The first one is building and setting up the facility and getting the reactors running. The second one, which is probably more challenging than anything is we are constantly getting people knocking on our door. These are some of the biggest companies in the world. I cannot disclose them right now, but I will in the next ninety days or so as we start selling

them product. The hardest thing is to stay focused and not run across the board and jump into every type of opportunity that arises. There are people who want gemstones. These are big retailers, who have come back and said that if we can grow a cultured diamond, they would like to sell a line of cultured diamonds in their stores. Therefore, we have some of the biggest commercial potential.

When we go to revenue this summer we are going to go down both paths—both the commercial and industrial side, and the gemstone side. We are going to produce diamond for the gemstone market since it has the same potential as the cultured pearl market. If you look back fifty years ago, most of the pearls that people wore were harvested from diving and harvesting them. Now 98% of the pearls that are purchased every year are cultured pearls. I am not predict-

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ing diamonds to move in that direction, but I do think there is going to be a significant market for cultured diamonds. The diamond wholesale market in the world is a \$14 billion market, so if only 10% of that market over the next years moves to a cultured market, it will be a \$1.4 billion business just for diamond jewelry. That is a huge potential. As a CEO, I think your responsibility is to create the most value for your shareholders. Therefore, from a value standpoint, the industrial and commercial applications are just so large that you almost cannot get your arms around what that market could really be.

CEOCFO: What in your background shows that you are the right person to lead SCIO in commercialization?

Mr. Lancia: I ran a small boutique investment-banking firm for twelve years. It was a very successful business, with a platinum customer list, including companies like the Marmon

Group and Thomason Betts. We were a middle market sort of M&A type of business. I ran that for 12 years. Then I decided to get involved with running different types of businesses. I started with a plastic packaging business. I took that company from \$48 million in sales, \$7 million of EBITDA in six years, and we sold it for \$100 million. We had \$100 million in sales and \$21 million of EBITDA. I stayed on and did two more mergers. When I retired, the business was a little over \$320 million in revenues and \$50 million of EBITDA. That was in the really high-tech food packaging business, so everything from different ways of packaging foods to take-out meals, mainly on the plastic side. It was involved in a really high-tech technology, with a number of products that were both biodegradable and degradable plastics, for example, water bottles made with polylactic acid, PLA or other types of additives that you put in

plastics, so that when they hit a landfill they degrade over time. I'm also on a number of different boards—a chemical company board, as well as on an electronics company board—so I have a wide experience. When I was approached for this opportunity, although my background is not science, I was quickly able to see that that part of the business was there. If the science was not complete, then I was the wrong guy, because I am not going to perfect science. I am not a scientist by background, but because the science was already complete, I was really what this company needed. They needed a strategic person to come in and organize the business, get it to a commercialization state and then take it to the next level from there. That is why I am the right person.

CEOCFO: What is the financial picture like for Scio Diamond Technology?

Mr. Lancia: We are currently pre-revenue, but we will by sometime in the summer, start releasing products. Right now, our mode is to get our reactors up and running and to start building our inventory. That way we will have the ability to go to market with product, be able to contract with

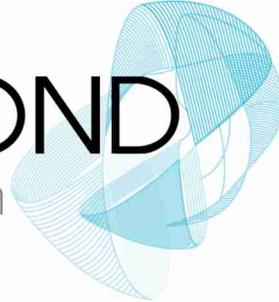
companies, and be able to deliver. We do not want to provide samples and then have them wait another month before they can get anything else. We are in the process now for final infrastructure build out. We are setting up our reactors and sometime this summer we will be entering the revenue phase of the business. That is pretty fast, because we only contracted to build this facility in November of 2011. We moved into the offices in late December and started construction of the lab in early January. We have had a lot of progress and partnered with a number of good companies here in South Carolina, to help us move quickly. There is a lot that goes into the infrastructure here, not just power, e.g. gases and water-cooling, that have very precise measurements. When you have to measure the amount of gases that we have to put in down to the micron levels, it is a very small amount.

CEO CFO: Why should investors pay attention to Scio diamond Technology today?

Mr. Lancia: Why did the guy (meaning me) who was retired, did not need a job, come and take on such a huge task? It was for really one main reason—this is not just a typical business that had opportunities for huge profits—this technology is game-changing technology. I truly believe that one out of every thousand business people have the opportunity to be involved in something that is game-changing. This technology can change the way a business as well as products are made, and can run everything from electronics to medical. There are all types of commercial applications, especially in power. One good example is copper, which is the main transformation of power. Copper loses huge amounts of its power, because it does not hold and conduct power as well as something like diamond. When you

just think about that, and do just a little bit of research on diamond properties, and then realize you have a company like Scio that has the ability to mass-produce diamond for those types of uses, it's easy to see the almost unlimited potential where our CVD diamond product can be used. When you look at companies like Google, Facebook, and Twitter, and other types of technology and software companies that have changed the way people live, I think Scio Diamond Technology has that type of capability. That is why I wanted to be a part of it, at least in the infant stages to commercialization and then at that point we will see where it goes. Getting it to the commercialization side of it is absolutely huge, which is why I got involved.

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