UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended **November 30, 2015**

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. - **None**

SECURITY DEVICES INTERNATIONAL, INC.

(Name of Small Business Issuer in its charter)

Delaware	**71-1050654**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
25 Sawyer Passway, Fitchburg, Massachusetts, 01420	
(Address of Principal Executive Office)	*Zip Code*

Registrant's telephone number, including Area Code: **(905) 582-6402**

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. [ ]

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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

Larger accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ]	Smaller reporting company [X]

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

The aggregate market value of the Common Stock held by non-affiliates of the issuer, as of May 31, 2015, was approximately $15,563,000 based upon a share valuation of $0.39 per share. This share valuation is based upon the closing price of the Company's shares as of May 31, 2015 (the date of the last sale of the Company's shares closest to the end of the Company's second fiscal quarter). For purposes of this disclosure, shares of Common Stock held by persons who the issuer believes beneficially own more than 5% of the outstanding shares of Common Stock and shares held by officers and directors of the issuer have been excluded because such persons may be deemed to be affiliates of the issuer.

As of February 18, 2016, the Company had 54,615,642 issued and outstanding shares of common stock.

Documents incorporated by reference: **None**

ITEM 1. BUSINESS

History

Security Devices International Inc. (the "Company" or the "Corporation") was incorporated on March 1, 2005. The Company began as a research and development company focused on the development of 40mm less-lethal ammunition.

The Company initiated with the development of a wireless electric projectile (a "WEP"), named the Lektrox. The Company hired a ballistics engineering firm to collaborate in the development of the WEP.

Commencing in December 2008, the Joint Non-Lethal Weapons Directorate ("JNLWD") of the US Department of Defense, an organization responsible for the development and coordination of non-lethal weapons activities within the United States, tested the WEP through its evaluation facility at Penn State University. An executive summary was released to the Company indicating a positive outcome.

In the fall of 2010 the Company underwent a change in the board of directors and management.

Early in 2011 the Company focused its attention on a new 40mm product, the blunt impact projectile ("BIP"), and discontinued further development work on the WEP. The Company was able to exploit some of the patented technology of the WEP into the BIP. The Company concluded that the cost and time required to complete development and testing of the BIP were significantly less than that required to complete development and testing of the WEP.

In 2011, the Company moved its engineering, intellectual property and production facilities to the operator (the "BIP Manufacturer") of an injection molding facility outside of Boston, Massachusetts.

2012

In June 2012, the Company contracted CRT Less Lethal Inc. ("CRT") to test the BIP. Based on data obtained from the three-stage evaluation, the BIP passed the CRT testing protocol for accuracy, consistency, relative safety and effectiveness.

In July 2012, the Company signed a five-year development, supply and manufacturing agreement with a subcontractor to Manufacture the BIP.

In November 2012, the Company obtained a United States Department of Transportation number (DOT#) required in order for the Company to ship BIP rounds.

In 2012, the Company began the development of five new less-lethal ammunition rounds. These new rounds will be a modified version of the BIP, four of which will carry a payload, including; BIP MP (temporary powder-based marking agent), BIP ML (semi-permanent liquid marking agent), BIP OC (Oleoresin Capsicum - a pepper spray powder), BIP MO (malodorant liquid), and the BIP TR (training round).

2013

The Company moved its full manufacturing and supply chain operations to the BIP manufacturer, a supply manufacturing and engineering company, in the Boston, MA area.

The Company undertook an Initial Public Offering (IPO) in January and became a public reporting issuer on the TSX-Venture Exchange in September 2013.

2014

SDI began another globally recognized testing protocol with a military agency called HECOE (the Human Effects Centre of Excellence). This world-renowned agency is located in the Air Force Research Laboratory (AFRL), in partnership with the US Joint Non-lethal Weapons Directorate (JNLWD). This group conducts research to assist Non-lethal Weapon (NLW) Program Managers across the U.S. Department of Defense (DoD) in assessing effectiveness and risks of NLWs. The positive conclusion of this testing allows DOD to purchase SDI rounds.

April - SDI appointed Keith Morrison to the board of directors as non-executive Chairman

May - SDI's BIP rounds were used at the Mock Prison Riot in West Virginia. Law enforcement and correctional services officers provided feedback on new technologies (such as SDI's products) to assist in the effectiveness of their jobs.

August - The Company completed the issuance of 1,549 convertible unsecured debentures at $1,000 per debenture for gross proceeds of $1,549,000 (the "Private Placement").

October - Security Devices International Inc. announced that the Company and a division of Abrams Airborne Manufacturing Inc. (AAMI), namely Milkor USA (MUSA), have agreed to partner for a joint cross-selling / marketing initiative.

November - The Company named Karim Kanji to the board of directors as an independent member.

SDI has sold their BIP products into nine new agencies during the fiscal year of 2014 including Sheriff Departments, Correctional Services, and SWAT teams in; Saskatoon, SK, Watertown, SD, Abbotsford, BC, Sacramento, CA, Kingston, ON, Rustburg, VA, Orlando, FL, Montreal, QC, and Bedford, VA. These agencies are additions to SDI's customer base that have adopted its 40mm less-lethal rounds.

2015:

In January 2015, SDI commenced a public relations program and through the year, SDI has been featured in over 700 media outlets globally, including live interviews on FOX television, News One in New York, and CP24 in Toronto.

March - SDI was invited to speak at the Launch festival in San Francisco, to present their innovative less-lethal technology during a panel discussion on the future of policing. The Launch festival focuses on start-up and emerging technology companies and the festival was streamed to approximately 4 million viewers.

During the second quarter, SDI attended the American Jail Association's annual conference in North Carolina and performed a live fire demonstration to numerous State and local Agencies while in North Carolina.

During Q2, SDI also attended the Canadian Tactical Conference in Collingwood, Ontario as well as the New York Tactical Conference in Verona, New York.

Through SDI's distributor (U.S. Tactical Supply– GSA) the Company was able to leverage their relationship to facilitate a live-fire demonstration for the Pentagon Protection Force in Alexandria, Virginia.

May - SDI participated in the "Mock Prison Riot" which takes place annually at a decommissioned penitentiary in Moundsville, West Virginia. The Mock Prison Riot is a four-day, comprehensive law enforcement and corrections tactical and technology experience, including 40,000 square feet of exhibit space, training scenarios, technology demonstrations, certification workshops, a Skills Competition, and unlimited opportunities for feedback, networking, and camaraderie on a global scale.

SDI enhanced their customer base in the quarter by adding 9 new agencies in multiple States and Provinces both in Canada and the US.

SDI staff attended the Ohio Tactical officers conference in June where the Company not only had a full exhibit booth set up to bring awareness to SDI's full line of less lethal 40MM products but also conducted live fire demonstrations to several agencies. These agencies had requested seeing the projectiles fired to move forward with evaluation of SDI's products for potential inclusion in their less lethal arsenal.

July - SDI was invited to present the company's full line of products to the New York City Police Department. Representatives of SDI attended the NYPD range and conducted in-class presentations followed by a live fire demonstration showcasing the full line on 40MM products that SDI can offer for Law Enforcement operational missions.

July - The Associated Press ("AP"), conducted interviews with SDI management and attended SDI's manufacturing partners' location for an in depth look at the company and the technology. The AP completed a story on the uniqueness of the product line and the increased element of safety that SDI's products offer, and released the story to the newswire, where it was picked up by approximately 800 media outlets, worldwide.

August - SDI was invited to present to the Toronto Police Service ("TPS"), who are currently exploring less lethal options for front line officers. A full presentation was given to decision makers of the TPS and a follow-up live fire demonstration will be occurring in the 4th quarter of this year.

September – SDI conducted their Annual General Meeting and shareholders approved the following:

1) The Board of Directors, as it stands today, was re-elected.
2) Schwartz Levitsky Feldman, LLP was re-appointed as SDI's auditors.
3) Approval of an amendment to Company's by-laws concerning the quorum required to hold a meeting of shareholders.
4) Approval of the Company's incentive stock option plan.
5) Approval of an amendment to the Company's articles to prohibit the issuance of shares of preferred stock having multiple

voting attributes.

In FY2015, SDI added 24 new Law Enforcement and Correctional Agencies to its paid customer base. The Company as at fiscal yearend holds 40 agencies as customers.

Products

SDI's business is the development, manufacture and sale of less-lethal ammunition. This ammunition is used by the military, correctional services, and police agencies for crowd control.

The Company has two products:

a) The Company has developed the BIP, a blunt impact projectile which uses pain compliance to control a target. The Company has developed five versions of the standard BIP, four of which contain a payload and one of which is a cheaper cost, training round. A payload is an internal medium within the BIP, holding a liquid or powder substance.

b) The Company has undertaken substantial work to develop the WEP, a wireless electric projective which releases an electrical pulse that induces a muscle spasm and causes the target to fall to the ground helpless.

Intellectual Property:

Five patent applications, four non-provisional and one provisional, have been filed by the Company with the U.S. Patent Office. The Patents have been granted on the four non-provisional patents.

Non-Provisional (granted patents):

(a) Less-lethal Projectile: This issued patent relates to the Company's distinctive collapsible ammunition head technology that absorbs kinetic energy of the projectile upon impact. The Corporation's collapsible head is used in both the BIP and the WEP.

(b) Electronic Circuitry for Incapacitating a Living Target: This issued patent relates to the electronic circuitry incapacitation system which forms part of the WEP. The patent describes an electronic circuit which provides an electrical incapacitation current to a living target.

(c) Less-lethal Wireless Stun Projectile System for Immobilizing a Target by Neuro-Muscular Disruption: This issued patent describes the process by which the WEP operates with its attachment system to halt a target through a neuro-muscular-disruption system.

(d) Autonomous Operation of a Less-lethal Projectile: This patent describes a motion sensing system within the WEP. The sensor will monitor movement of the target and enable the electrical output until the target is subdued. The electrical pulse is programmed for an exact time-frame to specifications of the user.

Provisional Patent:

(e) Payload carrying arrangement for a non-lethal projectile: This Provisional patent relates to the process of carrying liquid and powder payloads in the head of the BIP munitions that upon impact release from the head and are dispersed upon the target.

Less-Lethal Sector

Police and military forces require easily applied options for riot control without the consequences of lethal force. They must balance the risk of injury or death to their own personnel against the risk of injury to civilians, including bystanders. Riot control involves difficult and challenging decisions that often must be made within seconds.

Conflicts in Iraq and Afghanistan, events such as the August 2011 UK riots, and the June 2012 Quebec student street violence have led governments, police and defense decision-makers, to seek cost effective less-lethal weapons. These decision-makers understand that social media will limit the use of lethal weapons and a new generation of less-lethal weapons is required.

Correctional Services facilities have suffered with the ability to control a subject without using excessive force. The Company's product allows for a correctional officer to deploy a projectile at close range without harming the subject and still maintain protocol within their agency. In management's opinion, the projectile suffices pain compliance on the subject, with properly followed safety precautions.

General

- As of November 30, 2015, SDI had consultants and no full-time employees.
- SDI's offices are located at 25 Sawyer Passway, Fitchburg, Massachusetts, 01420 and 125 Lakeshore Road East, Unit 300, Oakville, Ontario L6J 1H3 Canada. SDI rents its Ontario office at a cost of CAN $6,399 per month pursuant to a lease which expires on April 30, 2018. SDI maintains an office within the Micron manufacturing facility under an agreement with Micron, with no lease cost to SDI.
- SDI's website is www.securitydii.com.

ITEM 2. DESCRIPTION OF PROPERTY

See Item 1 of this report.

ITEM 3. LEGAL PROCEEDINGS.

In November of 2013, a former officer filed a law suit against the Company in the Ontario Superior Court of Justice (Province of Ontario) seeking, among other things, $60,000 in damages for wrongful dismissal, damages of $35,000 on account of vacation pay and damages to be determined for out of pocket expenses, breach of contract, unjust enrichment and loss of business opportunity. During the quarter ended February 28, 2015, the Company and the former officer executed a settlement agreement at CAD $15,000.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not Applicable

ITEM 5. MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND OTHER SHAREHOLDER MATTERS.

SDI's common stock is listed on the OTC Bulletin Board under the symbol "SDEV" and is also listed in Canada on TSXV under the symbol "SDZ.V". The following shows the high and low closing prices for SDI's common stock for the periods indicated:

OTC Bulletin Board

Three Months Ended	High	Low
February 2014	$ 0.37	$ 0.21
May 2014	$ 0.35	$ 0.16
August 2014	$ 0.37	$ 0.25
November 2014	$ 0.35	$ 0.21
February 2015	$ 0.34	$ 0.20
May 2015	$ 0.50	$ 0.27
August 2015	$ 0.41	$ 0.20
November 2015	$ 0.36	$ 0.20

TSXV*

Three Months Ended	High CAD $	Low CAD$
February 2014	$ 0.40	$ 0.22
May 2014	$ 0.36	$ 0.19
August 2014	$ 0.36	$ 0.27
November 2014	$ 0.35	$ 0.28
February 2015	$ 0.38	$ 0.23
May 2015	$ 0.49	$ 0.33
August 2015	$ 0.49	$ 0.34
November 2015	$ 0.41	$ 0.31

* Trading commenced in the last quarter of 2013.

As of February 18, 2016 SDI had 54,615,642 outstanding shares of common stock.

Holders of common stock are entitled to receive dividends as may be declared by the Board of Directors. SDI's Board of Directors is not restricted from paying any dividends but is not obligated to declare a dividend. No dividends have ever been declared and it is not anticipated that dividends will ever be paid.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial information set forth and the discussion and analysis of financial position and results of operations should be read in conjunction with the audited annual financial statements and related notes for SDI for the fiscal years ended November 30, 2015, 2014 and 2013. Those financial statements have been prepared in accordance with U.S. generally accepted accounting principles. All dollar figures included therein and in the following management discussion and analysis ("MD&A") are expressed in U.S. dollars.

The following is a summary of selected annual financial data for the periods indicated:

Selected Financial Information	**Year ended November 30, 2015 (audited)**	**Year ended November 30, 2014 (audited)**	**Year ended November 30, 2013 (audited)**
Sales	$151,005	$42,480	$30,096
Cost of sales	$115,940	$27,323	$17,379
General and Administrative Expenses	$2,306,940	$2,624,488	$1,698,523
Depreciation	$47,165	$45,586	$38,130
Net Loss	($2,550,438)	($2,722,412)	($2,024,211)
Loss per Share (Basic and Diluted)	($0.05)	($0.06)	($0.06)
Current Assets	$2,026,040	$1,305,768	$1,907,872
Total Assets	$2,166,418	$1,577,052	$2,060,009
Current Liabilities	$173,329	$161,405	$106,529
Long Term Liabilities	$1,398,592	$1,398,592	$Nil
Stockholders' Equity (Deficiency)	$594,497	($2,945)	$1,953,480
(Deficiency)	($26,593,207)	($24,042,769)	($21,320,357)
Dividends	$Nil	$Nil	$Nil

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND PLAN OF OPERATION

This management discussion and analysis ("MD&A") in respect of the fiscal year ended November 30, 2015 includes information from, and should be read in conjunction with, the audited annual financial statements and related notes for SDI for the fiscal year ended November 30, 2015.

Comparison of Year Ended November 30, 2015 to Year Ended November 30, 2014

i. Overview

The Corporation has $151,005 of revenue during the year ended November 30, 2015 (2014: $42,480) and we continue to operate at a loss. We expect our operating losses to continue for so long as we do not generate adequate revenue. As of November 30, 2015, we had accumulated losses of $26,593,207 (November 30, 2014 - $24,042,769). Our ability to generate significant revenue and conduct business operations is dependent, in large part, upon our raising additional equity financing.

As described in greater detail below, the Corporation's major financial endeavor over the years has been its effort to raise additional capital.

ii. Assets

Total assets as of November 30, 2015 includes cash of $1,851,021, accounts receivable of $39,676, prepaid expenses and other receivables of $27,283, Inventory of $44,319, Deferred financing costs (current and non-current) for $107,108 and plant and equipment for $97,011 net of depreciation. Total assets as of November 30, 2014 includes cash of $1,085,006, accounts receivable of $7,393, prepaid expenses and other receivables of $29,557, Inventory of $120,246, Deferred financing costs (current and non-current) for $170,674 and plant and equipment for $144,176 net of depreciation. Total assets increased from $1,577,052 on November 30, 2014 to $2,166,418 on November 30, 2015. This increase is primarily the result of capital raise for $2,500,000 and expenses incurred in normal course of business.

iii. Revenues

Revenue from operations during the year ended November 30, 2015 was $151,005 as compared to $42,480 during the year ended November 30, 2014.

iv. Net Loss

The Company's expenses are reflected in the Statements of Operation under the category of Operating Expenses. The significant components of expense that have contributed to the total operating expense are discussed as follows:

(a) General and Administration Expense

General and administration expense represents professional, consulting, office and general, stock based compensation and other miscellaneous costs incurred during the years covered by this report.

General and administration expense for the year ended November 30, 2015 was $2,306,940, as compared with $2,624,488 for the year ended November 30, 2014. General and administration expense decreased by $317,548 in the current year, as compared to the prior year. The primary reasons for the change in general and administrative costs is as follows:

The Company expensed stock based compensation expense (included in general and administrative expenses) for issue of options and modification of warrants for $639,143 during the year ended November 30, 2015 ($751,610 in 2014). Stock based compensation expense does not require the use of cash (non-cash expenses), associated with the issuance of options and modification of warrants.

v. Quarterly Results

The net loss and comprehensive loss (unaudited) of the Corporation for the quarter ended November 30, 2015 as well as the seven quarterly periods completed immediately prior thereto are set out below:

	For the three months ended November30, 2015 ($)	For the three months ended August 31, 2015 ($)	For the three months ended May 31, 2015 ($)	For the three months ended February 28, 2015 ($)	For the three months ended November30 , 2014 ($)	For the three months ended August 31, 2014 ($)	For the three months ended May 31, 2014 ($)	For the three months ended February 28, 2014 ($)
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss	(1,125,425)	(467,538)	(468,982)	(488,493)	(1,167,718)	(444,595)	(631,094)	(478,437)
Loss per Weighted Average Number of Shares Outstanding – Basic and Fully Diluted	(0.02)	(0.01)	(0.01)	(0.01)	(0.03)	(0.01)	(0.01)	(0.01)

Quarterly activities and financial performance are impacted by the Company's ability to raise capital for its activities. The loss for the three months ended November 30, 2015 includes non-cash stock based compensation expense for $639,143. The loss during the three months' period ended May 31, 2014, August 31, 2014 and November 30, 2014 include non-cash stock based compensation expense for $188,470, $33,952 and $529,188 respectively.

vi. Liquidity and Capital Resources

The following table summarizes the Company's cash flows and cash in hand:

	Year ended November 30, 2015	Year ended November 30, 2014
Cash and cash equivalent	$ 1,851,021	$ 1,085,006
Working capital	$ 1,852,711	$ 1,144,363
Cash used in operating activities	$ (1,738,824)	$ (1,940,050)
Cash used in investing activities	$ -	$ (37,625)
Cash provided by financing activities	$ 2,523,770	$ 1,253,799

As of November 30, 2015, the Company had working capital of $1,852,711 as compared to working capital of $1,144,363 as of November 30, 2014. Working capital increased primarily as a result of capital financing activities during the year ended November 30, 2015 for $2,523,770 offset in part by expenses incurred in normal course of business.

Net cash used in operations for the year ended November 30, 2015, was $1,738,824 as compared to $1,940,050 used for the year ended November 30, 2014. The major components of change relate to:

1) Items not affecting cash:

Stock based compensation of $639,143 in 2015, as compared to $751,610 in 2014.

November 30, 2015

On September 24, 2015, the board of directors extended the expiry dates of 572,000 warrants issued in 2010 to directors and officers at exercise price of $0.20, from original expiry date of September 30, 2015 to September 23, 2019. In addition, on same date, the board of directors extended the expiry dates of 1,470,000 warrants issued to directors and officers and 35,000 to a consultant, all issued in 2012 at exercise price of $0.13, from original expiry date of January 4, 2016 to September 23, 2019. The change in the terms of the warrants was determined to be a modification and not a cancellation and issuance of a new warrant. As a result of these modifications, the fair value of 2,077,000 warrants increased by $216,684.

On October 20, 2015, the board of directors granted 1,350,000 options to directors and officers and 325,000 options to consultants to acquire a total of 1,675,000 common shares. These options were issued at an exercise price of $0.29 (CAD $0.38) per share and vest immediately with an expiry term of five years. The Company expensed stock based compensation expense for $422,459.

November 30, 2014

On March 19, 2014, the board of directors granted options to five consultants to acquire a total of 400,000 common shares. The 400,000 options were issued at an exercise price of $0.31 (CAD$0.35) per share and vest immediately with an expiry term of three years. The Company expensed stock based compensation expense for $47,897.

On May 9, 2014, the board of directors granted options to one director to acquire a total of 600,000 common shares. These options were issued at an exercise price of $0.32 (CAD $0.35) per share and vest immediately with an expiry term of five years. The Company expensed stock based compensation cost of $140,573.

On July 25, 2014, the board of directors granted options to two consultants to acquire a total of 150,000 common shares. These options were issued at an exercise price of $0.32 (CAD $0.35) per share and vest immediately with an expiry date of August 5, 2017. The Company expensed stock based compensation cost of $33,952.

On September 11, 2014, the board of directors granted options to directors and consultants to acquire a total of 1,875,000 common shares. These options were issued at an exercise price of $0.36 (CAD $0.40) per share and vest immediately with an expiry date of September 10, 2019. The Company expensed stock based compensation cost of $529,188.

2) Changes in non- cash balances relating to operations:

The Company's inventory decreased by $75,927 as compared to an increase of $120,246 in 2014. The decrease resulted in reduction in the Company's investment in Inventory. Account receivables was $39,676 in 2015 as compared to 7,393 in 2014. The increase is due to increase in sales revenue in 2015 to $151,005 as compared to sales revenue of $42,480 in 2014.

Net cash outflow from investing activities was $nil during the year ended November 30, 2015 as compared to $ 37,625 for the year ended November 30, 2014. The primary reason was the acquisition of moulds for $37,625 in prior year.

Net Cash flow from financing activities was an inflow of $2,523,770 for the year ended November 30, 2015 as compared to an inflow for $1,253,799 for the year ended November 30, 2014.

<u>Year ended November 30, 2015</u>

On June 3, 2015, the Company received $16,775 and $6,995 for the exercise of 105,600 warrants and 35,000 options respectively.

On June 19, 2015, the Company issued 7,575,757 common stock at price of $0.33 (CAD $0.40) per share on a non-brokered private placement basis and raised $2,500,000. There were no broker commissions or fees associated with this subscription. The closing of the private placement was approved by the TSX-Venture Exchange, as required under stock exchange rules.

<u>Year ended November 30, 2014</u>

On August 6, 2014, the Company issued $1,398,592 (CAD $1,549,000) face value 12% convertible debentures with a term to August 6, 2017 (the "Maturity Date"). At any time while the debentures are outstanding, the holder has the option to convert the outstanding principal of the debentures into common shares of the Company at a fixed conversion price of CAD $0.50 per share. At any time after February 6, 2015, the Company has the right to force the conversion of the debentures into common shares at a price of at least CAD$0.65 per common share for a period of at least 20 consecutive trading days. If the common shares do not trade on any trading day and the bid price of the common Shares is CAD $0.65 or greater, the common shares shall be deemed to have traded at a price of at least CAD $0.65 on that trading day. Additionally, the Company has the right to redeem the debentures, in whole or in part, (a) during the 12 months ending August 6, 2015, at a premium of 15% to the principal amount being redeemed plus any accrued interest, (b) during the 12 months ending August 6, 2016, at a premium of 5% to the principal amount being redeemed plus any accrued interest, (c) during the 12 months ending August 6, 2017, at a premium of 2% to the principal amount being redeemed plus any accrued interest. In connection with the financing, the Company issued warrant to placement agents to purchase 151,900 shares of common stock at an exercise price of CAD $0.50 per share. Additionally, the Company incurred $157,293 (CAD $174,209) in financing fees.

On July 17, 2014, the Company received $12,500 and issued 50,000 shares on exercise of options at $0.25 per share

vii. Off-Balance Sheet Arrangement. The Company had no off- balance sheet arrangements as of November 30, 2015 and 2014

viii. Commitments

a) Consulting agreements:

The directors of the Company executed consulting agreements with the company on the following terms:

Effective January 1, 2015, SDI executed a two- year agreement with a private company in which a director, Allen Ezer, has an ownership interest. The agreement is for a period of two years ending December 31, 2016 at a monthly fee of CAD $8,925. Either party may terminate the consulting agreement by giving 90 days' written notice. In the event of termination without cause due to change in control brought out by sale, lease, merger or transfer, the Company is obligated to pay severance of 12 months' fees at current rate at time of change in control. Effective February 1, 2015, the Company and director agreed to reduce the monthly remuneration by 10% to CAD 8,032. This reduction continued until the completion of the next round of financing, which was completed in May 2015.

Agreement with the Chief Executive Officer Greg Sullivan to pay compensation of CAD$12,000 per month, with an annual 5% increase and a car allowance of CAD$600 per month. The agreement expires on December 31, 2016. In the event of termination without cause, the Company is obligated to pay two times the then annual compensation and by continuing the then benefits coverage for a period of 2 years. The annual remuneration will increase with accomplishment of milestones. The agreement may be terminated with mutual consent or by the Chief Executive Officer giving three weeks' notice. Effective February 1, 2015, the Company and director agreed to reduce the monthly remuneration by 10% to CAD 12,502. This reduction continued until the completion of the next round of financing, which was completed in May 2015.

Effective October 1, 2014, SDI executed a renewal agreement with a private company in which the Chief Operating Officer Dean Thrasher has an ownership interest in, for a period which expires on December 31, 2017 for services rendered. The total consulting fees are estimated at CAD$864,000 for the three-year period. In the event of termination without cause due to change in control brought out by sale, lease, merger or transfer, the Company is obligated to pay 18 months' fees at current rate at time of change in control. SDI paid cash and expensed $ 221,217 (CAD $230,892) during the year ended November 30, 2015. The company may also accept common shares in lieu of cash. As of November 30, 2015, the company has not exercised its right to accept this compensation in shares. Effective February 1, 2015, the Company and director agreed to reduce the monthly fee by 10% to CAD $21,600. This reduction continued until the completion of the next round of financing, which was completed in May 2015.

Effective November 1, 2013, SDI executed an agreement with a non-related consultant to pay compensation of $3,750 (CAD $5,000) per month. The consultant has agreed to provide corporate market advisory services. The agreement is for a period of a minimum of three months and will continue unless otherwise terminated by either party by giving 30 days' written notice.

Effective May 1, 2015, SDI executed an agreement with another non-related consultant to pay compensation of $3,750 (CAD $5,000) per month. The consultant is to assist with sales initiatives, demos and participate in trade shows. The agreement unless renewed by mutual consent expires December 31, 2015. The consultant is also entitled to a 5% cash commission for all completed direct sales to end users and a 2% cash commission for all completed indirect sales. In addition, as a sales incentive, the company may grant stock options at market prices, being 25,000 stock options for every 5,000 rounds sold, to a maximum of 200,000 options. Either party may terminate the consulting agreement by giving 60 days' written notice.

Effective April 2014, SDI executed an agreement with a non-related consultant to set up its social media sites and optimization of search engines for the Company, at a start- up fee for CAD$3,000 (Phase 1) and payment of CAD$1,500 per month and issued 100,000 stock options at $0.32 (CAD$0.35) when Phase 2 of the project was implemented.

Effective August 2014, SDI executed an agreement with a non-related consultant to pay compensation of $5,500 per month for the first 5 months and $5,000 from sixth month to end of the term. The consultant is to assist with sales initiatives, demos and participate in trade shows. The agreement unless renewed by mutual consent expires December 31, 2015. On renewal, there will an annual increase of 4.5% effective January 1, 2016. The consultant is also entitled to a 5% cash commission for all completed direct sales to end users and a 2% cash commission for all completed indirect sales. The Company granted 50,000 stock options to the consultant on July 25, 2014 and has agreed to grant 25,000 stock options for every 5,000 rounds sold domestically to a maximum of an additional 150,000 options. Either party may terminate the consulting agreement by giving 30 days' written notice.

b) The Company has commitments for leasing office premises in Oakville, Ontario, Canada to April 30, 2018 at a monthly rent of $4,800 (CAD $6,399).

EXCLUSIVE SUPPLY AGREEMENT

The Company entered into a Development, Supply and Manufacturing Agreement with the BIP Manufacturer on July 25, 2012. This Agreement provides the Company to order and purchase only from the BIP Manufacturer certain 40MM assemblies and components for use by the Company to produce less-lethal and training projectiles as described in the Agreement. The Agreement is for a term of five years with an automatic extension for an additional year if neither party has given written notice of termination prior to the end of the five-year period.

The Company and a division of Abrams Airborne Manufacturing Inc. (AAMI), namely Milkor USA (MUSA), agreed to partner for a joint cross-selling / marketing initiative. This arrangement allows both companies to leverage existing and future sales channels by offering a comprehensive, full-package of Milkor USA's 40mm Multi-Shot Grenade Launchers in conjunction with SDI's 40mm Less-Lethal ammunition product-line to end-users globally.

Cash Requirements

At November 30, 2015, the Company had cash of $1,851,021, accounts receivable of $39,676, Inventory of $44,319 and prepaid expense and other receivables of $27,283. Current liabilities comprise accounts payable and accrued liabilities for $173,329. For the year ended November 30, 2015, the Company's cash outflow from operations was $1,738,824. The Company has cash to meet its expenses over the next twelve months of its operations.

x. Critical Accounting Policies

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements, the reported amount of revenues and expenses during the reporting period and related disclosure of contingent assets and liabilities. These estimates are based on our best knowledge of current events and actions the Corporation may undertake in the future. On an ongoing basis, we evaluate our estimates and judgments. To the extent actual results differ from those estimates; our future results of operations may be affected.

Recent Accounting Pronouncements

Revenue from Contracts with Customers – In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09 Topic 606 -guidance creating Accounting Standards Codification ("ASC") Section 606, *Revenue from Contracts with Customers*. The new section will replace Section 605, *Revenue Recognition*, and creates modifications to various other revenue accounting standards for specialized transactions and industries. The section is intended to conform revenue accounting principles to a concurrently issued International Financial Reporting Standards in order to reconcile previously differing treatment between United States practices and those of the rest of the world and enhance disclosures related to disaggregated revenue information. In August 2015, the FASB deferred the effective date of the new guidance by one year, such that the updated guidance is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company will adopt the new provisions of this accounting standard at the beginning of fiscal year 2019. The Company will continue its study of the implications of this statement to evaluate the expected impact on its consolidated financial statements.

Simplifying the Presentation of Debt Issuance Costs – In April 2015, the FASB issued ASU 2015-15 Sub-topic 835-30, *Interest--Imputation of Interest (Subtopic 835-30), Simplifying the Presentation of Debt Issuance Costs*. The update modifies the presentation of costs of debt issuance as a direct reduction to the face amount of the related reported debt. The updated guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years, with early adoption allowed. The Company is evaluating the effect that will have on its consolidated financial statements and related disclosures.

Inventory Measurement – In July 2015, FASB issued ASU 2015-11, *Inventory (Topic 330) Related to Simplifying the Measurement of Inventory* which applies to all inventory except inventory that is measured using last-in, first-out (LIFO) or the retail inventory method. Inventory measured using first-in, first-out (FIFO) or average cost is covered by the new amendments. Inventory within the scope of the new guidance should be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments will take effect for public business entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The new guidance should be applied prospectively, and earlier application is permitted as of the beginning of an interim or annual reporting period. The Company is evaluating the impact of the standard on the consolidated financial statements.

Income Tax Balance Sheet Classification – In November 2015, FASB issued ASU 2015-17, *Income Taxes (Topic 740) Balance Sheet Classification of Deferred Taxes* which requires that deferred tax assets and liabilities be classified as noncurrent in a classified balance sheet. The amendment takes effect for public entities for fiscal years beginning after December 15, 2016, with early adoption available. The Company is evaluating the impact of the standard on the consolidated financial statements.

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying financial statements.

Risk Factors

Additional Financing

The Corporation does not have adequate revenue to fund all of its operational needs and may require additional financing to continue its operations if it is unable to generate substantial revenue growth. There can be no assurance that such financing will be available at all or on favorable terms. Failure to generate substantial revenue growth may result in the Corporation looking to obtain such additional financing could result in delay or indefinite postponement of the Corporation's deployment of its products, resulting in the possible dilution. Any such financing will dilute the ownership interest of the Corporation's shareholders at the time of the financing, and may dilute the value of their shareholdings.

General Venture Company Risks

The Common Shares must be considered highly speculative due to the nature of the Corporation's business, the early stage of its deployment, its current financial position and ongoing requirements for capital. An investment in the Common Shares should only be considered by those persons who can afford a total loss of investment, and is not suited to those investors who may need to dispose of their investment in a timely fashion. Investors should consult with their own professional advisors to assess the legal, financial and other aspects of an investment in Common Shares.

Uncertainty of Revenue Growth

There can be no assurance that the Corporation can generate substantial revenue growth, or that any revenue growth that is achieved can be sustained. Revenue growth that the Corporation has achieved or may achieve may not be indicative of future operating results. In addition, the Corporation may increase further its operating expenses in order to fund increase its sales and marketing efforts and increase its administrative resources in anticipation of future growth. To the extent that increases in such expenses precede or are not subsequently followed by increased revenues, the Corporation's business, operating results and financial condition will be materially adversely affected.

Dependence on Management and Key Personnel

The Corporation is dependent on certain members of its management. The loss of the services of one or more of them could adversely affect the Corporation. The Corporation's ability to maintain its competitive position is dependent upon its ability to attract and retain highly qualified managerial, specialized technical, manufacturing, sales and marketing personnel. There can be no assurance that the Corporation will be able to continue to recruit and retain such personnel. The inability of the Corporation to recruit and retain such personnel would adversely affect the Corporation's operations and product development.

Dependence on Key Suppliers

The Corporation may be able to purchase certain key components of its products from a limited number of suppliers. Failure of a supplier to provide sufficient quantities on favorable terms or on a timely basis could result in possible lost sales.

Product Liability

The Corporation may be subject to proceedings or claims that may arise in the ordinary conduct of the business, which could include product and service warranty claims, which could be substantial. If its products fail to perform as warranted and it fails to quickly resolve product quality or performance issues in a timely manner, sales may be lost and it may be forced to pay damages. Any failure to meet customer requirements could materially affect its business, results of operations and financial condition. The occurrence of product defects and the inability to correct errors could result in the delay or loss of market acceptance of its products, material warranty expense, diversion of technological and other resources from its product development efforts, and the loss of credibility with customers, manufacturer's representatives, distributors, value added resellers, systems integrators, original equipment manufacturers and end-users, any of which could have a material adverse effect on the Corporation's business, operating results and financial conditions.

The Corporation currently has general liability insurance that includes product liability coverage. There is no assurance this insurance policy will cover all potential claims which may have a material adverse effect on the business or financial condition of the Corporation. A product recall could have a material adverse effect on the business or financial condition of the Corporation.

Strategic Alliances

The Corporation relies upon, and expects to rely upon, strategic alliances with original equipment manufacturers for the manufacturing and distribution of its products. There can be no assurance that such strategic alliances can be achieved or will achieve their goals.

Marketing and Distribution Capabilities

In order to commercialize its technology, the Corporation must either acquire or develop an internal marketing and sales force with technical expertise and with supporting distribution capabilities or arrange for third parties to perform these services. In order to market any of its products, the Corporation must either acquire or develop a sales and distribution infrastructure. The acquisition or development of a sales and distribution infrastructure would require substantial resources, which may divert the attention of its Management and key personnel, and defer its product development and deployment efforts. To the extent that the Corporation enters into marketing and sales arrangements with other companies, its revenues will depend on the efforts of others. These efforts may not be successful. If the Corporation fails to develop substantial sales, marketing and distribution channels, or to enter into arrangements with third parties for those purposes, it will experience delays in product sales and incur increased costs.

Rapid Technological Development

The markets for the Corporation's products and services are characterized by rapidly changing technology and evolving industry standards, which could result in product obsolescence or short product life cycles. Accordingly, the Corporation's success is dependent upon its ability to anticipate technological changes in the industries it serves and to successfully identify, obtain, develop and market new products that satisfy evolving industry requirements. There can be no assurance that the Corporation will successfully develop new products or enhance and improve its existing products or that any new products and enhanced and improved existing products will achieve market acceptance. Further, there can be no assurance that competitors will not market products that have perceived advantages over the Corporation's products or which render the products currently sold by the Corporation obsolete or less marketable. Regardless of the Industry as a whole, the less lethal sector moves somewhat slower in the adaptation and integration of new products.

The Corporation must commit significant resources to developing new products before knowing whether its investments will result in products the market will accept. To remain competitive, the Corporation may be required to invest significantly greater resources then currently anticipated in research and development and product enhancement efforts, and result in increased operating expenses.

Competition

The Corporation's industry is highly competitive and composed of many domestic and foreign companies. The Corporation has experienced and expects to continue to experience, substantial competition from numerous competitors whom it expects to continue to improve their products and technologies. Competitors may announce and introduce new products, services or enhancements that better meet the needs of end-users or changing industry standards, or achieve greater market acceptance due to pricing, sales channels or other factors. Competitors may be able to respond more quickly than the Corporation to changes in end-user requirements and devote greater resources to the enhancement, promotion and sale of their products.

Regulation

The Corporation is subject to numerous federal, provincial, state and local environmental, health and safety legislation and measures relating to the manufacture of ammunition. There can be no assurance that the Corporation will not experience difficulties with its efforts to comply with applicable regulations as they change in the future or that its continued compliance efforts (or failure to comply with applicable requirements) will not have a material adverse effect on the Corporation's results of operations, business, prospects and financial condition. The Corporation's continued compliance with present and changing future laws could restrict the Corporation's ability to modify or expand its facilities or continue production and could require the Corporation to acquire costly equipment or to incur other significant expense.

Intellectual Property

The Corporation's ability to compete effectively will depend, in part, on its ability to maintain the proprietary nature of its technology and manufacturing processes. Although the Corporation considers certain of its product designs as well as manufacturing processes involving certain of its products to be proprietary, patents or copyrights do not protect all design and manufacturing processes. The Corporation has adopted procedures to protect its intellectual property and maintain secrecy of its confidential business information and trade secrets. However, there can be no assurance that such procedures will afford complete protection of such intellectual property, confidential business information and trade secrets. There can be no assurance that the Corporation's competitors will not independently develop technologies that are substantially equivalent or superior to the Corporation's technology.

To protect the Corporation's intellectual property, it may become involved in litigation, which could result in substantial expenses, divert the attention of its management, cause significant delays and materially disrupt the conduct of its business.

Infringement of Intellectual Property Rights

While the Corporation believes that its products and other intellectual property do not infringe upon the proprietary rights of third parties, its commercial success depends, in part, upon the Corporation not infringing intellectual property rights of others. A number of the Corporation's competitors and other third parties have been issued or may have filed patent applications or may obtain additional patents and proprietary rights for technologies similar to those utilized by the Corporation. Some of these patents may grant very broad protection to the owners of the patents. The Corporation has not undertaken a review to determine whether any existing third party patents or the issuance of any third party patents would require the Corporation to alter its technology, obtain licenses or cease certain activities. The Corporation may become subject to claims by third parties that its technology infringes their intellectual property rights due to the growth of products in its target markets, the overlap in functionality of those products and the prevalence of products. The Corporation may become subject to these claims either directly or through indemnities against these claims that it provides to end-users, manufacturer's representatives, distributors, value added resellers, system integrators and original equipment manufacturers.

Litigation may be necessary to determine the scope, enforceability and validity of third party proprietary rights or to establish the Corporation's proprietary rights. Some of its competitors have, or are affiliated with companies having, substantially greater resources than the Corporation and these competitors may be able to sustain the costs of complex intellectual property litigation to a greater degree and for a longer period of time than the Corporation. Regardless of their merit, any such claims could be time consuming to evaluate and defend, result in costly litigation, cause product shipment delays or stoppages, divert management's attention and focus away from the business, subject the Corporation to significant liabilities and equitable remedies, including injunctions, require the Corporation to enter into costly royalty or licensing agreements and require the Corporation to modify or stop using infringing technology.

The Corporation may be prohibited from developing or commercializing certain technologies and products unless it obtains a license from a third party. There can be no assurance that it will be able to obtain any such license on commercially favorable terms or at all. If it does not obtain such a license, it could be required to cease the sale of certain of its products.

Health and Safety

Health and safety issues related to its products may arise that could lead to litigation or other action against the Corporation or to regulation of certain of its product components. The Corporation may be required to modify its technology and may not be able to do so. It may also be required to pay damages that may reduce its profitability and adversely affect its financial condition. Even if these concerns prove to be baseless, the resulting negative publicity could affect the Corporation's ability to market certain of its products and, in turn, could harm its business and results from operations.

Stress in the global financial system may adversely affect the Corporation's operations in ways that may be hard to predict or to defend against

Recent events have demonstrated that businesses and industries throughout the world are very tightly connected to each other. Thus, events seemingly unrelated to the Corporation, or to its industry, may adversely affect its finances or operations in ways that are hard to predict or defend against. For example, credit contraction in financial markets may hurt the Corporation's ability to access credit when it is needed or rapid changes in foreign exchange rates may adversely affect financial results. Finally, a reduction in credit, combined with reduced economic activity, may adversely affect businesses and industries that collectively constitute a significant portion of the Corporation's customer base. As a result, these customers may need to reduce their purchases of the Corporation's products, or there may be greater difficulty in receiving payment for the products that these customers purchase from the Corporation. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on the business, operating results, and financial condition.

Insurance and Uninsured Risks

The Corporation's business is subject to a number of risks and hazards including industrial accidents, labor disputes and changes in the regulatory environment. Such occurrences could result in damage to equipment, personal injury or death, monetary losses and possible legal liability. Although the Corporation maintains liability insurance in amounts which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Corporation may elect not to insure against such liabilities due to high premium costs or other reasons, in which event the Corporation could incur significant costs that could have a materially adverse effect upon its financial position.

Conflicts of Interest

Certain directors and officers of the Corporation are or may become associated with other companies in the same or related industries which may give rise to conflicts of interest. Directors who have a material interest in any person who is a party to a material contract or a proposed material contract with the Corporation are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to the best interests of the Corporation. The directors and officers of the Corporation have either other full-time employment or other business or time restrictions placed on them and accordingly, the Corporation will not be the only business enterprise of these directors and officers.

Dividend Policy

The Corporation has not paid dividends in the past and has no plans to pay dividends for the foreseeable future. The future dividend policy of the Corporation will be determined by its directors.

Lack of Active Market

There can be no assurance that an active market for the Common Shares will continue and any increased demand to buy or sell the Common Shares can create volatility in price and volume.

Market Price of Common Shares

There can be no assurance that an active market for the Common Shares will be sustained. Securities of small and midcap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include global economic developments and market perceptions of the attractiveness of certain industries. The price per Common Share is also likely to be affected by change in the Corporation's financial condition or results of operations as reflected in its quarterly filings. Other factors unrelated to the performance of the Corporation that may have an effect on the price of Common Shares include the following: the extent of analytical coverage available to subscribers concerning the business of the Corporation may be limited if investment banks with research capabilities do not follow the Corporation's securities; lessening in trading volume and general market interest in the Corporation's securities may affect a subscriber's ability to trade significant numbers of Common Shares, the size of the Corporation's public float may limit the ability of some institutions to invest in the Corporation's securities; a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Corporation's securities to be delisted from the exchange, further reducing market liquidity. If an active market for the Common Shares does not continue, the liquidity of a subscriber's investment may be limited and the price of the Common Shares may decline. If such a market does not develop, subscribers may lose their entire investment in the Common Shares.

Political Regulatory Risks

Any changes in government policy may result in changes to laws affecting the sale of the Corporation's products. This may affect the Corporation's ability to ship product in the future. The possibility that future governments may adopt substantially different policies, may also effect the Corporation's operations. Local governments in all countries the Corporation deals with issue end user certificates to purchase or receive live ammunition from the Corporation. It is the decision of these countries in the Middle East, the United States, Canada, Europe, and the Baltics whether or not they will take possession or purchase such munitions.

Dividends

The Corporation has not, since the date of its incorporation, declared or paid any dividends on its Common Shares and does not currently intend to pay dividends. Earnings, if any, will be retained to finance further growth and development of the business of the Corporation.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS

See the financial statements included with this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS.

None

ITEM 9A. CONTROLS AND PROCEDURES

SDI maintains a system of controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934, as amended (“1934 Act”), is recorded, processed, summarized and reported, within time periods specified in the SEC’s rules and forms and to ensure that information required to be disclosed by SDI in the reports that it files or submits under the 1934 Act, is accumulated and communicated to SDI’s management, including its Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure. As of November 30, 2015, SDI’s Principal Executive Officer and Principal Financial Officer evaluated the effectiveness of the design and operation of SDI’s disclosure controls and procedures. Based on that evaluation, our chief executive officer and chief financial officer concluded that as of November 30, 2015, our disclosure controls and procedures were not effective due to a material weakness in our internal control over financial reporting disclosed below.

Management’s Report on Internal Control over Financial Reporting

SDI’s management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by the Securities and Exchange Commission, internal control over financial reporting is a process designed by, or under the supervision of SDI’s principal executive officer and principal financial officer and implemented by SDI’s Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of SDI’s financial statements in accordance with U.S. generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined by Rule 13a-15(f) of the Exchange Act). In assessing the effectiveness of our internal control over financial reporting as of November 30, 2015, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).

Based on that evaluation, our management concluded that our internal controls over financial reporting as of November 30, 2015 were not effective due to the following material weakness:

Inherent in any small business is the pervasive problem involving segregation of duties. Since SDI has a small accounting department, segregation of duties cannot be completely accomplished at this stage in its corporate lifecycle.

In order to correct the foregoing material weakness, during the fiscal year 2015, we have taken and are taking the following remediation measures that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting:

- We have several Directors with business experience and spending time with the business.
- We have established an audit committee of our board of directors. The audit committee will provide oversight of our accounting and financial reporting;
- We have a Chief Financial Officer who has knowledge of, and experience regarding, U.S. GAAP and SEC reporting requirements.

Accordingly, SDI’s management has added compensating controls to reduce and minimize the risk of a material misstatement in SDI’s annual and interim financial statements.

There was no change in SDI’s internal control over financial reporting that occurred during the year ended November 30, 2015 that has materially affected, or is reasonably likely to materially affect, SDI’s internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

Name	Age	Position
Gregory Sullivan	51	President, Principal Executive Officer and a Director
Dean Thrasher (1)	52	Director, Secretary and Chief Operating Officer
Rakesh Malhotra	59	Principal Financial and Accounting Officer
Allen Ezer (2)	39	Director
David Goodbrand (3)	43	Director
Keith Morrison (4)	56	Director
Karim Kanji (5)	48	Director

(1) Appointed as a director on November 26, 2013.
(2) Appointed as a director on January 3, 2012.
(3) Appointed as a director on October 26, 2012
(4) Appointed as a director on April 30, 2014

(5) Appointed as a director on September 15, 2014

The directors of SDI serve until the first annual meeting of its shareholders and until their successors have been duly elected and qualified. The officers serve at the discretion of SDI's directors.

Gregory Sullivan has been a director of SDI since April 2005. On May 30, 2010 Mr. Sullivan was appointed SDI's President and Principal Executive Officer. Mr. Sullivan has been a law enforcement officer for the past 20 years. During his law enforcement career, Mr. Sullivan has trained with federal, state and municipal agencies in the United States, Canada and the Caribbean and has gained extensive experience in the use of lethal and non-lethal weapons. Mr. Sullivan has also trained personnel employed by both public and private agencies in the use of force and firearms. Mr. Sullivan served four years with the military reserves in Canada.

Dean Thrasher has been the COO of SDI since October 2010. Mr. Thrasher is a senior executive with more than twenty five years of start-up business management skills, mergers & acquisitions, product launches, product development, and funding experience in the technology, wholesale, manufacturing, distribution, retail and franchise sectors, as well as extensive international business and public market experience. Mr. Thrasher has been self-employed in the investment-banking sector dating from December 2007 to present; Executive Vice President of Mint Technology Corp. (TSXV pre-paid credit cards) July 2002 to December 2007; and President, ecwebworks Inc. (e-commerce) from June 1999 to July 2002.

Rakesh Malhotra has been SDI's Chief Financial Officer since January 7, 2007. Mr. Malhotra is a United States Certified Public Accountant (CPA) and a Canadian Accountant (CPA, CA). Mr. Malhotra graduated with Bachelor of Commerce (Honors) degree from the University of Delhi (India) and has served as CFO and consultant to various public Companies in USA and Canada.

Allen Ezer has held various positions with the Corporation since January 2012, including, director, Vice President of Corporate Development and Executive Vice-President of the Corporation. Mr. Ezer has been a director with Goldspike Exploration (TSXV mineral exploration corporation) since May 2012, as well as Cambrian Corp. (junior exploration); CIBC Wood Gundy November 2002 to December 2011, associate investment advisor.

David Goodbrand has served as a director for the Corporation since October 2012. Mr. Goodbrand is currently a police sergeant and has served in this capacity from September 1994 to present.

Keith Morrison is the CEO of North American Nickel Inc., a publically traded Canadian Exploration Company. He is currently on the Board of Directors of Era Resources Inc., a TSX listed company with a Copper Deposit in Papua New Guinea. He was a co-founder and CEO of Quantec Geoscience from 1986 until 2008, that developed industry leading ground geophysical subsurface imaging technologies and has completed more than 3000 resource projects around the world. Keith has an undergraduate degree in Engineering Geophysics from Queen's University and has completed the ICD Director's Education Program at the University Of Toronto Rotman School Of Business.

Karim Kanji tenure include; President and CEO Lumen Dynamics (managed a successful sale of the company in November 2013), President Clinicare/Chartcare IT Services (negotiated the company's divestiture in year-two of his contract), Executive Officer at SEALS Ltd. a subsidiary of ICTS Europe Group (completed acquisition and post-closing activities - 2011), Vice President and Vice President of Mergers & Acquisitions at Siemens Canada (total revenue responsibility >$500 million), General Manager and Finance Director Siemens Canada (with regional sales of $350 million), and has served on several boards of both public and private entities. Karim holds several degrees including his eMBA, MBA, CPA, CMA, and his masters in law from Osgoode Hall.

Rakesh Malhotra is SDI's financial expert. However, since he is an officer of SDI, Mr. Malhotra is not independent as that term is defined in 803 of the NYSE AMEX Company Guide.

SDI believes its directors are qualified to act as such due to their experience in the law enforcement or weapons industries and their general business backgrounds.

ITEM 11. EXECUTIVE COMPENSATION

For the most recently completed financial year ended November 30, 2015, the Corporation's named executive officers were Gregory Sullivan (CEO), Rakesh Malhotra (CFO) and Dean Thrasher (COO). Specific aspects of compensation payable to the named executive officers of the Corporation are dealt with in further detail in subsequent tables.

The following table sets forth all annual and long term compensation for services in all capacities to the Corporation for the Corporation's most recently completed financial years in respect of the Named Executive Officers.

<u>Summary Compensation Table</u>

Name and Principal Position	Year ended Nov. 30	Salary ($)	Share-Based Awards ($)	Option-Based Awards(1) ($)	Non-Equity Incentive Plan Compensation		Pension Value ($)	All Other Compen-sation (5) ($)	Total Compen-sation ($)
					Annual Incentive Plan	Long-Term Incentive Plans			
Gregory Sullivan CEO (2)	2015	0	0	131,482	0	0	0	135,966	267,448
	2014	0	0	70,558	0	0	0	155,774	226,332
	2013	0	0	0	0	0	0	158,400	158,400
Rakesh Malhotra CFO (3)	2015	0	0	40,132	0	0	0	35,717	75,849
	2014	0	0	0	0	0	0	38,700	38,700
	2013	0	0	0	0	0	0	58,530	58,530
Dean Thrasher COO (4)	2015	0	0	70,423	0	0	0	221,217	291,640
	2014	0	0	225,786	0	0	0	230,890	456,676
	2013	0	0	0	0	0	0	240,000	240,000

Note:

(1) Options have been valued using Black-Scholes methodology. The following assumptions were made for purposes of calculating the value of options based awards: an expected option term of 5 years to exercise for 2015 and 2014 awards respectively; a projected dividend of zero; projected stock price volatility of 134.39% and 170.42% for 2015 and 2014 respectively; and a risk-free interest rate of 2% for both 2015 and 2014 awards. Modification of warrants relate to increase in their fair value resulting from the extension in the expiry date of the warrants.

The actual value realized, if any, on option/warrant exercises will be dependent on overall market conditions and the future performance of the Company and its Common Shares.

(2) Prior to entering into an agreement with the Corporation as CEO, Mr. Sullivan was a director of the Corporation. His directorship dates back to 2005. On May 30, 2010, Mr. Gregory Sullivan was appointed the CEO of the Corporation. Effective January 2012, Mr. Sullivan was contracted with the Corporation for a period of 60 months. Mr. Sullivan is to earn CAD $12,000 per month for his services, along with a 5% annual salary increase along with a car allowance of CAD $600 per month. In fiscal 2015 and 2014, Mr. Sullivan was granted 150,000 and 250,000 options respectively, which vested immediately. In 2015, the Company extended the expiry date of 397,000 warrants issued to Mr. Sullivan in 2010 from original expiry date of September 30, 2015 to September 23, 2019. In addition, in 2015, the Company extended the expiry date of 400,000 warrants issued to Mr. Sullivan in 2012 from original expiry date of January 4, 2016 to September 23, 2019.

(3) For services, Mr. Malhotra was issued 50,000 options in 2015 which vested immediately. In 2015, the Company extended the expiry date of 175,000 warrants issued to Mr. Malhotra in 2010 from original expiry date of September 30, 2015 to September 23, 2019. Mr. Malhotra is the CFO of the Corporation, and works on an hourly basis.

(4) Mr. Thrasher is contracted through Level 4 Capital Corp. for services rendered to the Company. Level 4 Capital Corp., a company in which Mr. Thrasher owns a 50% interest, was issued 800,000 options in 2014. In 2015, the Company extended the expiry date of 800,000 warrants issued to Level 4 Capital Corp. in 2012 from original expiry date of January 4, 2016 to September 23, 2019.

(5) Amount represents consulting fees expensed during the year.

Incentive Plan Awards

Outstanding Share-Based Awards and Option/Warrants–Based Awards

The following table summarizes all share-based and option/warrants-based awards granted by the Corporation to its Named Executive Officers, which are outstanding as of November 30, 2015.

Name	Number of securities underlying unexercised options/warrants (#)	Option exercise price ($)	Option/Warrant expiration date
Gregory Sullivan	150,000(1) 250,000(1) 400,000(2) 397,000(2)	$0.29 $0.36 $0.13 $0.20	10-19-2020 10-09-2019 09-23-2019(4) 09-23-2019(4)
Rakesh Malhotra	20,000(2) 175,000(2)	$0.13 $0.20	09-23-2019 09-23-2019(4)
Dean Thrasher (3)	800,000(1) 800,000(2)	$0.36 $0.13	10-09-2019 09-23-2019(4)

Notes:

(1) These are compensation options issued to the named executive officer

(2) These are compensation warrants issued to the named executive officers.

(3) Level 4 Capital Corp., a company in which Mr. Thrasher owns a 50% interest, was issued 800,000 options on September 11, 2014 (exercisable at $0.36 until September 10, 2019) and 800,000 compensation warrants on January 4, 2012 (exercisable at $0.13 until January 4, 2016 with expiry date extended in fiscal 2015 to September 23, 2019). Of the 800,000 options and 800,000 compensation warrants, Mr. Thrasher is entitled to 50%.

Pension Plan Benefits and Defined Contribution Plans

The Corporation does not have a pension plan or defined benefit plan that provides for payments or benefits to the Named Executive Officers at, following, or in connection with retirement.

Employment/Consulting Contracts

1. The Corporation has entered into an employment agreement with Gregory Sullivan, dated November 21, 2011, the Corporation's Chief Executive Officer for a 5-year term commencing January 1, 2012. Mr. Sullivan's remuneration is CAD$12,000 per month with a 5% annual increase, and a CAD$600 per month car allowance. The agreement has the following terms.

(a) The agreement will automatically renew upon the expiry of each one-year term of the agreement, unless otherwise terminated in accordance with the agreement.

(b) The employment agreement may be terminated with mutual consent or Mr. Sullivan giving 3 weeks' notice.

(c) The Corporation may terminate the agreement without any notice or pay in lieu of notice, if Mr. Sullivan breaches his employment agreement or the Corporation otherwise has just cause to terminate his employment;

(d) If Mr. Sullivan has not breached his employment contract or the Corporation does not have just cause to end his employment upon termination of his employment contract, the Corporation shall provide Mr. Sullivan with two-and-a-half times his then annual remuneration and by continuing his then benefits coverage for a period of two-and-a-half years. If a change in control of the Corporation occurs, the Corporation shall pay Mr. Sullivan two times his then remuneration.

2. The Corporation has renewed its consulting agreement effective January 1, 2015 for a two-year period with Lumina Global Partners Inc. (“Lumina”), Lumina is a corporation controlled by Allen Ezer, a director of the Company. The agreement provides a remuneration of CAD $8,925 per month. The agreement has the following terms.

(a) The agreement shall be terminated once all services have been completed by Lumina.

(b) Either party may terminate the consulting agreement with 90 days written notice.

(c) All services provided by Lumina shall be invoiced up to the termination date.

(d) In the event of termination without cause due to change in control brought out by sale, lease, merger or transfer, the Corporation is obligated to pay severance of 12 months’ fees at current rate at time of change in control.

3. The Corporation entered into a consulting agreement effective October 4, 2012 with Level 4 Capital Corp. (“L4”), which ended September 30, 2014. The Company renewed this agreement with L4 effective October 1, 2014 and ends December 31, 2017. L4’s remuneration was $20,000 per month which was increased to CAD$24,000 per month during the renewal period. At the discretion of L4, it may take remuneration in the form of cash or in Common Shares. L4 is a corporation 50% owned by Dean Thrasher who is the Corporation’s COO. The agreement has the following terms.

(a) The agreement shall be terminated once all services have been completed by L4. Services include; guiding the Corporation’s manufacturer through all new product development, completing the public Offering with securities commissions in Canada and the US, working with US and Canadian counsel in all aspects, go to market strategy, budgeting, and logistics of the products.

(b) Upon a change in control of L4, the Corporation has the right to terminate this agreement with 90 days’ notice. If a change of control of SDI occurs, the Corporation shall pay L4 eighteen months of fees.

(c) Either party may terminate the consulting agreement with mutual written consent.

(d) All services provided by L4 shall be invoiced up to the termination date.

Termination and Change of Control Benefits

Other than as noted above, the Corporation has no compensatory plan or arrangement with respect to the Named Executive Officers that results or will result from the resignation, retirement or any other termination of employment of any such officer's employment with the Corporation, from a change of control of the Corporation or a change in the responsibilities of a Named Executive Officer following a change in control.

Compensation of Directors

The compensation of the independent directors of the Corporation is yet to be determined. For 2015 and 2014, Independent directors were not paid cash but were issued options.

Independent Directors	Number of Options	Year of Issuance	Exercise Price	Expiration Date
Keith Morrison	400,000	2015	0.29	10-19-2020
	600,000	2014	0.32	5-8-2019
Karim Kanji	350,000	2015	0.29	10-19-2020
	500,000	2014	0.36	9-10-2019

Non-independent directors are not entitled to receive directors’ fees from the Corporation. All directors are reimbursed by the Corporation for travel and other out-of-pocket expenses incurred in attending directors and shareholders’ meetings and meetings of Board committees. All directors of the Corporation benefit from the Corporation’s directors and officer’s liability insurance.

Compensation of Non-Independent Directors during Years Ended November 30, 2015 and November 30, 2014.

Year ended November 30, 2015:

Name		Paid/Payable in Cash	Stock Awards	Awards of Options or Warrants (2)
Gregory Sullivan	$	135,966	--	131,482
Allen Ezer	$	82,260	--	97,672
Dean Thrasher (1)	$	221,217	--	70,423

(1) Mr. Thrasher is contracted through Level 4 Capital Corp., a company in which Mr. Thrasher owns a 50% interest

(2) The fair value of options granted or fair value of modification of warrants is computed in accordance with ASC 718 on the date of grant.

Year ended November 30, 2014:

Name		Paid/Payable in Cash	Stock Awards	Awards of Options or Warrants (3)
Gregory Sullivan	$	155,774	--	70,558
Allen Ezer	$	99,365	--	70,558
Dean Thrasher (2)	$	230,890	--	225,786

(1) Boaz Dor resigned in year 2013
(2) Mr. Thrasher is contracted through Level 4 Capital Corp., a company in which Mr. Thrasher owns a 50% interest
(3) The fair value of options or warrants granted computed in accordance with ASC 718 on the date of grant.

Stock Option and Bonus Plans

Effective May 31, 2013, the Company adopted an incentive stock option plan (the "2013 Plan"), which replaces the stock option and stock bonus plans that were in place prior to adoption of the 2013 Plan. All outstanding options to purchase Common Shares granted by the Company under the prior plans are now governed by the 2013 Plan and the prior plans (an Incentive Stock Option Plan, a Non-Qualified Stock Option Plan, and a Stock Bonus Plan) have been terminated.

The purpose of this Plan is to authorize the grant to Eligible Persons of the Company of Options to purchase Shares and thus benefit the Company by enabling it to attract, retain and motivate Eligible Persons by providing them with the opportunity, through Options, to acquire an increased proprietary interest in the Company.

The maximum number of Shares which may be reserved for issuance to any one Consultant under the Plan, any other employer stock options plans or options for services, within any 12-month period, shall be 2% of the Shares issued and outstanding at the time of the grant (on a non-diluted basis).

The maximum number of Shares which may be reserved for issuance to Investor Relations Optionees under the Plan, any other employer stock options plans or options for services, within any 12-month period shall be 2% of the Shares issued and outstanding at the time of the grant (on a non-diluted basis).

The maximum number of Shares which may be reserved for issuance to insiders of the Company in any 12-month period shall be 10% of the Shares issued and outstanding at the start of such 12-month period (on a non-diluted basis).

The purchase price (the "Price") for the Shares under each Option shall be determined by the Board of Directors or Committee, as applicable, on the basis of the market price, where "market price" shall mean the prior trading day closing price of the Shares on any stock exchange on which the Shares are listed or last trading price on the prior trading day on any dealing network where the Shares trade, and where there is no such closing price or trade on the prior trading day, "market price" shall mean the average of the daily high and low board lot trading prices of the Shares on any stock exchange on which the Shares are listed or dealing network on which the Shares trade for the five (5) immediately preceding trading days. In the event the Shares are listed on the TSXV, the price may be the market price less any discounts from the market price allowed by the TSXV, subject to a minimum price of CDN$0.10.

The following tables show all options exercised by SDI's current officers and directors since the inception of SDI and through November 30, 2015, and the options held by the officers and directors named below.

Options Exercised

Name	Grant Date	Options Granted (#)	Exercise Price	Expiration Date	Shares Acquired on Exercise (1)	Value Realized (2)
Gregory Sullivan	10/29/05	200,000	$ 0.10	10/29/11	200,000	$ 100,000
Boaz Dor	10/29/05	200,000	$ 0.10	10/29/11	200,000	$ 100,000
Boaz Dor	01/24/08	117,000	$ 0.10	01/24/13	117,000	$ 25,740

(1) The number of shares received upon exercise of options.

(2) With respect to options exercised, the dollar value of the difference between the option exercise price and the market value of the option shares purchased on the date of the exercise of the options.

Name	Shares underlying unexercised options which are: Exercisable	Unexercisable	Exercise Price	Expiration Date
Gregory Sullivan	250,000	--	$ 0.36	9-10-2019
	150,000	--	$ 0.29	10-19-2020
Allen Ezer	250,000	--	$ 0.36	9-10-2019
	300,000	--	$ 0.29	10-19-2020
Dean Thrasher (1)	800,000	--	$ 0.36	9-10-2019
David Goodbrand	100,000		$ 0.45	10-25- 2016
	100,000	--	$ 0.29	10-19-2020
Keith Morrison	600,000	--	$ 0.32	5-8-2019
	400,000	--	$ 0.29	10-19-2020
Karim Kanji	500,000	--	$ 0.36	9-10-2019
	350,000	--	$ 0.29	10-19-2020

(1) Mr. Thrasher is contracted through Level 4 Capital Corp., a company in which Mr. Thrasher owns a 50% interest

For the purpose of these options "Cause" means any action by the Option Holder or any inaction by the Option Holder which constitutes:

(i) fraud, embezzlement, misappropriation, dishonesty or breach of trust;

(ii) a willful or knowing failure or refusal by the Option Holder to perform any or all of his material duties and responsibilities as an officer of SDI, other than as the result of the Option Holder's death or Disability; or

(iii) gross negligence by the Option Holder in the performance of any or all of his material duties and responsibilities as an officer of SDI, other than as a result of the Option Holder's death or Disability;

For purposes of these options "Disability" means any mental or physical illness, condition, disability or incapacity which prevents the Option Holder from reasonably discharging his duties and responsibilities as an officer of SDI for a minimum of twenty hours per week.

In addition to the options described above, SDI has as of November 30, 2015, granted warrants to its officers and directors which are held by them upon the terms shown below.

Name	**Date of Issue**	**Number of Warrants**	**Exercise Price US$**	**Expiry Date**
Greg Sullivan	06-15-2010	397,000	$0.20	09-23-2019
Greg Sullivan	01-04-2012	400,000	$0.13	09-23-2019
Allen Ezer	01-04-2012	250,000	$0.13	09-23-2019
Allen Ezer (1)	08-09-2012	400,000	$0.20	08-09-2016
Rakesh Malhotra	01-04-2012	20,000	$0.13	09-23-2019
Rakesh Malhotra	06-15-2010	175,000	$0.20	09-23-2019
Dean Thrasher (2)	01-04-2012	800,000	$0.13	09-23-2019

Notes

(1) Warrants were issued to Lumina Global Partners Inc., a company controlled by Mr. Allen Ezer.
(2) Warrants were issued to Level 4 Capital Corp., a company in which Dean Thrasher has a 50% interest.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDERS MATTERS

The following table shows the ownership of SDI's common stock as of February 18, 2016 by each shareholder known by SDI to be the beneficial owner of more than 5% of SDI's outstanding shares, each director and executive officer and all directors and executive officers as a group. Except as otherwise indicated, each shareholder has sole voting and investment power with respect to the shares they beneficially own.

Name	Number of Shares (1)	Percent of Class
Gregory Sullivan	970,000	1.8%
Dean Thrasher (2)	800,000	1.5%
Allen Ezer	60,000	0.1%
Keith Morrison	190,000	0.3%
Alpha North Asset Management	4,974,378	9.1%
NLW1 LLC	7,575,757	13.9%
All Officers and Directors as a group	2,020,000	3.7%

(1) Does not reflect shares issuable upon the exercise of options or on conversion of convertible debentures.

(2) Dean Thrasher is contracted through Level 4 Capital Corp. Fifty percent of the 1,800,000 Common Shares owned by Level 4 Capital Corp. are beneficially owned by Mr. Thrasher.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

None.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Schwartz Levitsky Feldman, LLP ("Schwartz Levitsky") audited SDI's financial statements for the years ended November 30, 2015 and 2014.

The following table shows the aggregate fees billed and billable to SDI during these years by Schwartz Levitsky.

	2015	2014
Audit Fees	$ 23,800	$ 35,450
Audit-Related Fees	$ 11,100	$ 16,800
Financial Information Systems	--	--
Design and Implementation Fees	--	--
Tax Fees	--	--
All Other Fees	--	--

Audit fees represent amounts billed for professional services rendered for the audit of SDI's annual financial statements. Audit-Related fees represent amounts billed for the services related to the reviews of SDI's 10-Q reports.

ITEM 15. EXHIBITS

Exhibit Number	Description of Exhibit
31.1	Rule 13a-14(a) Certifications *
31.2	Rule 13a-14(a) Certifications *
32.1	Section 1350 Certifications *

* Filed with this report.

SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on the 29th day of February, 2016.

SIGNATURE	TITLE	DATE
/s/ Greg Sullivan Greg Sullivan	President, Chief Executive Officer and Director	February 29, 2016
/s/ Rakesh Malhotra Rakesh Malhotra	Chief Financial Officer	February 29, 2016

SIGNATURE	TITLE	DATE
/s/ Greg Sullivan Greg Sullivan	President, Chief Executive Officer and Director	February 29, 2016
/s/ Allen Ezer Allen Ezer	Executive Vice President and Director	February 29, 2016
/s/ Karim Kanji Karim Kanji	Director	February 29, 2016
/s/ Keith Morrison Keith Morrison	Chairman of the Board of Directors	February 29, 2016
/s/ Dean Thrasher Dean Thrasher	COO and Director	February 29, 2016
David Goodbrand	Director	

SECURITY DEVICES INTERNATIONAL, INC.

FINANCIAL STATEMENTS

YEARS ENDED NOVEMBER 30, 2015 AND 2014

Together with Report of Independent Registered Public Accounting Firm

(Amounts expressed in US Dollars)

TABLE OF CONTENTS

Schwartz Levitsky Feldman llp
CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS
TORONTO • MONTREAL

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders of
Security Devices International, Inc.

We have audited the accompanying consolidated balance sheets of Security Devices International, Inc. as of November 30, 2015 and 2014, and the related consolidated statements of operations and comprehensive loss, cash flows and changes in stockholders' equity (deficiency) for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Security Devices International, Inc. as of November 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations and has not earned significant revenue. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ SCHWARTZ LEVITSKY FELDMAN LLP

Toronto, Ontario, Canada
February 24, 2016

Chartered Accountants
Licensed Public Accountants

2300 Yonge Street, Suite 1500, Box 2434
Toronto, Ontario M4P 1E4
Tel: 416 785 5353
F a x : 416 785 5663

SECURITY DEVICES INTERNATIONAL, INC.
Consolidated Balance Sheets
As at November 30, 2015 and 2014
(Amounts expressed in US Dollars)

	2015	2014
	$	$
ASSETS		
CURRENT		
Cash	1,851,021	1,085,006
Accounts Receivable	39,676	7,393
Inventory (Note 15)	44,319	120,246
Deferred financing costs (Note 14)	63,741	63,566
Prepaid expenses and other receivables	27,283	29,557
Total Current Assets	2,026,040	1,305,768
Deferred financing costs (Note 14)	43,367	107,108
Property and Equipment (Note 9)	97,011	144,176
TOTAL ASSETS	2,166,418	1,557,052
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	173,329	161,405
Total Current Liabilities	173,329	161,405
Convertible Debentures (Note 14)	1,398,592	1,398,592
Total Liabilities	1,571,921	1,559,997
Going Concern (Note 2)		
Related Party Transactions (Note 8)		
Commitments (Note 11)		
STOCKHOLDERS' EQUITY (DEFICIENCY)		
Capital Stock (Note 5)		
Preferred stock, $0.001 par value, 5,000,000 shares authorized, Nil issued and outstanding (2014 - nil).		
Common stock, $0.001 par value 100,000,000 shares authorized, 54,615,642 issued and outstanding (2014: 46,899,285)	54,616	46,899
Additional Paid-In Capital	27,179,827	24,024,631
Accumulated deficit	(26,593,207)	(24,042,769)
Accumulated other comprehensive loss	(46,739)	(31,706)
Total Stockholders' Equity (Deficiency)	594,497	(2,945)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)	2,166,418	1,557,052

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

SECURITY DEVICES INTERNATIONAL, INC.
Consolidated Statements of Operations and Comprehensive loss
Years Ended November 30, 2015 and 2014
(Amounts expressed in US Dollars)

	2015	2014
	$	$
SALES	151,005	42,480
COST OF SALES	(115,940)	(27,323)
GROSS PROFIT	35,065	15,157
EXPENSES:		
Depreciation	47,165	45,586
General and administration	2,306,940	2,624,488
TOTAL OPERATING EXPENSES	2,354,105	2,670,074
LOSS FROM OPERATIONS	(2,319,040)	(2,654,917)
Other Expense-Interest (Notes 14)	(231,398)	(73,540)
Other Income-Interest	-	6,045
LOSS BEFORE INCOME TAXES	(2,550,438)	(2,722,412)
Income taxes (Note 10)	-	-
NET LOSS	(2,550,438)	(2,722,412)
Foreign exchange translation adjustment for the year	(15,033)	(31,706)
COMPREHENSIVE LOSS	(2,565,471)	(2,754,118)
Loss per share – basic and diluted	(0.05)	(0.06)
Weighted average number of common shares outstanding during the year	50,394,435	46,868,052

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

SECURITY DEVICES INTERNATIONAL, INC.
Consolidated Statements of Cash Flows
Years Ended November 30, 2015 and 2014
(Amounts expressed in US Dollars)

	2015	2014
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	(2,550,438)	(2,722,412)
Items not requiring an outlay of cash:		
Fair value of issue of options (included in general and administration expenses)	422,459	751,610
Fair value of modification of options and warrants (included in general and administration expenses)	216,684	
Amortization of deferred financing costs (Notes 14)	63,566	20,202
Depreciation	47,165	45,586
Changes in non-cash working capital:		
Accounts receivable	(31,326)	12,816
Inventory	75,927	(120,246)
Prepaid expenses and other receivables	1,807	14,635
Accounts payable and accrued liabilities	15,332	57,759
NET CASH USED IN OPERATING ACTIVITIES	(1,738,824)	(1,940,050)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property and Equipment	-	(37,625)
NET CASH USED IN INVESTING ACTIVITIES	-	(37,625)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Proceeds from issuance of common stock	2,500,000	-
Net proceeds from convertible debentures	-	1,241,299
Exercise of stock options and warrants	23,770	12,500
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,523,770	1,253,799
Effects of foreign currency exchange rate changes	(18,931)	(33,267)
NET INCREASE (DECREASE) IN CASH FOR THE YEAR	766,015	(757,143)
Cash, beginning of Year	1,085,006	1,842,149
CASH END OF YEAR	1,851,021	1,085,006
SUPPLEMENTAL INFORMATION:		
INCOME TAXES PAID	-	-
INTEREST PAID	167,831	-

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

SECURITY DEVICES INTERNATIONAL, INC.
Consolidated Statement of Changes in Stockholders' Equity (Deficiency)
For the years ended November 30, 2015 and 2014.
(Amounts expressed in US Dollars)

	Number of Common Shares	Common Shares amount $	Additional Paid-in Capital $	Accumulated Deficit $	Accumulated Other Comprehensive loss	Total $
Balance as of November 30, 2013	**46,849,285**	**46,849**	**23,226,988**	**(21,320,357)**	**-**	**1,953,480**
Stock based compensation for issue of options			751,610			751,610
Exercise of options	50,000	50	12,450			12,500
Relative fair value of placement agent warrants			33,583			33,583
Net loss for the year				(2,722,412)		(2,722,412)
Foreign currency translation					(31,706)	(31,706)
Balance as of November 30, 2014	**46,899,285**	**46,899**	**24,024,631**	**(24,042,769)**	**(31,706)**	**(2,945)**
Issue of common shares	7,575,757	7,576	2,492,424			2,500,000
Exercise of options	35,000	35	6,960			6,995
Exercise of warrants	105,600	106	16,669			16,775
Stock based compensation for issue of options			422,459			422,459
Stock based compensation for modification of warrants			216,684			216,684
Net loss for the year				(2,550,438)		(2,550,438)
Foreign currency translation					(15,033)	(15,033)
Balance as of November 30, 2015	**54,615,642**	**54,616**	**27,179,827**	**(26,593,207)**	**(46,739)**	**594,497**

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

1. BASIS OF PRESENTATION

The Company was incorporated under the laws of the state of Delaware on March 1, 2005. On February 3, 2014 the Company incorporated a wholly owned subsidiary in Canada “Security Devices International Canada Corp”. The consolidated financial statements include the accounts of Security Devices International, Inc. (the “Company” or “SDI”), and its subsidiary Security Devices International Canada Corp. “SDI Canada”. All material inter- company accounts and transactions have been eliminated.

2. NATURE OF OPERATIONS AND GOING CONCERN

The Company is a less-lethal defense technology company, specializing in the innovative next generation solutions for security situations that do not require the use of lethal force. SDI has implemented manufacturing partnerships to assist in the deployment of their patented and patent pending family of products. These products consist of the Blunt Impact Projectile 40mm (BIP) line of products, and the Wireless Electric Projectile 40mm (WEP).

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year.

The Company’s activities are subject to risk and uncertainties including-

The Company has not earned adequate revenue and has used cash in its operations. Therefore the company will need additional financing to continue its operations if it is unable to generate substantial revenue growth.

The Company has incurred a cumulative loss of $26,593,207 from inception to November 30, 2015. The Company has funded operations through the issuance of capital stock and convertible debentures. The company has started to generate revenue from operations. However, it still expects to incur significant expenses before becoming profitable. The Company’s future success is dependent upon its ability to raise sufficient capital or generate adequate revenue, to cover its ongoing operating expenses, and also to continue to develop and be able to profitably market its products. There can be no assurance that such financing will be available at all or on favorable terms. These factors raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In addition to raising funds in the prior years, the Company raised $878,328 by issue of Convertible Debentures during the year ended November 30, 2011 and $910,000 during the year ended November 30, 2012. In addition, the Company raised $649,750 by issuance of 2,165,834 common shares during the year ended November 30, 2012. On August 15, 2013, the Company filed an amended and restated final prospectus (the “Prospectus”) in Canada, in the provinces of Alberta, British Columbia and Ontario for listing its shares in these provinces in Canada. On August 27, 2013 the Company completed an initial public offering to raise gross proceeds of CAD $3,993,980 (US $3,794,280) through the issuance of 9,984,950 Common Shares at a price of CAD $0.40 (US $0.38) per Common Share (the “Issue Price”). During the year ended November 30, 2014, the Company issued $1,398,592 (CAD $1,549,000) face value 12% convertible debentures with a term to August 6, 2017 (the “Maturity Date”) and raised net $1,241,299. In 2015, the Company raised $2,500,000 through the issuance of 7,575,757 common shares and also issued 105,600 common shares on exercise of warrants for $16,775 and 35,000 common shares on exercise of options for $6,995. The Company’s common shares commenced trading on the TSX Venture Exchange (“TSX”) under the symbol “SDZ”.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, and reported amount of revenues and expenses. Significant estimates include accruals, valuation allowance for deferred tax assets, estimates for calculation of stock based compensation, estimating the useful life of its plant and equipment and accounting for conversion features on convertible debt transactions. These estimates are based on management’s best estimates and judgment. Management will adjust such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with certainty, actual results could differ significantly from these estimates.

b) Income Taxes

The Company accounts for income taxes under FASB Codification Topic 740-10-25 (“ASC 740-10- 25”). Under ASC 740-10-25, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under ASC 740- 10-25, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company provides a valuation allowance for deferred tax assets for which it does not consider realization of such assets likely. The Company did not incur any material impact to its financial condition or results of operations due to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

c) Revenue Recognition

The Company records revenue when it is realized, or realizable and earned. The Company considers revenue to be realized, or realizable and earned, when the following revenue recognition requirements are met: persuasive evidence of an arrangement exists; the products have been delivered to the customer via delivery; the sales price is fixed or determinable; and collectability is probable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Cont'd

d) Loss Per Share

Basic loss per share is computed by dividing net loss by the weighted average number of common shares outstanding for the year. Diluted loss per share is computed by dividing net loss by the weighted average number of common shares outstanding plus common stock equivalents (if dilutive) related to stock options and warrants for each year. There were no common equivalent shares outstanding at November 30, 2015 and 2014 that have been included in dilutive loss per share calculation as the effects would have been anti-dilutive. At November 30, 2015, there were 4,750,000 options and 2,767,800 warrants outstanding, which were convertible into equal number of common shares of the Company. At November 30, 2014, there were 3,360,000 options and 4,794,545 warrants outstanding, which were convertible into equal number of common shares of the Company.

e) Stock-Based Compensation

All awards granted to employees and non-employees after November 30, 2005 are valued at fair value by using the Black-Scholes option pricing model and recognized on a straight line basis over the service periods of each award. The Company accounts for equity instruments issued in exchange for the receipt of goods or services from other than employees using the estimated fair market value of the consideration received or the estimated fair value of the equity instruments issued, whichever is more reliably measurable. The value of equity instruments issued for consideration other than employee services is determined on the earlier of a performance commitment or completion of performance by the provider of goods or services.

If there is a modification of the terms of an award, either by repricing or extending the expiry of the award, the award is re-measured. If the modification results in an increase in the fair value of the new award as compared to the old award immediately prior to the modification, the excess fair value is recognized as compensation expense.

As of November 30, 2015 and November 30, 2014, there was $nil of unrecognized expense related to non-vested stock-based compensation arrangements granted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Cont'd

f) Foreign Currency

The parent Company maintains its books and records in U.S. dollars which is its functional and reporting currency. The Company's operating subsidiary is a foreign private company and maintains its books and records in Canadian dollars (the functional currency). The subsidiary's financial statements are converted to US dollars for consolidation purposes. The translation method used is the current rate method. Under the current rate method all assets and liabilities are translated at the current rate, stockholders' equity accounts are translated at historical rates and revenues and expenses are translated at average rates for the year. The resulting translation adjustment has been included in Accumulated Other Comprehensive Income (Loss).

g) Comprehensive loss

Comprehensive loss includes all changes in equity (net assets) during a period from non- owner sources. Examples of items to be included in comprehensive loss, which are excluded from net loss, include foreign currency translation adjustments relating to its Canadian subsidiary.

h) Financial Instruments

The carrying amount of accounts receivables and accounts payable, approximated their fair value because of the relatively short maturity of these instruments. The Company determines fair value based on its accounting policy fair value measurement i.e. exit price that would be recovered for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Company does not use derivative financial instruments such as forwards to hedge foreign currency exposures.

i) Fair Value Measurement

The Company follows ASC 820-10, "Fair Value Measurements and Disclosures" (ASC 820-10), which among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, a three-tier fair value hierarchy has been established, which prioritizes the inputs used in measuring fair value as follows:

• Level 1—Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

• Level 2—Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

• Level 3—Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

(Amounts expressed in US Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Cont'd

i) Fair Value-Cont'd

Assets and liabilities measured at fair value as of November 30, 2015 and 2014 are classified below based on the three fair value hierarchy tiers described above:

	Carrying Value	Fair Value
November 30, 2015:		
Cash	$ 1,851,021	$ 1,851,021
Accounts receivable	$ 39,676	$ 39,676
Accounts payable and accrued liabilities	$ 173,329	$ 173,329
Convertible debentures	$ 1,398,592	$ 1,398,592

	Carrying Value	Fair Value
November 30, 2014:		
Cash	$ 1,085,006	$ 1,085,006
Accounts receivable	$ 7,393	$ 7,393
Accounts payable and accrued liabilities	$ 161,405	$ 161,405
Convertible debentures	$ 1,398,592	$ 1,398,592

Cash has been measured using Level 1 of the Fair Value Hierarchy.

j) Convertible debt instruments

The Company accounts for convertible debt instruments when the Company has determined that the embedded conversion options should not be bifurcated from their host instruments in accordance with ASC 470-20 *Debt with Conversion and Other Options*. The Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. The Company amortizes the respective debt discount over the term of the notes, using the straight-line method, which approximates the effective interest method. The Company records, when necessary, induced conversion expense, at the time of conversion for the difference between the reduced conversion price per share and the original conversion price per share.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Cont'd)

k) Intellectual Property

Five patent applications, four non-provisional and one provisional, have been filed by the Company with the U.S. Patent Office. The Patents have been granted on the four non-provisional patents.

Non-Provisional (granted patents):

(a) Less-lethal Projectile: This issued patent relates to the Company's distinctive collapsible ammunition head technology that absorbs kinetic energy of the projectile upon impact. The Corporation's collapsible head is used in both the BIP and the WEP.

(b) Electronic Circuitry for Incapacitating a Living Target: This issued patent relates to the electronic circuitry incapacitation system which forms part of the WEP. The patent describes an electronic circuit which provides an electrical incapacitation current to a living target.

(c) Less-lethal Wireless Stun Projectile System for Immobilizing a Target by Neuro-Muscular Disruption: This issued patent describes the process by which the WEP operates with its attachment system to halt a target through a neuro-muscular-disruption system.

(d) Autonomous Operation of a Less-lethal Projectile: This patent describes a motion sensing system within the WEP. The sensor will monitor movement of the target and enable the electrical output until the target is subdued. The electrical pulse is programmed for an exact time-frame to specifications of the user.

Provisional Patent:

(e) Payload carrying arrangement for a non-lethal projectile: This Provisional patent relates to the process of carrying liquid and powder payloads in the head of the BIP munitions that upon impact release from the head and are dispersed upon the target.

The Company's policy has been to write off cost incurred in connection with non-provisional and provisional patent costs as they are incurred as a recoverability of such expenditure is uncertain.

l) Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is provided commencing in the month following acquisition using the following annual rate and method:

Computer equipment	30% declining balance method
Furniture and fixtures	30% declining balance method
Leasehold Improvements	straight line over period of lease
Moulds	20% Straight line over 5 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Cont'd

m) Impairment of Long-lived Assets

Long-lived assets to be held and used are analyzed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. The Company evaluates at each balance sheet date whether events and circumstances have occurred that indicate possible impairment. If there are indications of impairment, the Company uses future undiscounted cash flows of the related asset or asset group over the remaining life in measuring whether the assets are recoverable. In the event such cash flows are not expected to be sufficient to recover the recorded asset values, the assets are written down to their estimated fair value.

n) Inventories

Inventories comprise primarily of Blunt Impact Projectiles (Finished goods) and are valued at the lower of cost and net realizable value with cost being determined on the first-in, first-out basis. Costs consist of sub contracted manufacturing costs.

o) Recent Accounting Pronouncements

Revenue from Contracts with Customers – In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09 Topic 606 -guidance creating Accounting Standards Codification ("ASC") Section 606, *Revenue from Contracts with Customers*. The new section will replace Section 605, *Revenue Recognition*, and creates modifications to various other revenue accounting standards for specialized transactions and industries. The section is intended to conform revenue accounting principles to a concurrently issued International Financial Reporting Standards in order to reconcile previously differing treatment between United States practices and those of the rest of the world and enhance disclosures related to disaggregated revenue information. In August 2015, the FASB deferred the effective date of the new guidance by one year, such that the updated guidance is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company will adopt the new provisions of this accounting standard at the beginning of fiscal year 2019. The Company will continue its study of the implications of this statement to evaluate the expected impact on its consolidated financial statements.

Simplifying the Presentation of Debt Issuance Costs – In April 2015, the FASB issued ASU 2015-15 Sub-topic 835-30, *Interest--Imputation of Interest (Subtopic 835-30), Simplifying the Presentation of Debt Issuance Costs*. The update modifies the presentation of costs of debt issuance as a direct reduction to the face amount of the related reported debt. The updated guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years, with early adoption allowed. The Company is evaluating the effect that will have on its consolidated financial statements and related disclosures.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Cont'd

o) Recent Accounting Pronouncements-Cont'd

Inventory Measurement – In July 2015, FASB issued ASU 2015-11, *Inventory (Topic 330) Related to Simplifying the Measurement of Inventory* which applies to all inventory except inventory that is measured using last-in, first-out (LIFO) or the retail inventory method. Inventory measured using first-in, first-out (FIFO) or average cost is covered by the new amendments. Inventory within the scope of the new guidance should be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments will take effect for public business entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The new guidance should be applied prospectively, and earlier application is permitted as of the beginning of an interim or annual reporting period. The Company is evaluating the impact of the standard on the consolidated financial statements.

Income Tax Balance Sheet Classification – In November 2015, FASB issued ASU 2015-17, *Income Taxes (Topic 740) Balance Sheet Classification of Deferred Taxes* which requires that deferred tax assets and liabilities be classified as noncurrent in a classified balance sheet. The amendment takes effect for public entities for fiscal years beginning after December 15, 2016, with early adoption available. The Company is evaluating the impact of the standard on the consolidated financial statements.

Financial Instruments - In January 2016, FASB issued ASU 2016-01, Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"), which requires that equity investments, except for those accounted for under the equity method or those that result in consolidation of the investee, be measured at fair value, with subsequent changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. ASU 2016-01 also impacts the presentation and disclosure requirements for financial instruments. ASU 2016-01 is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted only for certain provisions. The Company is evaluating the impact of the standard on the consolidated financial statements.

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying financial statements.

(Amounts expressed in US Dollars)

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2015		2014
Accounts payable and accrued liabilities are comprised of the following:				
Trade payables	$	69,962	$	35,885
Accrued liabilities-accrued interest	$	53,339	$	53,338
Accrued liabilities-other liabilities	$	50,028	$	72,182
	$	173,329	$	161,405

Accrued liabilities-other liabilities relate primarily to professional fees.

5. CAPITAL STOCK

a) Authorized

100,000,000* Common shares, $0.001 par value

And

5,000,000 Preferred shares, $0.001 par value

*On March 20, 2013 the Company filed with the Secretary of the State of Delaware a certificate of amendment (the "Amendment") to the Company's certificate of incorporation. The Amendment increased the number of authorized shares of the Company's common stock, par value $0.001, from 50,000,000 to 100,000,000 common shares.

The Company's Articles of Incorporation authorize its Board of Directors to issue up to 5,000,000 shares of preferred stock having par value of $0.001. The provisions in the Articles of Incorporation relating to the preferred stock allow the directors to issue preferred stock with multiple votes per share and dividend rights, which would have priority over any dividends paid with respect to the holders of SDI's common stock.

b) Issued

54,615,642 Common shares (2014: 46,899,285 Common shares)

5. CAPITAL STOCK-Cont'd

c) Changes to Issued Share Capital

Year ended November 30, 2015

On June 3, 2015, the Company received $16,775 and $6,995 for the exercise of 105,600 warrants and 35,000 options respectively.

On June 19, 2015, the Company issued 7,575,757 common stock at price of $0.33 (CAD $0.40) per share on a non-brokered private placement basis and raised $2,500,000. There were no broker commissions or fees associated with this subscription. The closing of the private placement was approved by the TSX-Venture Exchange, as required under stock exchange rules.

Year ended November 30, 2014

On July 17, 2014, the Company issued 50,000 shares on exercise of options at $0.25 per share and raised $12,500.

6. STOCK BASED COMPENSATION

Effective May 31, 2013, the Company adopted an incentive stock option plan (the "2013 Plan"), which replaces the stock option and stock bonus plans that were in place prior to adoption of the 2013 Plan. All outstanding options to purchase Common Shares granted by the Company under the prior plans are now governed by the 2013 Plan and the prior plans (an Incentive Stock Option Plan, a Non-Qualified Stock Option Plan, and a Stock Bonus Plan) have been terminated.

The purpose of this Plan is to authorize the grant to Eligible Persons of the Company of Options to purchase Shares and thus benefit the Company by enabling it to attract, retain and motivate Eligible Persons by providing them with the opportunity, through Options, to acquire an increased proprietary interest in the Company.

The maximum number of Shares which may be reserved for issuance to any one Consultant under the Plan, any other employer stock options plans or options for services, within any 12-month period, shall be 2% of the Shares issued and outstanding at the time of the grant (on a non-diluted basis).

The maximum number of Shares which may be reserved for issuance to Investor Relations Optionees under the Plan, any other employer stock options plans or options for services, within any 12-month period shall be 2% of the Shares issued and outstanding at the time of the grant (on a non-diluted basis).

The maximum number of Shares which may be reserved for issuance to insiders of the Company in any 12-month period shall be 10% of the Shares issued and outstanding at the start of such 12-month period (on a non-diluted basis).

The purchase price (the "Price") for the Shares under each Option shall be determined by the Board of Directors or Committee, as applicable, on the basis of the market price, where "market price" shall mean the prior trading day closing price of the Shares on any stock exchange on which the Shares are listed or last trading price on the prior trading day on any dealing network where the Shares trade, and where there is no such closing price or trade on the prior trading day, "market price" shall mean the average of the daily high and low board lot trading prices of the Shares on any stock exchange on which the Shares are listed or dealing network on which the Shares trade for the five (5) immediately preceding trading days. In the event the Shares are listed on the TSXV, the price may be the market price less any discounts from the market price allowed by the TSXV, subject to a minimum price of CDN$0.10.

(Amounts expressed in US Dollars)

6. STOCK BASED COMPENSATION-Cont'd

Year ended November 30, 2015

On September 24, 2015, the board of directors extended the expiry dates of 572,000 warrants issued in 2010 to directors and officers at exercise price of $0.20, from original expiry date of September 30, 2015 to September 23, 2019. In addition, on same date, the board of directors extended the expiry dates of 1,470,000 warrants issued to directors and officers and 35,000 to a consultant, all issued in 2012 at exercise price of $0.13, from original expiry date of January 4, 2016 to September 23, 2019. The change in the terms of the warrants was determined to be a modification and not a cancellation and issuance of a new warrant. As a result of these modifications, the fair value of 2,077,000 warrants increased by $216,684. Fair value of warrants was calculated using the Black Scholes option pricing model with the following assumptions:

Risk free rate		2.00%
Expected dividends		0%
Forfeiture rate		0%
Volatility		17.29% to 134.39%
Warrant modification expense	$	216,684

On October 20, 2015, the board of directors granted 1,350,000 options to directors and officers and 325,000 options to consultants to acquire a total of 1,675,000 common shares. These options were issued at an exercise price of $0.29 (CAD $0.38) per share and vest immediately with an expiry term of five years. The fair value of each option used for the purpose of estimating the stock compensation is calculated using the Black-Scholes option pricing model with the following assumptions:

Risk free rate		2.00%
Expected dividends		0%
Forfeiture rate		0%
Volatility		134.39%
Market price of Company's common stock on date of grant of options	$	0.29
Stock-based compensation cost	$	422,459

As of November 30, 2015 there was $Nil of unrecognized expense related to non-vested stock-based compensation arrangements granted.

Year ended November 30, 2014

On March 19, 2014, the board of directors granted options to five consultants to acquire a total of 400,000 common shares. The 400,000 options were issued at an exercise price of $0.31 (CAD$0.35) per share and vest immediately with an expiry term of three years. The fair value of each option used for the purpose of estimating the stock compensation is calculated using the Black-Scholes option pricing model with the following assumptions:

Risk free rate		2.00%
Expected dividends		0%
Forfeiture rate		0%
Volatility		151.63%
Market price of Company's common stock on date of grant of options	$	0.16
Stock-based compensation cost	$	47,897

On May 9, 2014, the board of directors granted options to one director to acquire a total of 600,000 common shares. These options were issued at an exercise price of $0.32 (CAD $0.35) per share and vest immediately with an expiry term of five years. The fair value of each option used for the purpose of estimating the stock compensation is calculated using the Black-Scholes option pricing model with the following assumptions:

Risk free rate		2.00%
Expected dividends		0%
Forfeiture rate		0%
Volatility		205.42%
Market price of Company's common stock on date of grant of options	$	0.24
Stock-based compensation cost	$	140,573

On July 25, 2014, the board of directors granted options to two consultants to acquire a total of 150,000 common shares. These options were issued at an exercise price of $0.32 (CAD $0.35) per share and vest immediately with an expiry date of August 5, 2017. The fair value of each option used for the purpose of estimating the stock compensation is calculated using the Black-Scholes option pricing model with the following assumptions:

Risk free rate		2.00%
Expected dividends		0%
Forfeiture rate		0%
Volatility		152.35%
Market price of Company's common stock on date of grant of options	$	0.28

Stock-based compensation cost	$	33,952

(Amounts expressed in US Dollars)

6. STOCK BASED COMPENSATION-Cont'd

On September 11, 2014, the board of directors granted options to directors and consultants to acquire a total of 1,875,000 common shares. These options were issued at an exercise price of $0.36 (CAD $0.40) per share and vest immediately with an expiry date of September 10, 2019. The fair value of each option used for the purpose of estimating the stock compensation is calculated using the Black-Scholes option pricing model with the following assumptions:

Risk free rate		2.00%
Expected dividends		0%
Forfeiture rate		0%
Volatility		170.42%
Market price of Company's common stock on date of grant of options	$	0.30
Stock-based compensation cost	$	529,188

As of November 30, 2014 there was $Nil of unrecognized expense related to non-vested stock-based compensation arrangements granted.

7. STOCK PURCHASE OPTIONS AND WARRANTS

a) OPTIONS

The following table summarizes the options outstanding under the Stock Option Plan:

	Number of options	
	2015	2014
Outstanding, beginning of year	3,360,000	1,510,000
Granted	1,675,000	3,025,000
Expired	(200,000)	(125,000)
Exercised	(35,000)	(50,000)
Forfeited	-	-
Cancelled	(50,000)	(1,000,000)
Outstanding, end of year	4,750,000	3,360,000
Exercisable, end of year	4,750,000	3,360,000

(Amounts expressed in US Dollars)

7. STOCK PURCHASE OPTIONS AND WARRANTS-Cont'd

a) OPTIONS-Cont'd

2015

Expiry date		Option price per share	Number of options 2015
October 25, 2016	$	0.45	100,000
March 18, 2017	$	0.31	350,000
August 5, 2017	$	0.32	150,000
May 8, 2019	$	0.32	600,000
September 10, 2019	$	0.36	1,875,000
October 19, 2020	$	0.29	1,675,000
TOTAL			4,750,000

Weighted average exercise price:		
Options outstanding at end of year	$	0.33
Options granted during the year		0.29
Options exercised during the year		0.20
Options expired during the year		0.42
Options forfeited/cancelled during the year		0.31

2014

Expiry date		Option price per share	Number of options 2014
June 15, 2015	$	0.20	35,000
October 2, 2015	$	0.42	200,000
October 25, 2016	$	0.45	100,000
March 18, 2017	$	0.31	400,000
August 5, 2017	$	0.32	150,000
May 8, 2019	$	0.32	600,000
September 10, 2019	$	0.36	1,875,000
TOTAL			3,360,000

Weighted average exercise price:		
Options outstanding at end of year	$	0.35
Options granted during the year		0.34
Options exercised during the year		0.25
Options expired during the year		0.25
Options forfeited/cancelled during the year		0.45

7. STOCK PURCHASE OPTIONS AND WARRANTS-Cont'd

a) OPTIONS-Cont'd

The share options outstanding at the end of the year had a weighted average remaining contractual life as follows:

	2015	2014
	(Years)	(Years)
Total outstanding options	3.8	4.0
Total exercisable options	3.8	4.0

(Amounts expressed in US Dollars)

7. STOCK PURCHASE OPTIONS AND WARRANTS-Cont'd

b) WARRANTS

	Number of Warrants Granted	Exercise Prices $	Expiry Date
Outstanding at November 30, 2013 and average exercise price	5,542,645	0.23	
Granted in year 2014	151,900	0.45	8/5/2016
Exercised	-	-	
Forfeited	-	-	
Expired	(850,000)	0.25	
Expired	(50,000)	0.25	
Cancelled	-	-	
Outstanding at November 30, 2014 and average exercise price	4,794,545	0.24	
Granted in year 2015	-	-	
Exercised	(27,500)	0.20	
Exercised	(68,750)	0.13	
Exercised	(9,350)	0.25	
Forfeited	-	-	
Expired	(622,500)	0.20	
Expired	(75,000)	0.42	
Expired	(1,223,645)	0.47	
Cancelled	-	-	
Outstanding at November 30, 2015 and average exercise price*	2,767,800	0.17	
Exercisable at November 30, 2015	2,767,800	0.17	
Exercisable at November 30, 2014	4,794,545	0.24	

* On September 24, 2015, the board of directors extended the expiry dates of 572,000 warrants issued in 2010 and 1,505,000 warrants issued in 2012 (refer to note 6)

The warrants outstanding at the end of the year had a weighted average remaining contractual life as follows:

	2015 (Years)	2014 (Years)
Total outstanding warrants	2.87	0.9
Total exercisable warrants	2.87	0.9

8. RELATED PARTY TRANSACTIONS

The following transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

Year ended November 30, 2015

Two non-independent directors were compensated as per their consulting agreements with the Company. The Company expensed a total of $212,505 as management fees to these two directors, in their role as officers in accordance with their consulting contracts and expensed a total of $5,721 as automobile allowance.

On September 24, 2015, the board of directors extended the expiry dates of 572,000 warrants issued in 2010 to directors and officers at exercise price of $0.20, from original expiry date of September 30, 2015 to September 23, 2019. In addition, on same date, the board of directors extended the expiry dates of 1,470,000 warrants issued to directors and officers in 2012 at exercise price of $0.13, from original expiry date of April 1, 2016 to September 23, 2019. As a result of these modifications, the fair value of 2,042,000 warrants increased by $213,603.

On October 20, 2015, the board of directors granted 1,325,000 options to directors and officers. These options were issued at an exercise price of $0.29 (CAD $0.38) per share and vest immediately with an expiry term of five years. The Company expensed stock based compensation cost of $340,489 for these 1,325,000 options issued to directors and officers.

The Company expensed $35,717 for services provided by the CFO of the Company and $221,217 for services provided by a Corporation in which the Chief Operating Officer has an ownership interest, in accordance with the consulting contract.

The Company reimbursed $89,538 to directors and officers for travel and entertainment expenses incurred for the Company.

Year ended November 30, 2014

Two non-independent directors were compensated as per their consulting agreements with the Company. The Company expensed a total of $248,439 as management fees to these two directors, in their role as officers in accordance with their consulting contracts and expensed a total of $6,700 as automobile allowance.

On May 9, 2014, the board of directors granted options to one director to acquire a total of 600,000 common shares. These options were issued at an exercise price of $0.32 (CAD $0.35) per share and vest immediately with an expiry term of five years. The Company expensed stock based compensation cost of $140,573 for these options.

On September 11, 2014, the board of directors granted options to directors to acquire a total of 1,800,000 common shares. These options were issued at an exercise price of $0.36 (CAD $0.40) per share and vest immediately with an expiry date of September 10, 2019. The Company expensed stock based compensation cost of $508,020 for these options issued to directors of the Company.

The Company expensed $38,700 for services provided by the CFO of the Company and $230,890 for services provided by a corporation in which the Chief Operating officer has an ownership interest, in accordance with the consulting contract.

(Amounts expressed in US Dollars)

9. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost less accumulated depreciation.

	November 30, 2015 Cost $	Accumulated Depreciation $	November 30, 2014 Cost $	Accumulated Depreciation $
Computer equipment	37,573	34,483	37,573	33,159
Furniture and fixtures	18,027	16,057	18,027	15,212
Leasehold Improvements	23,721	16,244	23,721	13,151
Moulds	209,515	125,041	209,515	83,138
	288,836	191,825	288,836	144,660
Net carrying amount		$ 97,011		$ 144,176
Depreciation expense		$ 47,165		$ 45,586

10. INCOME TAXES

The Company has non-capital losses of approximately $17,700,863 available, which can be applied against future taxable income and which expire as follows:

	USA	**Canada**	**Total**
2025	$ 188,494		188,494
2026	609,991		609,991
2027	1,731,495		1,731,495
2028	3,174,989		3,174,989
2029	2,792,560		2,792,560
2030	2,044,857		2,044,857
2031	854,218		854,218
2032	1,073,610		1,073,610
2033	1,410,557		1,410,557
2034	882,513	1,089,850	1,972,363
2035	722,853	1,124,876	1,847,729
	$ 15,486,137	2,214,726	17,700,863

The reconciliation of income taxes at statutory income tax rates (U.S – 35% and Canada – 26.5% on their respective losses) to the income tax expense is as follows:

	November 30, 2015	November 30, 2014
Loss before income taxes	$ (2,550,438)	$ (2,722,412)
Income tax recovery at statutory rate	(797,039)	(868,496)
Permanent differences	245,949	270,134
Tax benefit not recognized	551,090	598,362
Income taxes – current and deferred	$ -	$ -

Reconciliation of statutory tax rate to the effective income tax rate is as follows:

Statutory income tax rate – USA	35.0 %
Deferred tax asset valuation allowance - USA	(35.0)%
Statutory income tax rate – Canada	26.5 %
Deferred tax asset valuation allowance - Canada	(26.5)%

(Amounts expressed in US Dollars)

10. INCOME TAXES-Cont'd

Deferred tax asset components as of November 30, 2015 and 2014 are as follows:

		2015		2014
Non capital losses available to offset future income-taxes	$	17,700,863	$	15,853,134
Expected Income tax recovery at statutory rates	$	(6,007,050)	$	(5,455,960)
Valuation Allowance	$	6,007,050	$	5,455,960
Net deferred tax assets		-		-

As the company has recognized substantial cumulative losses from operations and has not earned significant revenues, it has provided a 100 per cent valuation allowance on the net deferred tax asset as of November 30, 2015 and 2014. Management believes the Company has no uncertain tax position

11. COMMITMENTS

a) Consulting agreements:

The non-independent directors of the Company executed consulting agreements with the company on the following terms:

Effective January 1, 2015, SDI executed a two- year agreement with a private company in which a director, Allen Ezer, has an ownership interest. The agreement is for a period of two years ending December 31, 2016 at a monthly fee of $6,694 (CAD $8,925). Either party may terminate the consulting agreement by giving 90 days' written notice. In the event of termination without cause due to change in control brought out by sale, lease, merger or transfer, the Company is obligated to pay 12 months' fees at current rate at time of change in control. Effective February 1, 2015, the Company and director agreed to reduce the monthly fees by 10% to $6,024 (CAD $8,032). This reduction continued until the completion of the next round of financing, which was completed in May 2015.

Agreement with the Chief Executive Officer Greg Sullivan to pay compensation of $9,000 (CAD$12,000) per month, with an annual 5% increase and a car allowance of $450 (CAD$600) per month. The agreement expires on December 31, 2016. In the event of termination without cause, the Company is obligated to pay two times the then annual compensation and by continuing the then benefits coverage for a period of 2 years. The annual remuneration will increase with accomplishment of milestones. The agreement may be terminated with mutual consent or by the Chief Executive Officer giving three weeks' notice. Effective February 1, 2015, the Company and director agreed to reduce the monthly remuneration by 10% to $9,377 (CAD $12,502). This reduction continued until the completion of the next round of financing, which was completed in May 2015.

Effective October 1, 2014, SDI executed a renewal agreement with a private company in which the Chief Operating Officer Dean Thrasher has an ownership interest in, for a period which expires on December 31, 2017 for services rendered. The total consulting fees are estimated at $648,000 (CAD$864,000) for the three-year period. In the event of termination without cause due to change in control brought out by sale, lease, merger or transfer, the Company is obligated to pay 18 months' fees at current rate at time of change in control. SDI paid cash and expensed $ 221,217 (CAD $230,892) during the year ended November 30, 2015. The company may also accept common shares in lieu of cash. As of November 30, 2015, the company has not exercised its right to accept this compensation in shares. Effective February 1, 2015, the Company and director agreed to reduce the monthly remuneration by 10% to $162,000 (CAD $21,600). This reduction continued until the completion of the next round of financing, which was completed in May 2015.

Effective November 1, 2013, SDI executed an agreement with a non-related consultant to pay compensation of $3,750 (CAD $5,000) per month. The consultant has agreed to provide corporate market advisory services. The agreement is for a period of a minimum of three months and will continue unless otherwise terminated by either party by giving 30 days' written notice.

Effective May 1, 2015, SDI executed an agreement with another non-related consultant to pay compensation of $3,750 (CAD $5,000) per month. The consultant is to assist with sales initiatives, demos and participate in trade shows. The agreement unless renewed by mutual consent expires December 31, 2015. The consultant is also entitled to a 5% cash commission for all completed direct sales to end users and a 2% cash commission for all completed indirect sales. In addition, as a sales incentive, the company may grant stock options at market prices, being 25,000 stock options for every 5,000 rounds sold, to a maximum of 200,000 options. Either party may terminate the consulting agreement by giving 60 days' written notice.

11. COMMITMENTS

Effective April 2014, SDI executed an agreement with a non-related consultant to set up its social media sites and optimization of search engines for the Company, at a start- up fee for $2,250 (CAD$3,000) (Phase 1) and payment of $1,125 (CAD$1,500) per month and issued 100,000 stock options at $0.32 (CAD$0.35) when Phase 2 of the project was implemented.

Effective August 2014, SDI executed an agreement with a non-related consultant to pay compensation of $5,500 per month for the first 5 months and $5,000 from sixth month to end of the term. The consultant is to assist with sales initiatives, demos and participate in trade shows. The agreement unless renewed by mutual consent expires December 31, 2015. On renewal, there will an annual increase of 4.5% effective January 1, 2016. The consultant is also entitled to a 5% cash commission for all completed direct sales to end users and a 2% cash commission for all completed indirect sales. The Company granted 50,000 stock options to the consultant on July 25, 2014 and has agreed to grant 25,000 stock options for every 5,000 rounds sold domestically to a maximum of an additional 150,000 options. Either party may terminate the consulting agreement by giving 30 days' written notice.

b) The Company has commitments for leasing office premises in Oakville, Ontario, Canada to April 30, 2018 at a monthly rent of $4,800 (CAD $6,399).

12. EXCLUSIVE SUPPLY AGREEMENT

The Company entered into a Development, Supply and Manufacturing Agreement with the BIP Manufacturer on July 25, 2012. This Agreement provides the Company to order and purchase only from the BIP Manufacturer certain 40MM assemblies and components for use by the Company to produce less-lethal and training projectiles as described in the Agreement. The Agreement is for a term of five years with an automatic extension for an additional year if neither party has given written notice of termination prior to the end of the five-year period.

The Company and a division of Abrams Airborne Manufacturing Inc. (AAMI), namely Milkor USA (MUSA), agreed to partner for a joint cross-selling / marketing initiative. This arrangement allows both companies to leverage existing and future sales channels by offering a comprehensive, full-package of Milkor USA's 40mm Multi-Shot Grenade Launchers in conjunction with SDI's 40mm Less-Lethal ammunition product-line to end-users globally.

(Amounts expressed in US Dollars)

13. SEGMENT DISCLOSURES

The Company is organized on two geographic areas in U.S.A. and Canada respectively. The U.S.A. and Canada operations are our operating segments and reportable segments, and each of those segments are led by CEO. Performance is assessed and resources are allocated by our CEO, whom we have determined to be our Chief Operating Decision Maker (CODM). Management evaluates the segments based primarily upon revenue and assets. The tables below present segment sales and assets for the fiscal years ended November 30, 2015 and 2014:

Year ended November 30, 2015

	SDI	SDI Canada	Total
Sales	$ 144,706	$ 72,575	$ 217,280

Year ended November 30, 2014

	SDI	SDI Canada	Total
Sales	$ 43,420	$ 8,909	$ 52,329

	2015	2014
Sales	$ 217,280	$ 52,329
Elimination of intersegment revenue	(66,275)	(9,849)
Consolidated sales	$ 151,005	42,480

Year ended November 30, 2015

	SDI	SDI Canada	Total
Assets	$ 2,055,070	$ 111,348	$ 2,166,418

Year ended November 30, 2014

	SDI	SDI Canada	Total
Assets	$ 1,219,430	$ 337,622	$ 1,557,052

14. CONVERTIBLE DEBENTURES AND DEFERRED FINANCING COSTS

$1,398,592 (CAD $1,549,000) Convertible Debentures

On August 6, 2014, the Company issued $1,398,592 (CAD $1,549,000) face value 12% convertible debentures with a term to August 6, 2017 (the "Maturity Date"). At any time while the debentures are outstanding, the holder has the option to convert the outstanding principal of the debentures into common shares of the Company at a fixed conversion price of CAD $0.50 per share. At any time after February 6, 2015, the Company has the right to force the conversion of the debentures into common shares at a price of at least CAD$0.65 per common share for a period of at least 20 consecutive trading days. If the common shares do not trade on any trading day and the bid price of the common Shares is CAD $0.65 or greater, the common shares shall be deemed to have traded at a price of at least CAD $0.65 on that trading day. Additionally, the Company has the right to redeem the debentures, in whole or in part, (a) during the 12 months ending August 6, 2015, at a premium of 15% to the principal amount being redeemed plus any accrued interest, (b) during the 12 months ending August 6, 2016, at a premium of 5% to the principal amount being redeemed plus any accrued interest, (c) during the 12 months ending August 6, 2017, at a premium of 2% to the principal amount being redeemed plus any accrued interest. In connection with the financing, the Company issued warrants to placement agents to purchase 151,900 shares of common stock at an exercise price of CAD $0.50 per share. Additionally, the Company incurred $157,293 (CAD $174,209) in financing fees.

The Company has evaluated the terms and conditions of the convertible debentures and placement agent warrants under the guidance of ASC 815. The conversion feature met the definition of conventional convertible for purposes of applying the conventional convertible exemption. The definition of conventional contemplates a fixed number of shares issuable under the arrangement. The instrument was convertible into a fixed number of shares and there were no down round anti-dilution protection features contained in the contracts. The Company was required to consider whether the hybrid contract embodied a beneficial conversion feature ("BCF"). The debentures did not result in a BCF because the conversion price was not in the money on the inception date. There were no terms or features contained in the warrant agreement that would preclude the warrants from achieving equity classification.

The following table reflects the allocation of the purchase on the financing date:

Convertible Debentures - Face Value	$ 1,398,342
Proceeds	$ (1,279,773)
Deferred financing costs	(190,876)
Paid in capital (warrants)	33,583
Prepaid expenses	16,681
Accrued expenses	21,793

Convertible debentures	1,398,592

The warrants were valued at $33,583 and were recorded as a component of deferred financing costs. Interest expense related to the debentures amounted to $231,398 and $73,540 for the years ended November 30, 2015 and 2014 respectively. Of the $231,398 (2014: $73,540) $167,832 (2014: $53,338) related to interest and the remaining $63,566 (2014: $20,202) related to the amortization of deferred financing costs.

15. INVENTORY

Inventory as of November 30, 2015 consist of finished goods of Blunt Impact Projectiles 40mm for $30,329 (November 30, 2014: $120,246) and 40mm LMT launchers for $13,990 (November 30, 2014: $nil) which are held at the BIP manufacturer.

16. FINANCIAL INSTRUMENTS

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them.

i) Currency risk

The Company held virtually all of its cash balances within banks in Canada in both United States dollars and Canadian dollars. The Company's operations are conducted in USA and its subsidiary operates in Canada. The value of the Canadian dollar against the United States dollar may fluctuate with the changes in economic conditions.

During the year ended November 30, 2015, the US dollar strengthened in relation to the Canadian dollar and upon the translation of the Company's subsidiary's revenue, expenses, assets and liabilities held in Canadian dollars, the Company recorded translation adjustment loss of $15,033 (Prior year- a loss of $31,706), in other comprehensive income.

The Company's Canadian subsidiary revenue, costs of sales, operating costs and capital Expenditures are denominated in Canadian dollar. Consequently, fluctuations in the U.S. dollar exchange rate against the Canadian dollar increases the volatility of sales, cost of sales and operating costs and overall net earnings when translated into U.S. dollars. The Company is not using any forward and option contracts to fix the foreign exchange rates.

Using a 10% fluctuations in the US exchange rate, the impact on the loss and stockholders' deficiency is not material.

ii) Credit risk and economic dependence

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The financial instruments that potentially subject the Company to credit risk consist of cash and accounts receivable.

The Company maintains cash with high credit quality financial institutions located in Canada.

The Company provides credit to its customers in the normal course of its operations. It carries out, on a continuing basis, credit checks on its customers.

The Company's operations rely significantly on one supplier. Notwithstanding the Company has the ability to source alternative suppliers.

Exhibit 31.1

CERTIFICATION
OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULES 13a-14(a)/15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Gregory Sullivan, certify that:

1. I have reviewed this Annual Report on Form 10-K of Security Devices International, Inc. (the “registrant”) for the year ended November 30, 2015;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2016

/s/ Gregory Sullivan
Gregory Sullivan,
Principal Executive Officer
Security Devices International, Inc.

Exhibit 31.2

CERTIFICATION
OF CHIEF FINANCIAL OFFICER PURSUANT TO RULES 13a-14(a)/15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Rakesh Malhotra, certify that:

1. I have reviewed this Annual Report on Form 10-K of Security Devices International, Inc. (the “registrant”) for the year ended November 30, 2015;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2016

/s/ Rakesh Malhotra
Rakesh Malhotra
Chief Financial Officer
Security Devices International, Inc.

Exhibit 32.1

CERTIFICATION
PURSUANT TO 18 U.S.C SECTION 1350 AS ADOPTED PURSUANT TO
SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Security Devices International, Inc. (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the year ended November 30, 2015 (the "Form 10-K") of the Company fully complies with the requirement of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 29, 2016

/s/ Gregory Sullivan
Gregory Sullivan,
Principal Executive Officer
Security Devices International, Inc.

Dated: February 29, 2016

/s/ Rakesh Malhotra
Rakesh Malhotra
Chief Financial Officer
Security Devices International, Inc.

A signed original of this written statement required by Section 906 has been provided to Security Devices International, Inc. and will be retained by Security Devices International, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.