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, 2018**

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.)*
107 Audubon Road, Bldg 2, Suite 201	
Wakefield, MA 01880	
(Address of Principal Executive Office)	*Zip Code*

Registrant's telephone number, including Area Code: **978-868-5011**

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, 2018, was approximately $11,000,000 based upon a share valuation of $0.17 per share. This share valuation is based upon the closing price of the Company's shares as of May 31, 2018 (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 27, 2019, the Company had 103,093,442 issued and outstanding shares of common stock.

Documents incorporated by reference: **None**

ITEM 1. BUSINESS

It is the Company's belief that the United States, along with most parts of the world are in the very early stages of a significant spike in the growth curve for "less-lethal" products. Most law enforcement agencies do not have a proper working knowledge of a less-lethal program in place. Rather they are using an assortment of less-lethal devices out of necessity for varying degrees of effectiveness with little coordination or approved tactical plans for their deployment. Law enforcement budget constraints usually play a role in this behavior. It is for this reason that unintended deaths of unarmed suspects at the hands of police departments throughout the country (and in fact throughout the world) continue to happen.

With a rise in social and civil unrest both here and abroad and with more and more of these incidents being caught on video and posted on social media, the pressure on law enforcement and governments to find reasonable and effective alternatives to lethal force is mounting daily. As a result, it is management's opinion that the less-lethal market will be one of the faster growing segment in the law enforcement, correctional services, crowd control and security services markets over the next decade.

Less-lethal weapons include a wide variety of products designed to disorient, slow down and stop would be assailants, rioters and other malfeasants. In the Company's opinion, the less-lethal weapon that is growing the fastest in popularity and adoption is the 40mm launcher along with the various less-lethal munitions that can be fired from these launchers. These munitions include both impact rounds designed to stop an individual without causing permanent injury to payload rounds carrying a variety of powders and liquids including tear gas, pepper spray, DNA marking liquids, mal-odorants and other marking liquids and powders designed to identify instigators in a riot situation.

Historically, these munitions were fired from 37mm launchers, however, the industry has been moving to 40mm launchers due to the fact that the 40mm launcher barrel is rifled (while the 37mm is a smooth bore barrel less accurate munition) which allows the operator to more accurately fire the rounds at distances in excess of 100'. This makes the 40mm launcher an effective tool in a wide range of situations.

Additional less lethal munitions include 12 gauge and .68 caliber impact and chemical irritant projectiles. The 12 gauge has been a long-standing tool for law enforcement and correctional services, as almost all domestic patrol cars carry a shotgun to fire the 12 gauge munitions when required. The .68 caliber projectiles are fired from an air gun system for close range incidents where impact force is not the main objective with a subject, but chemical irritant munitions are necessary to stop an assailant.

History

Security Devices International Inc. ("SDI"), 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 (the "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. This precipitated a change in the direction of the company as development of the WEP was discontinued and the company shifted its focus to a new product – the 40mm Blunt Impact Projectile (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. The goal was to develop a product that it could bring to market more quickly. The Company was able to exploit some of the patent pending technology of the WEP into the BIP. 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.

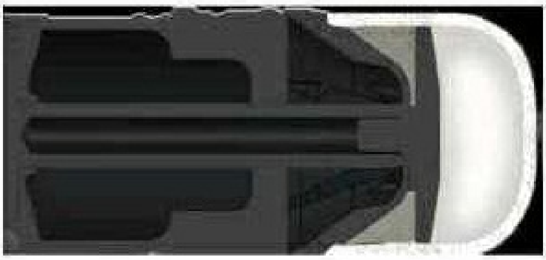
The Blunt Impact Projectile (BIP) – A Transformative Technology

When the less-lethal industry was dominated by the 37mm launcher, a number of less-lethal companies developed "impact munition rounds" designed to "stop" an assailant. These rounds were nothing more than a piece of plastic, wood baton, rubber baton, or a piece of plastic with a piece of sponge rubber or foam rubber affixed to the head of the round.

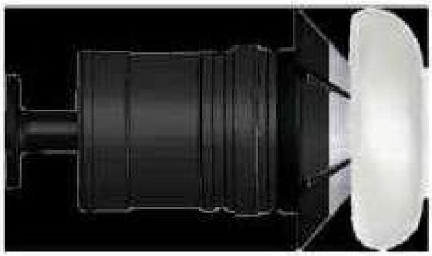
There were several problems with these 37mm rounds. First, they were inaccurate due to the lack of barrel rifling. Since most SWAT teams carry single shot launchers, a round that cannot be shot accurately is of little value. Second, because of their lightweight, they did not have much stopping power. Suspects that were "committed" would often "shake off" a direct hit. Finally, the rounds would bounce off walls or other hard surfaces which made them dangerous to use in confined areas such as a jail cell. Numerous corrections officers have been hurt by impact rounds ricocheting off of jail cell walls.

Security Devices International solved all three issues with the development of its "Blunt Impact Projectile" (BIP). The BIP was developed as an outgrowth of a research and development project to create a conductive electric device bullet (project name WEP – Wireless Electric Projectile).

In order to ensure that the projectile did not injure the targeted individual, SDI needed to develop a way to cushion the impact of the round upon contact with the target. The solution was a collapsible head that compressed upon impact. (See below). When it became clear that SDI did not have sufficient funds to complete development of the WEP, it was decided to use the collapsible head design to create an impact round. The hope was that with this new, state-of-the-art impact round, SDI could generate enough profitability that it would be able to complete development of the WEP.



Prior to Impact



At Impact

This collapsible head technology allowed SDI to build a heavier projectile that did not require a rubber or foam tip. This meant that it could take advantage of the rifling of the 40mm launcher. This made the BIP by far the most accurate round on the market in comparison to previous 37mm projectiles. The target for an impact round is to be a large muscle group such as the thigh muscle.

The gel collapsible head of the BIP spreads out upon impact, dispersing the energy over a larger area thus reducing blunt trauma to the subject. This allows the BIP round to be fired at close range on a target.

The Company believes that its patented collapsible head technology will transform the industry as law enforcement agencies recognize the tactical advantages of a less-lethal weapon that can be safely, accurately and effectively deployed at close range distances between 10 to 100 feet. SDI has been in discussions several industry players about licensing SDI's technology.

Q1 2018

During the quarter the Company held its annual general meeting (AGM) at its head office in Wakefield, MA on December 19, 2017. Results of the AGM were filed in an 8K on December 21, 2017.

On March 28, 2018 the Company filed an S-1 Registration Statement ("S-1"). The S-1 relates to the registration of certain securities issued by the Company on November 28, 2017. The notice of effectiveness of the S-1 was received on April 6, 2018.

On April 8-9, 2018, the Company attended the MicroCap Conference in New York City to garner market awareness. The conference is an exclusive event dedicated to connecting small and micro-cap companies with high-level, institutional and retail investors. The response of the event was positive towards the Company's market space, product offerings, and growth prospects.

On March 1, 2018, the Company purchased all the shares of a South African entity Rephit (Pty) Ltd., an inactive Company, for $300 (South African Rand 4,000) and subsequently changed the name of the subsidiary to Byrna South Africa (Pty) Ltd.

Q2 2018

During the quarter, the Company had sales of $138,742 as compared to $97,172 for the second quarter last year (+43%). Growth was driven primarily by adoption of our rounds by local and provincial authorities in Montreal for security operations surrounding the G7 Summit held on June 7-9, in La Malbaie, Quebec, Canada, increased activity on our e-commerce platform (signed up over 50 agencies since it went live in the fourth quarter of last year) and general market recognition of the superiority of SDI's Blunt Impact Projectile (BIP).

On April 16, 2018, the Company announced the signing of a Definitive Agreement with André Buys of South Africa to purchase certain registered patents and designs, provisional patents and designs, drawings, testing results, molds, prototype products and other intellectual property in exchange for cash and/or stock in the Company, as well as a stream of royalty payments to Mr. Buys. As part of the agreement, Mr. Buys joined the Company as Chief Technology Officer ("CTO") and will head up our Product Development & Test Center in South Africa.

These patents and related Intellectual Property ("IP") focus on a new less lethal delivery system that delivers chemical irritants from handgun-like 'Personal Security Devices (PSDs)'. Employing a shaped (finned) projectile, rather than a round ball, SDI expects to offer less lethal security devices that have the same or better accuracy than comparable conventional firearms. These new products will bring the same kind of less lethal options currently available only to the military, corrections and law enforcement agencies to a much broader range of users, including homeowners, private security guards and potentially schools. Management feels that there is significant market potential for these types of products in home defense and private security.

During the quarter, the Company received an additional patent for the payload carrying arrangement for a non-lethal projectile. This brings the total patents under the portfolio to seven.

Q3 2018

With the Company's previously announced acquisition of patents and related Intellectual Property ("IP"), SDI continues to focus and test their new less lethal platform that delivers chemical irritants from a handgun-like Personal Security Device. As its first product offering utilizing the new IP, the Company is planning the introduction of a small, light-weight, .68 caliber hand-held PSD equipped with a 5-round magazine and capable of accurately and effectively engaging a target at up to 60 feet – less lethally and without causing serious injury.

During the quarter, the Company announced the addition of Paul Jensen to the SDI Board of Directors. Mr. Jensen, a graduate of the United States Military Academy at West Point, will bring his global network of contacts along with extensive product development experience to the Board as the Company expands outside of North America and continues to bring innovative security products to market.

Dean Thrasher was appointed Executive Chairman of the Company from his previous position as CEO and will be responsible for the public side of the business. Paul Jensen has been appointed Chief Executive Officer of the Company from his previous position as President & COO and will continue to steer our product development and move the Company into new markets that require less lethal platforms and munitions. Bryan Ganz has been appointed President of the Company from his previous position as Executive Chairman and will be responsible for capital markets, investor relations, and some of the larger partners.

Q4 2018

With the Company's previously announced acquisition of patents and related Intellectual Property ("IP"), SDI continued to develop their new less lethal platform that delivers chemical irritants from a handgun-like Personal Security Device ("PSD"). As its first product offering utilizing the new IP, the Company is planning the introduction of a small, light-weight, .68 caliber hand-held PSD equipped with a 5-round magazine and capable of accurately and effectively engaging a target at up to 60 feet – non-lethally and without causing serious injury. Branded as the Byrna HD (Home Defense) PSD, it is targeted for those wanting a way to stop an attacker at standoff distances far beyond what is generally available on the market today (except with a lethal device) in order to disarm a threat before it escalates out of control, and without the need to use deadly force. Its ease of use and obtainability will make it a natural choice for both those homeowners that would never own a gun as well as a must-have add-on to any gun enthusiast's firearms collection.

On October 15, 2018, the Company announced that its common shares will be listed on the Canadian Securities Exchange ("CSE") commencing at the open of trading on Monday October 15, 2018. The Company's trading symbol "SDZ" remained the same. The Company's delisted from the TSX-V during the week of October 15, 2018.

On October 22, 2018, the Company entered into a securities purchase agreement with several accredited investors (the "Purchasers") and Northeast Industrial Partners, LLC as collateral agent for the Purchasers to sell $1,275,000 of units (the "Units"), with each $1,000 of Units consisting of (i) a $1,000 10% unsecured convertible promissory note (collectively the "Notes"), convertible into the Company's common stock, par value $.001 per share (the "Common Stock"), and (ii) four thousand (4,000) warrants (the "Warrants") each exercisable for one share of Common Stock at an exercise price of $0.25 per share, in a private placement pursuant to Regulation D under the Securities Act of 1933. The sale of the Units was closed on October 22, 2018.

In October 2018, the Company made a share issuance of 6,666,666 common shares to FinTekk AP, LLC ("FinTekk") at a price of $0.15 per share. The shares are issued pursuant to a debt settlement agreement, to retire certain debt owing by the Company to FinTekk, in connection with a sponsorship agreement (the "Sponsorship Agreement"). The Sponsorship Agreement details a marketing campaign for the launch of the Company's new Byrna™ HD product over the 2018 and 2019 fiscal years.

On November 4, 2018, the Company announced that it had partnered with Rick Ware Racing ("Rick Ware") to launch the Byrna HD during the 2018 and 2019 NASCAR Monster Energy Cup Series. The sponsorship marks the first of its kind for SDI and will bring the Byrna HD brand to the NASCAR Monster Cup Series for the first time. SDI will be a brand sponsor on Rick Ware Racing race cars for three race events throughout the remainder of the 2018 season and nine more in 2019, kicking-off with the Daytona 500

On November 14, 2018, the Company received a 3,000-unit purchase order for its Byrna HD from Dave Sheer Guns, a leading distributor of firearms and accessories in Africa. The initial purchase order includes 1,500 units in all black for the law enforcement and private security markets and 1,500 units in desert tan for the consumer market in South Africa. Dave Sheer Guns commenced operations in 1974 and is now one of the leading distributors of firearms and accessories on the African continent.

Products

SDI's business is the development, manufacture and sale of less-lethal ammunition and security devices. These products are used by the military, correctional services, police agencies, private security and consumers.

The Company has two commercially available product lines:

a) The Company has developed the BIP, a blunt impact projectile which uses pain compliance to control a target. The Company has developed eight versions of the standard BIP, seven 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 is developing the Byrna HD, a disruptive new non-lethal device aimed at the home defense and personal security markets. The Byrna fires .68 caliber projectiles containing chemical irritants designed to burn an assailant's eyes and respiratory system upon contact. It will also be able to hold inert rounds and impact rounds that can be used for training purposes.

Subsequent Events

On December 4-6, 2018, the Company presented at the 11th Annual LD Micro Main Event, at the Luxe Sunset Boulevard Hotel in Los Angeles, California. During SDI's presentation, management showcased the newly introduced Byrna HD non-lethal device aimed at the home defense and personal security markets.

On December 20, 2018, the Company issued a progress update on the Byrna HD non-lethal personal security device development timeline, and new 2019 commercial launch initiatives.

After conducting development testing using 3D printed prototypes, the Company began the process of validation testing of the Byrna HD using production parts. Development testing led to modifications to enhance the performance and life of the personal security device. Additionally, the Company decided to offer the Byrna in three more colors: black, desert tan and camouflage in addition to the original safety orange. The final phase of validation testing that commenced in December 2018 required factory production parts, availability of which was delayed by the holiday calendar and a key supplier advising that several custom part deliveries expected in December 2018 would not be available until January 2019, pushing back the final validation testing phase by several weeks.

The Company showcased the Byrna HD during DAYTONA Speedweeks at the Daytona International Speedway in Daytona Beach, Florida on February 9 to 17, 2019.

On February 4, 2019, the Company announced its launch pricing for the Byrna HD. The Company announced that it would accept pre-orders at Daytona and on its upcoming Byrna online store. The Company will offer the Byrna HD kit as a standalone product in either Byrna Orange, Black, or Desert Tan. A Digital Camouflage version will also be available at an additional charge. The basic Byrna kit will be offered at an MSRP of $349.99 but special package deals will be offered in conjunction with the launch of the product during

Speedweeks.

Intellectual Property

Seven patent applications, six non-provisional and one provisional, have been filed by the Company with the U.S. Patent Office. The Patents have been granted on the six non-provisional patents. The Company also owns the trademark for 'BIP'.

During the year ended November 30, 2018, the Company acquired a portfolio of registered patents, provisional patents, and other intellectual property relating to air and/or gas fired long guns or pistols, including pump action launchers and munitions used with such pistols and long guns, including self-stabilizing shaped or "finned" rounds (the "Portfolio").

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.

(e) Projectile: This invention relates to a non-lethal projectile to be fired using a paintball gun, and more particularly, but not exclusively, to an aerodynamic non-lethal projectile which is used for marking, inhibiting or administering medicinal or other chemical substances to live targets.

(f) Payload Carrying Arrangement for a Non-Lethal Projectile: This 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.

General

• As of November 30, 2018, SDI had both consultants and one employee.

• SDI's offices are located at 107 Audubon Road, Bldg. 2, Suite 201 Wakefield, MA 01880.

• SDI's websites are www.securitydii.com and www.byrna.com.

ITEM 2. DESCRIPTION OF PROPERTY

See Item 1 of this report.

ITEM 3. LEGAL PROCEEDINGS.

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

On December 11, 2018, SDI held an annual and special meeting (the "Meeting") of the Company's shareholders. At the Meeting, the shareholders of the Company (1) elected all five (5) of the Company's director nominees; (2) ratified the appointment of UHY McGovern Hurley LLP as the Company's independent registered public accounting firm for the fiscal year ended November 30, 2018; (3) approved the amendment to the Company's Certificate of Incorporation to increase the number of authorized shares of common stock to 300,000,000.

The following is a tabulation of the votes for each individual director nominee:

Director	**For**	**Withheld**	**Abstain**	**Broker Non-Vote**
Dean Thrasher	30,193,298	405,100		11,457,040
Bryan Ganz	30,193,398	405,000		11,457,040
Paul Jensen	30,253,398	345,000		11,457,040
Karen Bowling	30,253,298	345,100		11,457,040
Don Levantin	30,253,298	345,100		11,457,040

The following is a tabulation of the votes for (1) the ratification of the appointment of UHY McGovern Hurley LLP ("MH") as the Company's independent registered public accounting firm; (2) the approval of the amendment to the Company's Certificate of Incorporation to increase the number of authorized shares of common stock to 300,000,000:

Item Approved	For	Withheld/Against	Abstain	Broker Non-Vote
Ratification of MH	41,943,674	111,763		1
Amendment to Certificate of Incorporation	41,095,206	960,231		1

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 OTCQB "SDEV" and is also listed in Canada on the Canadian Security Exchange ("CSE") under the symbol "SDZ". The Company delisted from the TSX-V during the week of October 15, 2018 after listing with the CSE. 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 2018	$ 0.17	$ 0.13
May 2018	$ 0.19	$ 0.14
August 2018	$ 0.18	$ 0.14
November 2018	$ 0.17	$ 0.13
February 2017	$ 0.20	$ 0.12
May 2017	$ 0.14	$ 0.08
August 2017	$ 0.15	$ 0.06
November 2017	$ 0.15	$ 0.13

TSXV/CSE*

Three Months Ended	High CAD $	Low CAD$
February 2018	$ 0.21	$ 0.17
May 2018	$ 0.24	$ 0.18
August 2018	$ 0.24	$ 0.18
November 2018	$ 0.23	$ 0.19
February 2017	$ 0.23	$ 0.12
May 2017	$ 0.19	$ 0.13
August 2017	$ 0.19	$ 0.14
November 2017	$ 0.19	$ 0.15

* The Company de-listed from TSX-V during the week of October 15, 2018 and listed on the CSE

As of February 27, 2019, SDI had 103,093,442 issued and 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, 2018 and 2017. 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, 2018 (audited)	Year ended November 30, 2017 (audited)
Sales	$250,227	$292,508
Cost of sales	$186,068	$191,320
Selling, general and administrative Expenses	$2,125,896	$1,919,789
Foreign currency translation loss (gain)	($46,093)	$55,007
Depreciation	$19,392	$45,377
Net Loss	($2,153,474)	($2,800,251)
Loss per Share (Basic and Diluted)	($0.02)	($0.05)
Current Assets	$2,231,669	$2,165,406
Total Assets	$2,657,085	$2,192,357
Current Liabilities	$2,332,971	$973,558
Long Term Liabilities	$167,077	$892,176
Stockholders' Equity	$157,037	$326,623
Accumulated Deficit	($33,252,338)	($31,098,864)
Dividends	$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, 2018 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, 2018.

Comparison of Year Ended November 30, 2018 to Year Ended November 30, 2017

i. Overview

The Corporation has $250,227 of revenue during the year ended November 30, 2018 (2017: $292,508) and the Company continues to operate at a loss. The Company expects their operating losses to continue for so long as the Company does not generate adequate revenue. As of November 30, 2018, the Company had accumulated losses of $33,252,338 (November 30, 2017 - $31,098,864). The Company's 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 Company's major financial endeavor over the years has been its effort to raise additional capital.

ii. Assets

Total assets as of November 30, 2018, includes cash of $1,182,387, accounts receivable of $18,914, prepaid expenses and other receivables of $901,247, inventory of $129,121, patents for $106,334, deposit for equipment for $205,664 and property and equipment for $113,418, net of depreciation. Total assets as of November 30, 2017, includes cash of $1,965,043, accounts receivable of $36,412, prepaid expenses and other receivables of $6,648, inventory of $157,303, and property and equipment for $26,951, net of depreciation. Total assets increased from $2,192,357 on November 30, 2017 to $2,657,085 on November 30, 2018 primarily due to the increase in prepaid expenses and other receivables in 2018 arising out of issuance of common shares for advance payment of $750,000 in 2018 in relation to marketing services to be provided in 2019.

iii. Revenues

Revenue from operations during the year ended November 30, 2018 was $250,227 as compared to $292,508 during the year ended November 30, 2017.

iv. Net Loss

The Company's expenses are reflected in the consolidated statements of operation and comprehensive loss under the category of operating expenses. The significant components of expense that have contributed to the total operating expense are discussed as follows:

(a) Selling, general and administration expense

Selling, 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.

Selling, general and administration expense for the year ended November 30, 2018 was $2,125,896, as compared with $1,919,789 for the year ended November 30, 2017. General and administration expense increased by $206,107 in the current year, as compared to the prior year. The primary reasons for the change in general and administrative costs is as follows:

In October 2018, the Company made a share issuance of 6,666,666 common shares to FinTekk AP, LLC ("FinTekk") at a price of $0.15 per share. The shares are issued pursuant to a debt settlement agreement, to retire a certain debt owing by the Company to FinTekk, in connection with a sponsorship agreement (the "Sponsorship Agreement"). The Sponsorship Agreement details a marketing campaign for the launch of the Company's new Byrna™ HD product over the years 2018 and 2019 fiscal years and recognized $250,000 as expense for 2018 (2017: $Nil).

The Company expensed stock-based compensation expense (included in general and administrative expenses) for issue of options for $128,799 during the year ended November 30, 2018. In 2017, the Company expensed stock-based compensation expense (included in general and administrative expenses) for issue of options for $214,112. 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 Company for the quarter ended November 30, 2018 as well as the seven quarterly periods completed immediately prior thereto are set out below:

	For the three months ended November 30, 2018 ($)	For the three months ended August 31, 2018 ($)	For the three months ended May 31, 2018 ($)	For the three months ended February 28, 2018 ($)	For the three months ended November 30, 2017 ($)	For the three months ended August 31, 2017 ($)	For the three months ended May 31, 2017 ($)	For the three months ended February 28, 2017 ($)
Revenues	30,112	53,257	138,742	28,116	82,550	70,353	97,172	42,433
Net Loss	(1,194,802)	(118,651)	(484,309)	(355,712)	(1,416,994)	(561,701)	(681,588)	(139,968)
Loss per Weighted Average Number of Shares Outstanding –Basic and Fully Diluted	(0.01)	(0.001)	(0.005)	(0.004)	(0.02)	(0.01)	(0.001)	(0.002)

Quarterly activities and financial performance are impacted by the Company’s ability to raise capital for its activities and the change in fair value of derivative liabilities.

Secured Convertible Debentures $978,361 (2017: $892,176)

The CAD$1,363,000 ($1,015,026) of Series B Secured Convertible Debentures (Subordinate Secured Debentures) were issued pursuant to the Trust Indenture agreement dated December 7, 2016 (the “Indenture”) in exchange for the Unsecured Debentures in equal principal amount and an additional CAD$36,000 ($26,809) of Series B Secured Convertible Debentures were issued pursuant to the Indenture in payment of accrued interest. These debentures mature on June 6, 2019 and bear interest at 12% per annum, payable semi-annually. The debentures are secured by all the assets of the Company. The principal amount, plus accrued interest, may be converted at the option of the holder at any time during the term to maturity into shares of the Company’s common stock at a conversion price of $0.24 (CAD $0.31) per share subject to anti-dilution protection with a minimum conversion price of $0.135 and for capital reorganization events. The debentures also embody certain traditional default provisions that are linked to credit or interest risks, such as bankruptcy proceedings, liquidation events and corporate existence. The Company has concluded that the embedded conversion option is not indexed to its stock because it did not pass all eight conditions of equity classification provided in ASC 815. Therefore, the embedded conversion option is subject to classification in the financial statements in liabilities at fair value both at inception and subsequently.

The Company has evaluated the terms and conditions of the debentures under the guidance of ASC 815. All three criteria under ASC 815-15-25-1 are met and therefore, the conversion feature requires classification and measurement as derivative financial instruments. Accordingly, the evaluation resulted in the conclusion that this derivative financial instrument requires bifurcation and liability classification, at fair value. Current standards contemplate that the classification of financial instruments requires evaluation at each report date.

The following table reflects the allocation of the purchase on December 7, 2016:

Secured convertible notes		Face Value
(CAD $1,399,000)	$	1,041,835
Proceeds		1,041,835
Embedded derivative		(285,612)
Carrying value	$	756,223

The carrying value of these debentures at November 30, 2018 is CAD $1,301,359 ($978,361) and at November 30, 2017 was CAD $1,149,563 ($892,176).

Discounts (premiums) on the convertible notes arise from (i) the allocation of basis to other instruments issued in the transaction, (ii) fees paid directly to the creditor and (iii) initial recognition at fair value, which is lower than face value. Discounts (premiums) are amortized through charges (credits) to interest expense over the term of the debt agreement. Amortization of debt discounts (premiums) amounted to CAD $151,795 ($118,898) during the year ended November 30, 2018 and CAD$134,089 ($103,034) during the period from inception to November 30, 2017. During the year ended November 30, 2018, the Company recorded interest expense for $131,085 (2017: $125,079).

Convertible Notes $167,077 (2017: $nil)

On October 22, 2018, the Company entered into a Securities Purchase Agreement with several accredited investors to sell $1,275,000 of units, with each $1,000 of unit consisting of (i) a $1,000 10% interest unsecured convertible promissory note (collectively the “Notes”) due April 15, 2020, convertible into the Company’s common stock at a conversion price of $0.15 per share, and (ii) four thousand (4,000) warrants each exercisable for one share of common stock at an exercise price of $0.25 per share on or before the five year anniversary of the issuance. The notes are secured secondary by all of the Company assets and accrue interest at 10% per annum, payable in cash at maturity. However, the principal amount, plus accrued interest, may be converted at the option of the holder at any time during the term to maturity into shares of common stock at a conversion price of $0.15 per share subject to anti-dilution protection. The note embodies certain traditional default provisions that are linked to credit or interest risks, such as bankruptcy proceedings, liquidation events and corporate existence. The Company concluded that the embedded conversion option is not indexed to our stock because it did not pass all eight conditions of equity classification provided in ASC 815. Therefore, the embedded conversion option is subject to classification in the financial statements in liabilities at fair value both at inception and subsequently.

The Company evaluated the terms and conditions of the Debenture and Notes under the guidance of ASC 815. All three criteria under ASC 815-15-25-1 are met and therefore, the conversion feature requires classification and measurement as derivative financial instruments. Accordingly, the evaluation resulted in the conclusion that this derivative financial instrument requires bifurcation and liability classification, at fair value. Current standards contemplate that the classification of financial instruments requires evaluation at each report date.

The following table reflects the allocation of the purchase on October 22, 2018:

Proceeds	$	1,275,000
Convertible notes	$	(131,547)
Derivative liability-convertible promissory notes	$	(619,364)
Additional paid in capital (equity warrants)	$	(524,089)

The Company issued 5,100,000 warrants. The relative fair value of these warrants was estimated at $524,089 using the Binomial Lattice option pricing model and reflected in additional paid-in capital. Discounts (premiums) on the convertible notes arise from (i) the allocation of basis to other instruments issued in the transaction, (ii) fees paid directly to the creditor and (iii) initial recognition at fair value, which is lower than face value. Discounts (premiums) are amortized through charges (credits) to interest expense over the term of the debt agreement. Amortization of debt discounts (premiums) amounted to $35,530 during the year ended November 30, 2018 (November 30, 2017: $Nil) resulting in the carrying value of convertible notes at $167,077 as at November 30, 2018 (November 30, 2017: $Nil). During the year ended November 30, 2018, the Company recorded interest expense for $16,767 (2017: $Nil).

Derivative Liabilities

Derivative Liabilities

The carrying value of the embedded derivative liability is reflected on the balance sheet, with changes in the carrying value being recorded as derivative gain (loss) on the income statement.

The components of the embedded derivative as of November 30, 2017 are:

Financings giving rise to derivative financial instruments	Indexed Shares		Fair Value
Convertible Secured Debentures December 7, 2016	8,044,853	$	539,860
	8,044,853	$	539,860

The components of the embedded derivative as of November 30, 2018 are:

Financings giving rise to derivative financial instruments	Indexed Shares		Fair Value
Convertible Secured Debentures December 7, 2016	8,044,853	$	426,016
Convertible Notes October 22, 2018	8,500,000		531,285
	16,544,853	$	957,301

The following table summarizes the effects on gain (loss) associated with changes in the fair values of derivative financial instruments by type of financing for the twelve months ended November 30, 2018 and 2017:

Our financings giving rise to derivative financial instruments and the income effects:		Twelve Months Ended November 30, 2018	Twelve Months Ended November 30, 2017
Convertible Secured Debentures December 7, 2016	$	100,464	(239,802)
Convertible Notes October 22, 2018	$	88,079	—
		188,543	(239,802)

vi. Liquidity and Capital Resources

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

		Year ended November 30, 2018		Year ended November 30, 2017
Cash and cash equivalent	$	1,182,387	$	1,965,043
Working capital (deficit)	$	(101,302)	$	1,191,848
Cash used in operating activities	$	(1,596,120)	$	(1,471,031)
Cash used in investing activities	$	(421,523)	$	(21,844)
Cash provided (used) by financing activities	$	1,234,643	$	3,238,066

As of November 30, 2018, the Company had working capital deficit of $(101,302) as compared to working capital of $1,191,848 as of November 30, 2017. Working capital decreased primarily as a result of reduction in cash and cash equivalents resulting from usage of cash in operations and investments for the Company’s efforts towards the Byrna launch and with lower proceeds of cash from financing in 2018 as compared to the prior year.

Net cash used in operations for the year ended November 30, 2018, was $1,596,120 as compared to $1,471,031 used for the year ended November 30, 2017. The major components of change relate to:

1) Items not affecting cash:

Stock based compensation of $128,799 in 2018, as compared to $214,112 in 2017.

November 30, 2018

On March 27, 2017, the board of directors granted options to the CEO to acquire a total of 1,150,000 common shares. The Company expensed $39,046 for the value of options which vested during the year ended November 30, 2018.

On April 13, 2018, the board of directors granted 1,500,000 options for shares of the Company’s common stock to the CTO, André Buys. The Company expensed $10,568 for the value of options which vested during the year ended November 30, 2018.

On October 22, 2018, the board of directors granted 400,000 options to directors and 250,000 options to a consultant for a total of 650,000 options. The Company expensed $79,185 for value of options which vested during the year ended November 30, 2018.

November 30, 2017

On March 27, 2017, the board of directors granted options to the CEO to acquire a total of 1,150,000 common shares. These options were issued at an exercise price of CAD $0.13 ($0.10) per share and vest thirty-three and one-third (33 1/3) percent every six months commencing January 1, 2017, with an expiry term of five years. The Company expensed stock- based compensation expense for $61,358.

On May 26, 2017, the board of directors granted 895,000 options to directors and 75,000 options to a consultant to acquire a total of 970,000 common shares. These options were issued at an exercise price of CAD $0.20 ($0.15) per share and vest immediately with an expiry term of five years. The Company expensed stock- based compensation expense for $124,326.

On June 19, 2017, the board of directors granted options to an employee to acquire a total of 150,000 common shares. These options were issued at an exercise price of CAD $0.20 ($0.15) per share and vest immediately with an expiry term of five years. The Company expensed stock- based compensation expense for $17,795.

On August 10, 2017, the board of directors granted options to a new director to acquire a total of 96,667 common shares. These options were issued at an exercise price of CAD $0.20 ($0.16) per share and vest immediately with an expiry term of five years. The Company expensed stock- based compensation expense for $10,633.

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

The Company's inventory decreased by $28,182 as compared to an increase of $149,980 in 2017. The decrease in inventory resulted due to lower investment in Company's inventory and an increase in reserve for slow moving inventory by $21,236. Prepaid expenses and other receivables increased by $896,176 in 2018 as compared to a decrease by $44,021 in 2017. The primary reason for increase in prepaid expenses and other receivables is the prepayment for $750,000 relating to marketing of the Company's new Byrna product in 2019.

Net cash outflow from investing activities was an outflow of ($421,523) in 2018 as compared to an outflow of ($21,844) in 2017. During the current year the Company acquired patents for $110,000 (2017: $Nil), property and equipment for $105,859 (2017: $21,844) and advanced $205,664 (2017: $Nil) as deposit for equipment.

Net Cash flow from financing activities was an inflow of $1,234,643 for the year ended November 30, 2018 as compared to an inflow of $3,238,066 for the year ended November 30, 2017. The inflow in 2018 reflected raise of convertible debt and inflow of 2017 reflected the raise from both convertible debt and equity.

On October 22, 2018, the Company entered into a Securities Purchase Agreement with several accredited investors to sell $1,275,000 of units, with each $1,000 of unit consisting of (i) a $1,000 10% interest unsecured convertible promissory note (collectively the "Notes") due April 15, 2020, convertible into the Company's Common Stock at a conversion price of $0.15 per share, and (ii) four thousand (4,000) warrants each exercisable for one share of Common Stock at an exercise price of $0.25 per share on or before the five year anniversary of the issuance. The notes are secured secondary by all of the Company assets and accrues interest at 10% per annum, payable in cash at maturity.

vii. Off-Balance Sheet Arrangement.

The Company had no off-balance sheet arrangements as of November 30, 2018 and 2017.

viii. Commitments

a) Consulting agreements:

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

The Company executed a consulting agreement effective July 1, 2018 with a corporation owned by the executive chairman. The contract, unless renewed expires on March 31, 2019. During the service term, the Company will pay $3,500 per month and in addition, issue 180,000 common shares of the Company on a quarterly basis until the end of the term. Each quarterly installment is due the 15th day of the following month after the quarter. The common shares will be priced at the volume weighted average trading price per common share over the 20-day period proceeding the due date.

Effective as of October 1, 2017, the Company entered into an employment agreement (the "Employment Agreement") with Paul Jensen ("Jensen") pursuant to which Jensen serves as President and COO of the Company. By the terms of the Employment Agreement, Jensen will receive an annual salary of $200,000, payable as follows. For the period beginning on October 1, 2017 and ending on June 30, 2018, Jensen shall receive quarterly payments of the Company's common stock, to be issued 15 days after the end of each three-month quarter. The shares issued shall be valued based upon the weighted average closing price of the Company's shares for the twenty (20) trading days prior to the end of the applicable quarter. Commencing July 1, 2018, the Company will pay $10,000 per month in cash and the balance in Company stock. At such time as the Company can pay the entire salary in cash and be cash positive on an operating basis, the entire monthly salary will be paid in cash.

On April 13, 2018, the Company entered into a Purchase and Sale Agreement (the "Agreement") with André Buys, ("Buys") a resident of South Africa, pursuant to which the Company purchased from Buys a portfolio of registered patent rights and other intellectual property relating to air and/or gas fired long guns or pistols, including pump action launchers and munitions used with such pistols and long guns, including self-stabilizing shaped or "finned" rounds (the "Portfolio"). As consideration for the Portfolio, the Company (i) paid Buys $100,000, (ii) agreed to pay Buys either $500,000 in cash or $750,000 worth of Company stock within two years (the "Second Payment") and (iii) agreed to pay Buys certain royalty payments for sales of products by the Company using technology covered by the Portfolio. In addition, the Company employed Buys as the CTO and for services issued 1,500,000 options for shares of the Company's common stock to Buys with a strike price of $0.16 and a trigger price of $0.30, $0.50 and $1.00 for each batch of 500,000 options, respectively. The

Company's stock price must close above the trigger price for 20 days in order for the option to be triggered. The options shall have a seven-year life from grant date and Buys must remain employed by the Company for three years in order for the options to vest. Until the earlier of, the second anniversary or the date the Second Payment is made, the royalty will be 10% of the Net Sales Price ("NSP"). The royalty will then be reduced to 4% till the sixth anniversary, 3% till the eighth anniversary, and 2% till the last expiration date of any of the intellectual property in the Portfolio. Until the royalty exceeds $25,000 per year, the Company is committed to a minimum payment of $25,000 per year effective on the earlier of one year from closing or upon Buys relocation to Boston. In the event that the Company fails to make the Second Payment, the Portfolio would revert to Buys, but the Company would retain perpetual, irrevocable, exclusive and non-exclusive licenses to use technology with respect to the Portfolio and any technology developed within two years of April 13, 2018. As the substance of the purchase and sale agreement has been determined to be that of an option agreement, the Company has not recorded any amount related to the Second Payment. The Company agrees that it will not terminate Buys except for cause prior to April 2021. As a result, the minimal commitment relating to the employment contract is $320,000 payable over a period of 32 months.

Effective June 1, 2018 the Company entered into a consulting agreement with Ganz pursuant to which Ganz serves as President of the Company. By the terms of the consulting agreement, Ganz will be paid annually $200,000 in the Company's common shares for his service, subject to stock exchange approval. The common shares shall be issued quarterly, ending March 31, 2019. For the Company's 2018 fiscal third and fourth quarter the President shall be paid 500,000 common shares for each quarter. Commencing on the Company's first quarter of 2019, Ganz will be issued an ongoing 250,000 common shares every quarter for his services.

Effective October 29, 2018, the Company entered into a consulting agreement with a consultant pursuant to which the consultant serves as Chief Legal Officer ("CLO") of the Company. By the terms of the consulting agreement, the consultant will be paid a total of 250,000 common shares for the services calculated at 83,333 common shares per month commencing November 1, 2018 and expires on January 31, 2019. A total of 166,666 common shares were issued on January 23, 2019 and balance 83,333 common shares due on February 15, 2019.

Effective November 1, 2018, the Company entered into consulting agreements (the "Consulting Agreements") with two consultants. The consultants will each be paid $7,500 per month commencing November 1, 2018 and to be increased to $10,000 per month subsequent to the month the Company begins shipping the Byrna HD product to customers. The term of the contracts with the consultants continue until December 31, 2019. In addition, and subject to board approval (received subsequent to November 30, 2018), the Company issued to each consultant 750,000 warrants (the "incentive warrants") to purchase common shares of the Company at a strike price equal to the average trading price of the Company on the OTC QB during the 20 business days proceeding such approval. 50% of the incentive warrants vested upon issuance and balance vest upon the completion of the service term. The incentive warrants have a three-year life.

b) Lease commitments

The Company has commitments for leasing office premises in Wakefield, Massachusetts, USA to June 27, 2019, at a monthly rent of $700.

EXCLUSIVE SUPPLY AND PURCHASE AGREEMENTS

The Company entered a Development, Supply and Manufacturing Agreement with the BIP manufacturer on August 1, 2017. This agreement provides the Company to order and purchase only from the BIP manufacturer certain BIP assemblies and components for use by the Company to produce less-lethal and training projectiles as described in the agreement in North America. The agreement is for a term of four years with an automatic extension for additional one- year terms if neither party has given written notice of termination at least sixty (60) days prior to the end of the then- current term.

The Company entered a License and Supply Agreement with Safariland, LLC on May 1, 2017. This agreement provides the Company to license and sell only to Safariland, LLC for certain BIP standard payloads for integration with and production of certain less-lethal impact munitions in North America. This agreement is for a term of four years with an automatic extension for an additional one-year term if neither party have given written notice of termination at least ninety (90) days prior to the end of the then-current term.

Cash Requirements

At November 30, 2018, the Company had cash of $1,182,387, accounts receivable of $18,914, inventory of $129,121 and prepaid expense and other receivables of $901,247. Current liabilities comprise accounts payable and accrued liabilities for $397,309, secured convertible debentures for $978,361 and derivative liability for $957,301. For the year ended November 30, 2018, the Company's cash outflow from operations was $1,596,120. As such, the Company will require cash to meet its expenses over the next twelve months of its operations.

Capital Stock

Year ended November 30, 2018

In March 2018, the Company made a share issuance to Northeast Industrial Partners pursuant to a consulting agreement. SDI issued 507,550 common shares at a price of $0.1231 per share to satisfy the payment of $62,500 due in December 2017.

In March 2018, the Company made a share issuance to Paul Jensen pursuant to his employment agreement. SDI issued 339,370 common shares at a price of $0.1473 per share to satisfy the payment of $50,000, due January 15, 2018.

In May 2018, the Company made a share issuance to Paul Jensen pursuant to his employment agreement. SDI issued 334,154 common shares at a price of $0.1496 per share to satisfy the payment of $50,000, due April 15, 2018.

In July 2018, the Company made a share issuance to Paul Jensen pursuant to his employment agreement. SDI issued 298,880 common shares at a price of $0.1673 per share to satisfy the payment of $50,000, due July 15, 2018.

In November 2018, the Company made a share issuance to Paul Jensen pursuant to his employment agreement. SDI issued 136,146 common shares at a price of $0.1469 per share to satisfy the payment of $20,000, due October 15, 2018.

In November 2018, the Company made a share issuance to Bryan Ganz pursuant to a consulting agreement. SDI issued 500,000 common shares at a price of $0.1451 per share for a total consideration of $72,573 to satisfy the payment for services for fiscal third quarter.

In November 2018, the Company made a share issuance to a corporation owned by Dean Thrasher under the consulting agreement. SDI issued 180,000 common shares at a price of $0.1533 per share for a total consideration of $27,600 due September 15, 2018.

In October 2018, the Company made a share issuance of 6,666,666 common shares to FinTekk AP, LLC ("FinTekk") at a price of $0.15 per share. The shares are issued pursuant to a debt settlement agreement, to retire certain debt owing by the Company to FinTekk, in connection with a sponsorship agreement (the "Sponsorship Agreement"). The Sponsorship Agreement details a marketing campaign for the launch of the Company's new Byrna™ HD product over the years 2018 and 2019 fiscal years and recognized $750,000 as a prepaid expense.

Year ended November 30, 2017

In January 2017, the Company made the second share issuance to Northeast Industrial Partners pursuant to a consulting agreement. The Company issued 589,414 common shares at a price of $0.0848 per share to satisfy the payment of $50,000 due on November 15, 2016.

In March 2017, the Company made the third share issuance to Northeast Industrial Partners pursuant to a consulting agreement. The Company issued 503,251 common shares at a price of $0.0994 per share to satisfy the payment of $50,000 due on February 15, 2017.

In June 2017, the Company made the fourth and final share issuance to Northeast Industrial Partners pursuant to a consulting agreement. The Company issued 534,941 common shares at a price of $0.0935 per share to satisfy the payment of $50,000 due on May 15, 2017.

In October 2017, the Company made a further share issuance to Northeast Industrial Partners under the consulting agreement announced on June 20, 2016 and extended as announced on June 16, 2017. The Company issued 498,423 common shares at a price of $0.1254 per share to satisfy the payment of $62,500 due in August 2017.

On November 28, 2017, the Company closed the sale of 35,783,612 units on a private placement basis for gross proceeds of $3,793,063 (net proceeds of $3,669,120). Share issue costs related to this issuance totaled $123,943. This includes the issuance of 17,648,258 units, issued to settle the 2016 secured convertible debt for $1,500,000 along with interest as well as additional $113,044 in debt which comprised of a promissory note for $72,585 (CAD $89,040) and unsecured convertible debentures for $39,159 (CAD$50,000) plus accrued interest of $1,300.

Each unit consists of one common share of Company stock and one-half of a warrant. Each whole warrant is exercisable for one common share of the Company stock on or before November 28, 2022 at an exercise price of $0.18. If the average closing price of the common shares is over $0.36 per share for a period of 20 consecutive trading days ending after November 28, 2019, the Company may give notice to the registered holders of the warrants accelerating the expiry date to a date not less than 30 days following the date of that notice.

J Streicher Capital, LLC (the "Agent") acted as exclusive Agent for the brokered portion of the private placement which totaled $1,922,348. The Agent received a cash commission of $60,669 and 572,354 agent warrants. Each agent warrant is exercisable for one common share of the Company stock on or before November 28, 2022 at an exercise price of $0.15. If the closing price of the common shares is over $0.30 per share for a period of 20 consecutive trading days ending after November 28, 2019, the Company may give notice accelerating the expiry date of the agent warrants to a date not less than 30 days following the date of that notice.

Related Parties

Year ended November 30, 2018

As of November 30, 2018, there are no amounts receivable from related parties.

As of November 30, 2018, the Company had a payable of $137,780 to related parties. During the year ended November 30, 2018, the Company reimbursed directors for travel and related expenses for $94,000.

Effective as of October 1, 2017, the Company entered into an employment agreement (the "Employment Agreement") with Paul Jensen ("Jensen") pursuant to which Jensen serves as President and Chief Operating Officer ("COO") and effective July 13, 2018 serves as CEO of the Company. By the terms of the Employment Agreement, Jensen will receive an annual salary of $200,000, payable as follows. For the period beginning on October 1, 2017 and ending on June 30, 2018, Jensen shall receive quarterly payments of the Company's common stock, to be issued 15 days after the end of each three-month quarter. Commencing July 1, 2018, the Company will pay $10,000 per month in cash and the balance in Company common stock. At such time as the Company can pay the entire salary in cash and be cash positive on an operating basis, the entire monthly salary will be paid in cash. The Company expensed $200,000 for the services for the year ended November 30, 2018 which includes $136,667 for issuance of 882,303 common shares for services and an accrual for $13,333 for issuance of proportionate shares, in accordance with the consulting contract.

The Company expensed $45,500 for services provided by Rakesh Malhotra, Chief Financial Officer ("CFO") of the Company which was paid to a corporation in which the CFO has an ownership interest, pursuant to the consulting contract.

The Company expensed $156,580, which includes $27,600 for the issuance of 180,000 common shares for services and an accrual for $19,200 for issuance of proportionate shares, pursuant to a consulting contract, for services provided by Dean Thrasher the CEO until July 13, 2018 and effective July 13, 2018, the executive chairman of the Company. This was paid to a corporation in which Dean Thrasher has an ownership interest.

On March 27, 2017, the board of directors granted options to the CEO to acquire a total of 1,150,000 common shares. The Company expensed $39,046 for the value of options which vested during this period.

In March 2018, the Company made a share issuance to NEIP under a consulting agreement. The Company issued 507,550 common shares at a price of $0.1231 per share to satisfy the payment of $62,500 due in December 2017.

On April 13, 2018, the Company employed Buys as the CTO with compensation of $10,000 per month over a three-year period. The Company expensed $75,000 during the year ended November 30, 2018. On April 13, 2018, the Company granted options to Buys to acquire a total of 1,500,000 common shares. The Company expensed $10,568 for the value of options which vested during this period.

Effective June 1, 2018 the Company entered into a consulting agreement with Ganz pursuant to which Ganz serves as President of the Company. By the terms of the consulting agreement, Ganz will be paid annually $200,000 in the Company's common shares for his services and subject to stock exchange approval. The common shares shall be issued quarterly, ending March 31, 2019. For the Company's third and fourth 2018 fiscal quarters, Ganz shall be paid 500,000 common shares for each quarter. The Company expensed $149,466 being cost for services being compensated by issuance of shares, which includes $72,573 for common shares issued for services and an accrual for $76,893 for issuance of proportionate shares, in accordance with the consulting contract.

During the year ended November 30, 2018, the Company issued 400,000 options to directors. The Company expensed $48,730 for the grant date fair value of options which vested during the year.

On October 22, 2018, the Company entered into a Securities Purchase Agreement with several accredited investors to sell $1,275,000 of units, with each $1,000 of unit consisting of (i) a $1,000 10% interest unsecured convertible promissory note (collectively the "Notes") due April 15, 2020, convertible into the Company's Common Stock at a conversion price of $0.15 per share, and (ii) four thousand (4,000) warrants each exercisable for one share of Common Stock at an exercise price of $0.25 per share on or before the five year anniversary of the issuance. The directors of the Company subscribed for a total value of $100,000 of units.

Effective December 1, 2017, the Company leased office premises at Wakefield, Massachusetts, USA for rent of $700 plus services per month from a corporation owned and controlled by a director of the Company. The Company expensed $12,939 as office rent for the year ended November 30, 2018. As of November 30, 2018, the Company has a payable for $3,353 for the rent.

Year ended November 30, 2017

As of November 30, 2017, the Company had a payable of $110,833 to related parties. During the year ended November 30, 2017, the Company reimbursed directors for travel and related expenses for $32,500.

As of November 30, 2017, there are no amounts receivable from related parties.

Effective July 21, 2016, Bryan Ganz was elected as a director of the Company. Prior to his appointment, effective May 1, 2016, the Company executed a one-year consulting agreement with Northeast Industrial Partners, LLC (“NEIP”), a corporation in which the said director has an ownership interest. In January 2017, the Company issued 589,414 common shares at a price of $0.1142 per share to satisfy the payment of $50,000 due on November 15, 2016. In March 2017, the Company issued 503,251 common shares at a price of $0.0994 per share to satisfy the payment of $50,000 due on February 15, 2017. In May 2017, the Company made the final share issuance and issued 534,941 common shares at a price of $0.0935 per share to satisfy the payment of $50,000 due on May 15, 2017. Effective May 1, 2017, the Company and NEIP renewed the agreement. For services rendered by NEIP during the extension, SDI shall pay NEIP $62,500 within 15 days following every consecutive three-month period during the extension. The payment shall be made by issuance of stock.

In September 2017, the Company made a further share issuance to NEIP and issued 498,423 common shares at a price of $0.1254 per share to satisfy the payment of $62,500 due in August 2017. The agreement was terminated on October 31, 2017. The Company accrued a payable for $62,500 as of November 30, 2017 and this expense was subsequently settled and paid by issuance of shares during the year ended November 30, 2018 (See note 5). In addition, the Company executed a one-year back-office accounting and administration services agreement with NEIP effective January 1, 2017 to pay compensation of $7,500 per month. As at November 30, 2017, the Company has an outstanding payable to NEIP of $15,000 under this back- office accounting and administration services agreement. The Company expensed $82,500 for services provided during the year ended November 30, 2017.

On December 7, 2016, NEIP participated in the 10% senior secured convertible debt issuance by investing $100,000 in a private placement along with outside investors. This debt along with interest of $17,178 was settled in November 2017 by issuance of 1,105,454 units at $0.106 per unit being the same terms as the private placement.

Effective as of October 1, 2017, the Company entered into an Employment Agreement with Jensen. By the terms of the Employment Agreement, Jensen will receive an annual salary of $200,000, payable as follows. For the period beginning on October 1, 2017 and ending on June 30, 2018, Jensen shall receive quarterly payments of the Company’s common stock, to be issued 15 days after the end of each three-month quarter (see note 11). The Company accrued a payable for $33,333 for the months of October and November as of November 30, 2017 and this expense was subsequently settled and paid by the issue of shares during the year ended November 30, 2018 (See note 5).

On November 28, 2017, Paul Jenson and Don Levantin participated in the issuance of units by investing $100,000 and $7,500, respectively, in the private placement along with outside investors.

On August 10, 2017, the Company issued a promissory note to Don Levantin, a director of the Company for cash advance receipt for $72,585 (CAD $89,040) at 12% per annum and repayable on February 16, 2018. In November 2017, the said note was settled, and the director was issued 684,762 units at $0.106 per unit being the same terms as the private placement.

The Company expensed $37,000 for services provided by the CFO of the Company which was paid to a corporation in which the CFO has an ownership interest. The Company expensed $156,000 (CAD$200,000) for services provided by the CEO of the Company and which was paid part in salary and part to two corporations in which the CEO has an ownership interest, in accordance with the consulting contract.

During the year ended November 30, 2017, the Company issued 2,141,667 options to directors. The Company expensed $186,704 for fair value of options which vested during this period.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). Subsequently, the FASB issued several updates to ASU 2014-09, which are codified in Accounting Standards Codification ("ASC") Topic 606 ("ASC 606"). ASC 606 also includes new guidance on costs related to a contract, which is codified in ASC Subtopic 340-40 ("ASC 340-40"). In applying ASC 606, revenue is recognized when control of promised goods or services transfers to a customer and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. The major provisions of the new standard include: the determination of enforceable rights and obligations between parties; the identification of performance obligations including those related to material right obligations; the allocation of consideration based upon relative standalone selling price; accounting for variable consideration; the determination of whether performance obligations are satisfied over time or at a point in time; and enhanced disclosure requirements. ASC 606 will be effective for the Company beginning December 1, 2018 and permits two methods of adoption: retrospectively to each prior reporting period presented ("full retrospective method") or retrospectively with the cumulative effect of the initial application recognized at the date of initial application ("modified retrospective method"). The Company is in the process of evaluating the amendments to determine if they have a material impact on the Company's financial position, results of operations or cash flow.

In May 2017, the FASB issued ASU No. 2017-09, "Compensation - Stock Compensation: Scope of Modification Accounting," which provides guidance about which changes to the terms or conditions of a share- based payment award require an entity to apply modification accounting. An entity will account for the effects of a modification unless the fair value of the modified award is the same as the original award, the vesting conditions of the modified award are the same as the original award and the classification of the modified award as an equity instrument or liability instrument is the same as the original award. The update is effective for fiscal year 2019. The update is to be adopted prospectively to an award modified on or after the adoption date. Early adoption is permitted. The Company is in the process of evaluating the amendments to determine if they have a material impact on the Company's financial position, results of operations or cash flow.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall (subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01). This amendment requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. The amendment simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. It eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. The amendment requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. Additionally, the update requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments and requires an entity to separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements. The standard is effective for the Company on December 15, 2017, with early adoption permitted. The Company is evaluating the effect that ASU 2016-01 will have on its financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The FASB issued the update to require the recognition of lease assets and liabilities on the balance sheet of lessees. ASU 2016-02 will be effective for the Company on December 1, 2019, including interim periods. ASU 2016-02 requires a modified retrospective transition method with the option to elect a package of practical expedients. Early adoption is permitted. The Company is evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (ASU 2017-04). The FASB issued the update to simplify the measurement of goodwill by eliminating step 2 from the goodwill impairment test. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. ASU 2017-04 will be effective for public companies for fiscal years beginning after December 15, 2019, including interim periods. Early adoption is permitted. The Company is evaluating the effect that ASU 2017-04 will have on its financial statements and related disclosures.

In July 2017, the FASB issued ASU 2017-11, *Earnings Per Share (Topic: 260), Distinguishing Liabilities from Equity (Topic: 480), Derivatives and Hedges (Topic 815)* (ASU 2017-11). FASB issued the update to simplify the accounting for certain financial instruments with down round features. ASU 2017-11 will be effective for public companies for fiscal years beginning after December 15, 2018, including interim periods. Earlier adoption is permitted for all entities as of the beginning of an interim period for which financial statements (interim or annual) have not been issued or have not been made available for issuance.

In June 2018, the FASB issued ASU 2018-07, *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting* (ASU 2018-07). FASB issued the update to include share-based payment transaction for acquiring goods or services from nonemployees in Topic 718, *Compensation – Stock Compensation.* ASU 2018-07 will be effective for public companies for fiscal years beginning after December 15, 2018, including interim periods. Early adoption is permitted, but no earlier than a company's adoption date of Topic 606, *Revenue from Contracts with Customers*.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic: 820): Disclosure Framework – Changes to the*

Disclosure Requirements for Fair Value Measurement (ASU 2018-13). FASB issued the update to modify the disclosure requirements in Topic 820. ASU 2018-07 will be effective for public companies for fiscal years beginning after December 15, 2018, including interim periods. Early adoption is permitted.

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 Company 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. Please refer to note 3 of the financial statements.

Risk Factors

Secured Convertible Debentures

On December 7, 2016, the Company entered a securities purchase agreement with several accredited investors to sell $1,500,000 of 10% senior secured convertible notes, convertible into shares of the Company's common stock, in a private placement pursuant to Regulation D under the Securities Act of 1933. Concurrent with the sale of the Secured Notes, CAD$1,363,000 ($1,015,026) of the Company's outstanding Unsecured Debentures, were exchanged for an equal principal amount of the Subordinate Secured Debentures and an additional CAD$36,000 ($26,809) of Subordinated Secured Debentures were issued in satisfaction of a portion of the accrued interest on the Unsecured Debentures. The Company settled the debt with the Senior Secured Notes during the year and the Subordinated Secured Debentures remain outstanding and mature on June 6, 2019, unless converted or extended and are secured against the undertaking, property and assets of the Company including its patents. Inability to repay the secured debt on maturity, if the debt is neither converted nor extended, will result in the financial condition of the Company to be materially adversely affected.

Additional Financing

The Company 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 Company looking to obtain such additional financing could result in delay or indefinite postponement of the Company's deployment of its products, resulting in the possible dilution. Any such financing will dilute the ownership interest of the Company'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 Company'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 Company can generate substantial revenue growth, or that any revenue growth that is achieved can be sustained. Revenue growth that the Company has achieved or may achieve may not be indicative of future operating results. In addition, the Company 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 Company's business, operating results and financial condition will be materially adversely affected.

Dependence on Management and Key Personnel

The Company is dependent on certain members of its management. The loss of the services of one or more of them could adversely affect the Company. The Company'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 Company will be able to continue to recruit and retain such personnel. The inability of the Company to recruit and retain such personnel would adversely affect the Company's operations and product development.

Dependence on Key Suppliers

The Company 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 Company 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 Company's business, operating results and financial conditions.

The Company 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 Company. A product recall could have a material adverse effect on the business or financial condition of the Company.

Strategic Alliances

The Company 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 Company 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 Company 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 Company 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 Company 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 Company'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 Company'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 Company 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 Company's products or which render the products currently sold by the Company 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 Company 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 Company 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 Company's industry is highly competitive and composed of many domestic and foreign companies. The Company 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 Company to changes in end-user requirements and devote greater resources to the enhancement, promotion and sale of their products.

Regulation

The Company 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 Company 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 Company's results of operations, business, prospects and financial condition. The Company's continued compliance with present and changing future laws could restrict the Company's ability to modify or expand its facilities or continue production and could require the Company to acquire costly equipment or to incur other significant expense.

Intellectual Property

The Company'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 Company 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 Company 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 Company's competitors will not independently develop technologies that are substantially equivalent or superior to the Company's technology.

To protect the Company'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 Company 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 Company not infringing intellectual property rights of others. A number of the Company'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 Company. Some of these patents may grant very broad protection to the owners of the patents. The Company has not undertaken a review to determine whether any existing third- party patents or the issuance of any third-party patents would require the Company to alter its technology, obtain licenses or cease certain activities. The Company 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 Company 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 Company's proprietary rights. Some of its competitors have, or are affiliated with companies having, substantially greater resources than the Company 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 Company. 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 Company to significant liabilities and equitable remedies, including injunctions, require the Company to enter into costly royalty or licensing agreements and require the Company to modify or stop using infringing technology.

The Company 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 Company or to regulation of certain of its product components. The Company 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 Company'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 Company'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 Company, 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 Company'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 Company's customer base. As a result, these customers may need to reduce their purchases of the Company's products, or there may be greater difficulty in receiving payment for the products that these customers purchase from the Company. 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 Company'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 Company 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 Company may elect not to insure against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a materially adverse effect upon its financial position.

Conflicts of Interest

Certain directors and officers of the Company 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 Company 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 Company. The directors and officers of the Company have either other full-time employment or other business or time restrictions placed on them and accordingly, the Company will not be the only business enterprise of these directors and officers.

Dividend Policy

The Company has not paid dividends in the past and has no plans to pay dividends for the foreseeable future. The future dividend policy of the Company 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 Company's financial condition or results of operations as reflected in its quarterly filings. Other factors unrelated to the performance of the Company 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 Company may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect a subscriber's ability to trade significant numbers of common shares, the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities; a substantial decline in the price of the common shares that persists for a significant period of time could cause the Company'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 Company's products. This may affect the Company's ability to ship product in the future. The possibility that future governments may adopt substantially different policies, may also affect the Company's operations. Local governments in all countries the Company deals with issue end user certificates to purchase or receive live ammunition from the Company. 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.

Risks related to the Launch of the Byrna HD and related marketing, publicity and sales

The Byrna HD is a brand new product. Management's statements about the anticipated production, delivery, effectiveness, legality, performance, sales, and marketing of the Byrna™ HD, and the anticipated market response are all forward-looking. These statements involve risks and uncertainties, and actual results may differ from current expectations. Risks and uncertainties bearing on expectations for the Byrna HD and related NASCAR sponsorship, partnership with Rick Ware Racing, and sales to Dave Sheer Guns include without limitation: design flaws uncovered during testing; production problems that may cause manufacturing or shipping delays, quality problems, or cost overruns; the Company's dependence in part or in whole on the performance of third parties including those located outside the United States in connection with sourcing of components, distribution and resale, and logistic and assembly services; the dependency of the Company on proprietary and other intellectual property, which may not be available to the Company on commercially reasonable terms or at all; the impact of unfavorable legal proceedings, including intellectual property disputes; the impact of state and local laws and regulation or changes to laws and regulations including licensing, registration, and certification laws related to sale, possession or use of Byrna products or pepper-based defense products; the ability of the Company to manage risks associated with its activities at a manageable cost, including complying with applicable laws and regulations, and renewing and maintaining adequate insurance; and competition from less expensive or superior products that may be developed.

Except as required by law, SDI disclaims any intention and assumes no obligation to update or revise any forward-looking statements to reflect actual results, whether as a result of new information, future events, changes in assumptions, changes in factors affecting such forward-looking statements or otherwise.

Dividends

The Company has not, since the date of its in Company, 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 Company.

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, 2018, 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, 2018, our disclosure controls and procedures were not effective due to a significant deficiency 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, 2018, 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, 2018 were not effective due to the following significant deficiency:

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 significant deficiency, during the fiscal year 2018, 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 provides oversight of our accounting and financial reporting;
- For transactions which are complex are being referred to an outside expert.

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, 2018 and 2017 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
Dean Thrasher	55	Executive Chairman and Director
Rakesh Malhotra	62	Principal Financial and Accounting Officer
Bryan Ganz (1)	61	President and Director
Karen Bowling (2)	63	Director
Don Levantin (3)	54	Director
Paul Jensen (4)	64	CEO and Director

(1) Appointed as President on July 13, 2018.

(2) Appointed as a director on October 17, 2016.

(3) Appointed as a director on August 1, 2017.

(4) Appointed as the CEO and Director on July 13, 2018.

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.

Dean Thrasher is a senior executive with more than thirty 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.

Bryan Ganz brings more than 30 years of global business experience in sales management, manufacturing, new product design and development, as well as mergers & acquisitions. Mr. Ganz will assist SDI with sales & marketing, expansion of the Company's product range, review of operations, implementation of cost control measures, development of strategic alliances and financial oversight. During his career Mr. Ganz has bought, built and sold more than half a dozen global businesses with combined sales in excess of $1.0 billion. Most recently, Mr. Ganz sold Maine Industrial Tire LLC to Trelleborg (based out of Sweden) for $67 million generating a 7.0x return to investors over a three-year period. Mr. Ganz is a graduate of Columbia Law School in New York City and completed his accounting designation at Georgetown University in Washington DC.

Karen Bowling brings more than 25 years of diverse executive management experience to the board of SDI. Some of her skill-sets include; government affairs, lobbying, public relations, government procurement, marketing, communications, operations, and local and state level legislation. Ms. Bowling has also spent part of her career in the less-lethal sector for a long-range acoustic hailing device company. Karen's recent positions include; Public Affairs Director at Foley & Lardner LLP, CEO at WiseEye AI, (an artificial intelligence company focused on the healthcare sector for CT scan identification and classification), Chief Administration Officer for the city of Jacksonville, FL (with a budget in excess of one billion dollars and over 5,000 employees), and Co-Founder and CEO of the Solantic Walk-In Urgent Care Centers. Ms. Bowling has sat on and chaired numerous boards across a dozen sectors and has recently been Gubernatorial appointed to the board of the Florida State College in Jacksonville.

Don Levantin is a senior executive with a proven record of positioning companies for growth, profitability and acquisition. He is currently SVP- Energy & Commodity Markets at EKA Software Solutions. Prior to joining EKA, Don was the chief executive officer and a board member of Amphora Inc., the leading global software solution and service provider for energy and commodity trading, risk management, and logistics execution. With over 30 years' experience, he is an accomplished strategist in conceptualizing, building and operating Company's on a global level in the commodity sector. Prior to leading Amphora, he was a co-founder of Commoditrack, a real-time mark-to-market and risk management platform for commodities, which was acquired by the Intercontinental Exchange (ICE) and later by Sungard Financial Systems. Prior to building and leading companies in the software sector, Mr. Levantin was a commodity trader with Philipp Brothers Commodity Corp. and Phibro Energy. He holds a BS in business and economics from Lehigh University.

Paul Jensen is a seasoned, global executive with direct experience in developing high-performance teams, managing complex projects, and building a global network of trusted advisors and business partners. His experiences have been focused on plastics contract manufacturing, the defense sector, technology licensing, and managing intricate, multi-national programs. Paul has extensive business experience in the Middle East in both the public and private sectors of defense. Mr. Jensen's tenures include: co-founding HALO Maritime Defense Systems, an award winning technology company offering the world's most advanced marine automated security system with 13 patents and over $300 million in naval and defense opportunities; Nypro Inc., a billion dollar plastics injection molding contract manufacturer, where Paul held senior management positions for nearly two decades (directed a business unit with $150 million in sales); and positions with Kodak and GE as well as the United States Army - 9 years active duty serving in command positions with the 82nd Airborne Division and XVIIIth Airborne Corps, leading up to Operation Urgent Fury, and on the Staff and Faculty, U.S. Military Academy, as an Assistant Professor of Chemistry – Paul was twice awarded the Meritorious Service Medal. A Distinguished Graduate of the United States Military Academy at West Point (1977), Paul received his M.S. in Chemistry from M.I.T. (1979 – Fannie and John Hertz Fellow) and holds an M.B.A. with honors from Golden Gate University (1982). He is a graduate of the Senior Executive Program at the University of Tennessee and has served on the adjunct faculty at the Fuqua School of Business, Duke University.

Rakesh Malhotra is SDI's Chief Financial Officer. 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, 2018, the Corporation's named executive officers were Paul Jensen (CEO), Dean Thrasher (Executive Chairman)), Bryan Ganz (President) and Rakesh Malhotra (CFO). 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 (both paid and payable) in all capacities to the Company for the Company's most recently completed financial years in respect of the Named Executive Officers.

Summary Compensation Table

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			
Dean Thrasher (4)	2018 2017 2016	 156,000 0	 0 0	39,046 61,358 0	0 0 0	0 0 0	0 0 0	156,580 0 186,814	195,626 217,358 186,814
Bryan Ganz (2)	2018 2017 2016	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	149,466 229,167 145,833	149,466 229,167 145,833
Paul Jensen (3)	2018 2017 2016	200,000 33,333 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	200,000 33,333 0
Rakesh Malhotra	2018 2017 2016	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	45,500 37,000 32,064	45,500 37,000 32,064

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: a projected dividend of zero; forfeiture rate of zero. 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) Effective July 21, 2016, Bryan Ganz ("Ganz") was elected as a director of the Company. Prior to his appointment, effective May 1, 2016, the Company executed a one-year consulting agreement with NEIP, a Corporation in which the said director has an ownership interest. The annual compensation was $250,000 payable $50,000 in cash and balance $200,000 by issuance of common shares. Effective May 1, 2017 the Company and NEIP renewed the agreement for a quarterly compensation of $62,500 to be settled by issuance of common shares. The agreement was terminated October 31, 2017.

Effective June 1, 2018 the Company entered into a consulting agreement with Ganz pursuant to which Ganz serves as President of the Company. By the terms of the consulting agreement, Ganz will be paid annually $200,000 in the Company's common shares for his service, subject to stock exchange approval. The common shares shall be issued quarterly, ending March 31, 2019. For the Company's 2018 fiscal third and fourth quarter ended November 30, 2018, Ganz will be paid 500,000 common shares for each quarter which is expensed at $149,466 for year ended November 30, 2018. Commencing on the Company's first quarter of 2019, Ganz will be issued an ongoing 250,000 common shares every quarter for his services.

(3) Effective as of October 1, 2017, the Company entered into an employment agreement (the "Employment Agreement") with Paul Jensen ("Jensen") pursuant to which Jensen serves as President and COO of the Company. By the terms of the Employment Agreement, Jensen will receive an annual salary of $200,000, payable as follows. For the period beginning on October 1, 2017 and ending on June 30, 2018, Jensen shall receive quarterly payments of the Company's common stock, to be issued 15 days after the end of each three-month quarter. The shares issued shall be valued based upon the weighted average closing price of the Company's shares for the twenty (20) trading days prior to the end of the applicable quarter. Commencing July 1, 2018, the Company will pay $10,000 per month in cash and the balance in Company stock. At such time as the Company can pay the entire salary in cash and be cash positive on an operating basis, the entire monthly salary will be paid in cash. Effective July 13, 2018, Jensen was appointed director and CEO of the Company.

(4) The Company expensed $156,580, which includes $27,600 for the issuance of 180,000 common shares for services and an accrual for $19,200 for issuance of proportionate shares, pursuant to a consulting contract, for services provided by Dean Thrasher the CEO until July 13, 2018 and effective July 13, 2018, the executive chairman of the Company. This was paid to a corporation in which Dean Thrasher has an ownership interest.

(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, 2018.

Name	Number of securities underlying unexercised options/warrants (#)	Option exercise price ($)	Option/Warrant expiration date
Paul Jensen	-	-	-
Bryan Ganz	-	-	-
Rakesh Malhotra	20,000(2) 175,000(2) 50,000	$0.13 $0.20 $0.29	09-23-2019 09-23-2019 10-19-2020
Dean Thrasher (3)	400,000(3) 1,150,000(4)	$0.13 $0.10	09-23-2019 03-26-2022

Notes:

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

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

(3) These are compensation warrants issued to a Corporation owned by Mr. Thrasher.

(2) (4) These 1,150,000 options vests thirty-three and one-third (33 1/3) percent every six months commencing January 1, 2017 with an expiry term of 5 years.

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

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

a) The Company executed a consulting agreement effective July 1, 2018 with a corporation owned by the executive chairman. The contract, unless renewed expires on March 31, 2019. During the service term, the Company will pay $3,500 per month and in addition, issue 180,000 common shares of the Company on a quarterly basis until the end of the term. Each quarterly installment is due the 15th day of the following month after the quarter. The common shares will be priced at the volume weighted average trading price per common share over the 20-day period proceeding the due date.

b) Effective as of October 1, 2017, the Company entered into an employment agreement (the “Employment Agreement”) with Paul Jensen (“Jensen”) pursuant to which Jensen serves as President and COO of the Company. By the terms of the Employment Agreement, Jensen will receive an annual salary of $200,000, payable as follows. For the period beginning on October 1, 2017 and ending on June 30, 2018, Jensen shall receive quarterly payments of the Company’s common stock, to be issued 15 days after the end of each three-month quarter. The shares issued shall be valued based upon the weighted average closing price of the Company’s shares for the twenty (20) trading days prior to the end of the applicable quarter. Commencing July 1, 2018, the Company will pay $10,000 per month in cash and the balance in Company stock. At such time as the Company can pay the entire salary in cash and be cash positive on an operating basis, the entire monthly salary will be paid in cash.

c) Effective June 1, 2018 the Company entered into a consulting agreement with Bryan Ganz (“Ganz”) pursuant to which Ganz serves as President of the Company. By the terms of the consulting agreement, Ganz will be paid annually $200,000 in the Company’s common shares for his service, subject to stock exchange approval. The common shares shall be issued quarterly, ending March 31, 2019. For the Company’s 2018 fiscal third and fourth quarter the President shall be paid 500,000 common shares for each quarter. Commencing on the Company’s first quarter of 2019, Ganz will be issued an ongoing 250,000 common shares every quarter for his services.

d) Effective December 1, 2018, the Company signed a twelve-month contract with the corporation owned and controlled by the CFO to pay an annual compensation of $50,000 for the CFO services. The Company paid $10,500 at commencement and is committed to pay $3,333 on monthly basis.

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 the years ended 2018, 2017 and 2016, the current independent directors were issued the following options:

Independent Directors	Number of Options	Year of Issuance	Exercise Price	Expiration Date
Karen Bowling (1)	265,000	2017	0.15	5-25-2022
	350,000	2016	0.08	10-17-2021
	200,000	2018	0.14	10-21-2023
Don Levantin (2)	96,667	2017	0.16	8-9-2022
	200,000	2018	0.14	10-21-2023

For the years 2018, 2017 and 2016, the current independent directors were paid the following compensation in cash:

Independent Directors	Year	Compensation in cash ($)
Karen Bowling (1)	2018	-
	2017	-
	2016	-
Don Levantin (2)	2018	-
	2017	-

(1) Karen Bowling was appointed a director on October 17, 2016

(2) Don Levantin was appointed a director on August 1, 2017

Stock Option Plan

Effective May 31, 2013, the Company adopted its incentive stock option plan (the "2013 Stock Option Plan") which replaced the prior stock option and stock bonus plans, as ratified by the Company's shareholders at the Company's 2015 annual meeting of shareholders. A maximum of 9,379,857 common shares were reserved for issuance under the 2013 Stock Option Plan. This amount represented 20% of the issued and outstanding shares following (i) the completion of the issuance of shares under the offering arising from the preliminary prospectus filed by the Company with the securities regulatory authorities in the provinces of Alberta, British Columbia and Ontario on February 21, 2013 and any final or amended final prospectus for that offering plus (ii) the conversion of the convertible debentures of the Company prior to the listing of the shares.

The Board approved a revised stock option plan (the "Revised Stock Option Plan") and received stockholder approval at the annual meeting held on December 19, 2017, that will increase the number of shares reserved for issuance under the stock option plan from 9,379,857 to 18,993,274.

The material terms of the Revised Stock Option Plan are as follows:

(a) While the shares are listed on the CSE, options may be granted to employees, senior officers, directors and consultants of the Company or a subsidiary of the Company and to corporations wholly-owned by such an employee, senior officer, director or consultant. If the Revised Stock Option Plan becomes subject to NI 45-106, options may be granted to employees, executive officers, directors and consultants of the Company or any parent or subsidiary of the Company and corporations controlled by them.

(b) The maximum number of common shares which can be issued under the Revised Stock Option Plan will be 18,993,274: provided that, so long as the Company is listed on the CSE, this maximum will be reduced to 20% of the issued and outstanding common shares on December 19, 2017.

(c) The term of any option granted under the Revised Stock Option Plan will be fixed by the board of directors at the time such option is granted, provided that options will not be permitted to exceed a term of ten years.

(d) The exercise price of any options granted under the Revised Stock Option Plan will be determined by the board of directors, in its sole discretion, but shall not be less than the closing price of the shares on the stock exchange on the day preceding the day on which the directors grant such options.

(e) While the shares are listed on the CSE, options will be non-assignable and non-transferable. If the Revised Stock Option Plan becomes subject to NI 45-106, options will be non-assignable and non-transferable except to certain permitted assigns including a spouse, a holding company of the option holder or spouse and a trustee, custodian or administrator acting on behalf of the option holder or spouse.

(f) So long as the shares are listed on the CSE, options on no more than 2% of the issued shares may be granted to any one consultant, or in aggregate to all persons performing investor relations activities, in any 12-month period.

(g) If the option holder ceases to be someone eligible to receive a grant of options under the Revised Stock Option Plan, then that holder's existing options shall expire on the earlier of (i) the expiry date fixed at the time of the option grant, and (ii) ninety days after the date that the option holder ceases to be eligible to receive a grant of options under the Revised Stock Option Plan.

The following tables show all options exercised by SDI's current officers and directors since the inception of SDI and through November 30, 2018, and the options held by the current directors named below.

Options Exercised

Name	Grant Date	Options Granted (#)	Exercise Price	Expiration Date	Shares Acquired on Exercise (1)	Value Realized (2)
-	-	-	-	-	-	-

(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
Dean Thrasher	1,150,000	-	$ 0.10	3-26-2022
Karen Bowling	350,000	-	$ 0.08	10-17-2021
	265,000	-	$ 0.15	5-25-2022
	200,000	-	$ 0.14	10-21-2023
Don Levantin	96,667	-	$ 0.16	8-9-2022
	200,000	-	$ 0.14	10-21-2023

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, 2018, 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	08-07-2020
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	400,000	$0.13	09-23-2019

*Mr. Sullivan resigned from the Company effective July 15, 2016
**Mr. Ezer resigned from the Company effective September 16, 2016.

Notes

(1) Warrants were issued to Lumina Global Partners Inc., a company controlled by Mr. Allen Ezer.

(2) Warrants were issued to 2412457 Ontario Corp., a company controlled by Mr. Thrasher.

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 27, 2019 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
Dean Thrasher (2)	1,174,125	1.14%
Paul Jensen	2,186,884	2.12%
Northeast Industrial Partners LLC (3)	4,227,884	4.1%
Bryan Ganz	1,120,000	1.09%
Alpha North Asset Management	4,974,378	4.83%
Arthur Cohen	6,551,512	6.35%
Pierre LaPeyre	6,146,549	5.96%
Joseph Healey	6,551,512	6.35%
All Officers and Directors as a group	8,708,893	8.45%

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

(2) Dean Thrasher is contracted through 2412453 Ontario Corp., an entity controlled by him, which owns 800,000 shares of the Company directly.

(3) Bryan Ganz is member of the Company's Board of Directors and the majority shareholder of Northeast Industrial Partners LLC.

13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

See Items 10, 11 and 12, as well as footnote 8 to the Company's audited annual financial statements.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

UHY McGovern Hurley LLP ("UHY") audited SDI's financial statements for the years ended November 30, 2018 and 2017.

Schwartz Levitsky Feldman, LLP ("SLF") audited SDI's financial statements for the year ended November 30, 2016 and billed the Company for review of SDI financial statements for the three quarters of 2017. SLF resigned on November 30, 2017.

The following table shows the aggregate fees billed and billable to the Company during these years by the auditors.

	2018	2017
Audit Fees	$ 29,000	$ 23,300
Audit-Related Fees	$ 15,500	$ 13,400
Financial Information Systems	--	--
Design and Implementation Fees	--	--
Tax Fees	--	--
All Other Fees	--	--

Audit fees represent amounts billed or billable 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 and review of filing statement.

ITEM 15. EXHIBITS

Exhibit Number	Description of Exhibit
21.1	Subsidiary of Security Devices International, Inc.
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 27th day of February 2019.

SIGNATURE	TITLE	DATE
/s/ Paul Jensen Paul Jensen	Chief Executive Officer and Director	February 27, 2019
/s/ Rakesh Malhotra Rakesh Malhotra	Chief Financial Officer	February 27, 2019

SIGNATURE	TITLE	DATE
/s/ Paul Jensen Paul Jensen	Chief Executive Officer and Director	February 27, 2019
/s/ Bryan Ganz Bryan Ganz	President and Director	February 27, 2019
/s/ Karen Bowling Karen Bowling	Director	February 27, 2019
/s/ Dean Thrasher Dean Thrasher	Executive Chairman and Director	February 27, 2019
/s/ Don Levantin Don Levantin	Director	February 27, 2019

SECURITY DEVICES INTERNATIONAL, INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED NOVEMBER 30, 2018 AND 2017

Together with Reports of Independent Registered Public Accounting Firms

(Amounts expressed in US Dollars)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Security Devices International, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Security Devices International, Inc. (the Company) as of November 30, 2018 and 2017, and the related consolidated statements of operations and comprehensive loss, consolidated statements of cash flows, and consolidated statements of changes in stockholders' equity for the years then ended, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of November 30, 2018 and 2017, 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.

Emphasis of Matter Regarding Going Concern

The accompanying consolidated financial statements have been prepared assuming that Security Devices International, Inc. will continue as a going concern. As discussed in Note 2 to the financial statements, Security Devices International, Inc.'s operating loss and accumulated deficit as at November 30, 2018 raise substantial doubt about its ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

We have served as the Company's auditor since 2017.
Toronto, Ontario
February 27, 2019

SECURITY DEVICES INTERNATIONAL, INC.
Consolidated Balance Sheets
As at November 30, 2018 and 2017
(Amounts expressed in US Dollars)

	2018	2017
	$	$
ASSETS		
CURRENT		
Cash and cash equivalents	1,182,387	1,965,043
Accounts receivable, net	18,914	36,412
Inventory (Note 15)	129,121	157,303
Prepaid expenses and other receivables (Note 17)	901,247	6,648
Total Current Assets	2,231,669	2,165,406
Patent rights (Note 16)	106,334	-
Deposit for equipment (Note 9)	205,664	-
Property and equipment, net (Note 9)	113,418	26,951
TOTAL ASSETS	2,657,085	2,192,357
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Notes 4 and 8)	397,309	393,341
Unsecured convertible debentures (Note 14)	-	40,357
Secured convertible debentures (Note 14)	978,361	-
Derivative liabilities (Note 14)	957,301	539,860
Total Current Liabilities	2,332,971	973,558
Long term secured convertible debentures (Note 14)	-	892,176
Long term convertible notes (Note 14)	167,077	-
Total Liabilities	2,500,048	1,865,734
Commitments (Notes 11, 12 and 14)		
STOCKHOLDERS' EQUITY		
Capital stock (Note 5)		
Preferred stock, $0.001 par value, 5,000,000 shares authorized, nil issued and outstanding (2017 - nil).		
Common stock, $0.001 par value 200,000,000 shares authorized, 101,976,900 issued and outstanding (2017: 93,014,134)	101,977	93,014
Additional paid-in capital	33,341,695	31,365,097
Accumulated deficit	(33,252,338)	(31,098,864)
Accumulated other comprehensive loss	(34,297)	(32,624)
Total Stockholders' Equity	157,037	326,623
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	2,657,085	2,192,357
Going Concern (Note 2)		
Related Party Transactions (Note 8)		
Subsequent Events (Note 19)		

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, 2018 and 2017
(Amounts expressed in US Dollars)

	2018	2017
	$	$
SALES (Note 13)	250,227	292,508
COST OF SALES	(186,068)	(191,320)
GROSS PROFIT	64,159	101,188
EXPENSES:		
Depreciation (Note 9)	19,392	45,377
Amortization of patent rights (Note 16)	3,666	-
Foreign currency transaction (gain) loss	(46,093)	55,007
Selling, general and administration	2,125,896	1,919,789
TOTAL OPERATING EXPENSES	2,102,861	2,020,173
LOSS FROM OPERATIONS	(2,038,702)	(1,918,985)
Accretion (Note 14)	(154,428)	(103,034)
Other expense-interest (Note 14)	(148,887)	(538,430)
Change in fair value of derivative liabilities (Note 14)	188,543	(239,802)
LOSS BEFORE INCOME TAXES	(2,153,474)	(2,800,251)
Income taxes (Note 10)	-	-
NET LOSS	(2,153,474)	(2,800,251)
Foreign exchange translation adjustment for the year	(1,673)	24,734
COMPREHENSIVE LOSS	(2,155,147)	(2,775,517)
Loss per share – basic and diluted	(0.02)	(0.05)
Weighted average number of common shares outstanding during the year	94,446,113	57,700,128

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, 2018 and 2017
(Amounts expressed in US Dollars)

	2018	2017
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	(2,153,474)	(2,800,251)
Items not involving cash:		
Stock-based compensation expense (included in selling, general and administration expenses) (Note 6)	128,799	214,112
Amortization of deferred financing costs	-	138,927
Accretion	154,428	103,034
Foreign currency transaction (gain) loss	(46,093)	55,007
Accrued interest converted to convertible debentures	-	285,780
Change in fair value of derivative liability	(188,543)	239,802
Issue of common shares for services	1,332,673	212,500
Depreciation	19,392	45,377
Amortization of patent rights	3,666	-
Changes in non-cash working capital:		
Accounts receivable	15,690	(3,292)
Inventory	28,182	(149,980)
Prepaid expenses and other receivables	(896,176)	44,021
Accounts payable and accrued liabilities	5,336	143,932
NET CASH USED IN OPERATING ACTIVITIES	(1,596,120)	(1,471,031)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of patent rights	(110,000)	-
Deposit for equipment	(205,664)	-
Purchase of property and equipment	(105,859)	(21,844)
NET CASH USED IN INVESTING ACTIVITIES	(421,523)	(21,844)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of common stock and warrants	-	3,669,120
Net proceeds from secured convertible debentures	-	1,433,716
Proceeds from issuance of units	1,275,000	-
Repayment of secured convertible debentures	-	(1,757,671)
Proceeds from promissory note	-	72,585
Repayment of promissory note	-	(72,585)
Repayment of unsecured convertible debentures	(40,357)	(107,099)
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,234,643	3,238,066
Effects of foreign currency exchange rate changes	344	27,026
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	(782,656)	1,772,217
Cash and cash equivalents, beginning of year	1,965,043	192,826
CASH AND CASH EQUIVALENTS, END OF YEAR	1,182,387	1,965,043
SUPPLEMENTAL INFORMATION:		
INCOME TAXES PAID	-	-
COMMON SHARES ISSUED FOR FUTURE SERVICES	750,000	-
AGENT WARRANTS	-	28,458
INTEREST PAID	132,624	138,993

Non- Cash Items:

a) During the year ended November 30, 2017, $1,015,026 (CAD $1,363,000) of outstanding unsecured convertible debentures were exchanged for an equal principal amount of subordinate secured convertible debentures.

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

SECURITY DEVICES INTERNATIONAL, INC.
Consolidated Statement of Changes in Stockholders' Equity
For the years ended November 30, 2018 and 2017
(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, 2016	**55,104,493**	**55,105**	**27,307,274**	**(28,298,613)**	**(57,358)**	**(993,592)**
Issue of common shares for services (Note 5)	2,126,029	2,125	210,375	-	-	212,500
Stock based compensation for issue of options (Note 6)	-	-	214,112	-	-	214,112
Issuance of units (Note 5)	35,783,612	35,784	3,633,336	-	-	3,669,120
Net loss for the year	-	-	-	(2,800,251)	-	(2,800,251)
Foreign currency translation	-	-	-	-	24,734	24,734
Balance as of November 30, 2017	**93,014,134**	**93,014**	**31,365,097**	**(31,098,864)**	**(32,624)**	**326,623**
Issue of common shares for services (Note 5)	8,962,766	8,963	1,323,710	-	-	1,332,673
Issuance of warrants (Note 6)	-	-	524,089	-	-	524,089
Stock based compensation for issue of options (Note 6)	-	-	128,799	-	-	128,799
Net loss for the year	-	-	-	(2,153,474)	-	(2,153,474)
Foreign currency translation	-	-	-	-	(1,673)	(1,673)
Balance as of November 30, 2018	**101,976,900**	**101,977**	**33,341,695**	**(33,252,338)**	**(34,297)**	**157,037**

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

1. BASIS OF PRESENTATION

Security Devices International, Inc. (the "Company" or "SDI") 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. On March 1, 2018, the Company acquired all the shares of a company in South Africa, Byrna South Africa (Pty) Ltd. These consolidated financial statements for the years ended November 30, 2018 and 2017 include the accounts of the Company, and its subsidiaries Security Devices International Canada Corp. and Byrna South Africa (Pty) Ltd. 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 40mm and .68 caliber products. These products consist of the current manufacture of Blunt Impact Projectile 40mm (BIP) line of products, a line of 12 gauge less-lethal products, and a .68 caliber hand held personal security device called the Byrna.

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as 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 $33,252,338 from inception to November 30, 2018. The Company has funded operations through the issuance of capital stock, warrants and convertible debentures. The Company has started to generate revenue from operations. However, it still expects to incur significant losses 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 the ability of the Company to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty; such adjustments could be material.

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 calculations of stock-based compensation, estimating the useful life of its property and equipment, estimating the useful life of its patent rights 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 is not more than 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 shipped to the customer; the sales price is fixed or determinable; and collectability is reasonably assured.

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 and the conversion feature of convertible debentures. There were no common equivalent shares outstanding at November 30, 2018 and 2017 that have been included in dilutive loss per share calculation as the effects would have been anti-dilutive. At November 30, 2018, there are 6,376,667 options and 26,041,160 warrants outstanding, which are convertible into equal number of common shares of the Company. At November 30, 2017, there were 4,866,667 options and 20,941,160 warrants outstanding, which were convertible into equal number of common shares of the Company.

e) Stock-Based Compensation

All stock option awards granted to employees are valued at fair value by using the Black-Scholes or Binomial Lattice 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 non- 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 for employees and non-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.

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 rate for the year. The resulting translation adjustment has been included in accumulated other comprehensive loss. Gains or losses resulting from transactions in currencies other than the functional currency are reflected in the consolidated statement of operations and comprehensive loss for the reporting periods.

g) Comprehensive Loss

Comprehensive loss includes all changes in equity (net assets) during a period from non-owner sources. Items 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 receivable and accounts payable and accrued liabilities, 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 has not used derivative financial instruments such as forwards to hedge foreign currency exposures. Convertible debt issued is initially recognized at fair value. Derivative liabilities are measured at fair value on each reporting period and debt is subsequently measured at amortized cost.

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:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Cont'd

i) Fair Value Measurement-Cont'd

- 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.

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of the short-term nature of these instruments.

Embedded derivatives included in the convertible debentures are measured at fair value on a recurring basis using Level 3 inputs, and the fair value is determined using unobservable inputs. The change in fair value of the embedded derivative related to the convertible debentures of $(188,543) for the year ended November 30, 2018 (November 30, 2017 - $239,802) is reflected as change in fair value of derivative liabilities in the accompanying consolidated statements of operations and comprehensive loss (see Note 14).

j) Convertible Debt Instruments

When the Company has determined that the embedded conversion options should not be bifurcated from their host instruments the Company accounts for convertible debt 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 any debt discount over the term of the notes, using the straight-line method, which approximates the effective interest method. The Company records, when necessary, any 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

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

The perpetual, irrevocable, exclusive and non-exclusive license to use technology with respect to the cost of patent rights acquired in 2018 is capitalized to patent rights and are amortized over their estimated useful life, currently estimated to be 15 years.

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 and software	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

m) Cash and Cash Equivalents

Cash consists of cash and cash equivalents, which are short-term, highly liquid investments with original terms to maturity of 90 days or less.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Cont'd

n) 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.

o) 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.

p) Consolidation

These consolidated financial statements include the accounts of Security Devices International, Inc. and entities it controls. Control exists when SDI has the power, directly or indirectly, to govern the financial and operating policies of an entity or arrangement to obtain benefit from its activities. In assessing control, potential voting rights that currently are exercisable are considered. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. These consolidated financial statements include the results of SDI and its wholly-owned subsidiaries, Security Devices International Canada Corp., and Byrna Africa (Pty) Ltd.

On March 1, 2018, the Company purchased all the shares of a South African entity Rephit (Pty) Ltd., an inactive company, for $300 (South African Rand 4,000) and subsequently changed the name of the subsidiary to Byrna South Africa (Pty) Ltd. ("Byrna"). The Company acquired Byrna to facilitate manufacturing of ByrnaTM HD in South Africa.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Cont'd

q) Recent Accounting Pronouncements

In May 2017, the FASB issued ASU No. 2017-09, "Compensation - Stock Compensation: Scope of Modification Accounting," which provides guidance about which changes to the terms or conditions of a share- based payment award require an entity to apply modification accounting. An entity will account for the effects of a modification unless the fair value of the modified award is the same as the original award, the vesting conditions of the modified award are the same as the original award and the classification of the modified award as an equity instrument or liability instrument is the same as the original award. The update is effective for fiscal year 2019. The update is to be adopted prospectively to an award modified on or after the adoption date. Early adoption is permitted. The Company is in the process of evaluating the amendments to determine if they have a material impact on the Company's financial position, results of operations or cash flow.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). Subsequently, the FASB issued several updates to ASU 2014-09, which are codified in Accounting Standards Codification ("ASC") Topic 606 ("ASC 606"). ASC 606 also includes new guidance on costs related to a contract, which is codified in ASC Subtopic 340-40 ("ASC 340-40"). In applying ASC 606, revenue is recognized when control of promised goods or services transfers to a customer and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. The major provisions of the new standard include: the determination of enforceable rights and obligations between parties; the identification of performance obligations including those related to material right obligations; the allocation of consideration based upon relative standalone selling price; accounting for variable consideration; the determination of whether performance obligations are satisfied over time or at a point in time; and enhanced disclosure requirements. ASC 606 will be effective for the Company beginning December 1, 2018 and permits two methods of adoption: retrospectively to each prior reporting period presented ("full retrospective method") or retrospectively with the cumulative effect of the initial application recognized at the date of initial application ("modified retrospective method"). The Company is in the process of evaluating the amendments to determine if they have a material impact on the Company's financial position, results of operations or cash flow.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall (subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01). This amendment requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. The amendment simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. It eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. The amendment requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. Additionally, the update requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments and requires an entity to separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements. The standard is effective for the Company on December 15, 2017, with early adoption permitted. The Company is evaluating the effect that ASU 2016-01 will have on its financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The FASB issued the update to require the recognition of lease assets and liabilities on the balance sheet of lessees. ASU 2016-02 will be effective for the Company on December 1, 2019, including interim periods. ASU 2016-02 requires a modified retrospective transition method with the option to elect a package of practical expedients. Early adoption is permitted. The Company is evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (ASU 2017-04). The FASB issued the update to simplify the measurement of goodwill by eliminating step 2 from the goodwill impairment test. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. ASU 2017-04 will be effective for public companies for fiscal years beginning after December 15, 2019, including interim periods. Early adoption is permitted. The Company is evaluating the effect that ASU 2017-04 will have on its financial statements and related disclosures.

In July 2017, the FASB issued ASU 2017-11, *Earnings Per Share (Topic: 260), Distinguishing Liabilities from Equity (Topic: 480), Derivatives and Hedges (Topic 815)* (ASU 2017-11). FASB issued the update to simplify the accounting for certain financial instruments with down round features. ASU 2017-11 will be effective for public companies for fiscal years beginning after December 15, 2018, including interim periods. Earlier adoption is permitted for all entities as of the beginning of an interim period for which financial statements (interim or annual) have not been issued or have not been made available for issuance.

In June 2018, the FASB issued ASU 2018-07, *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting* (ASU 2018-07). FASB issued the update to include share-based payment transaction for acquiring goods or services from nonemployees in Topic 718, *Compensation – Stock Compensation.* ASU 2018-07 will be effective for public companies for fiscal years beginning after December 15, 2018, including interim periods. Early adoption is permitted, but no earlier than a company's adoption date of Topic 606, *Revenue from Contracts with Customers*.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic: 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* (ASU 2018-13). FASB issued the update to modify the disclosure requirements in Topic 820. ASU 2018-07 will be effective for public companies for fiscal years beginning after December 15, 2018, including interim periods. Early adoption is permitted.

(Amounts expressed in US Dollars)

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2018		2017
Accounts payable and accrued liabilities are comprised of the following:				
Trade payables	$	126,366	$	193,198
Accrued liabilities-accrued interest	$	16,767	$	1,539
Accrued liabilities-other liabilities	$	254,176	$	198,604
	$	397,309	$	393,341

Accrued liabilities-other liabilities relate primarily to professional and consulting fees.

5. CAPITAL STOCK

a) Authorized

200,000,000* common shares, $0.001 par value

And

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

* On October 6, 2017, 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 100,000,000 to 200,000,000 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

101,976,900 common shares (2017: 93,014,134 common shares)

5. CAPITAL STOCK-Cont'd

c) Changes to Issued Share Capital

Year ended November 30, 2018

In March 2018, the Company made a share issuance to Northeast Industrial Partners pursuant to a consulting agreement. SDI issued 507,550 common shares at a price of $0.1231 per share to satisfy the payment of $62,500 due in December 2017.
In March 2018, the Company made a share issuance to Paul Jensen pursuant to his employment agreement. SDI issued 339,370 common shares at a price of $0.1473 per share to satisfy the payment of $50,000, due January 15, 2018.

In May 2018, the Company made a share issuance to Paul Jensen pursuant to his employment agreement. SDI issued 334,154 common shares at a price of $0.1496 per share to satisfy the payment of $50,000, due April 15, 2018.

In July 2018, the Company made a share issuance to Paul Jensen pursuant to his employment agreement. SDI issued 298,880 common shares at a price of $0.1673 per share to satisfy the payment of $50,000, due July 15, 2018.

In November 2018, the Company made a share issuance to Paul Jensen pursuant to his employment agreement. SDI issued 136,146 common shares at a price of $0.1469 per share to satisfy the payment of $20,000, due October 15, 2018.

In November 2018, the Company made a share issuance to Bryan Ganz ("Ganz") pursuant to a consulting agreement. SDI issued 500,000 common shares at a price of $0.1451 per share for a total consideration of $72,573 to satisfy the payment for services for the fiscal third quarter.

In November 2018, the Company made a share issuance to a corporation owned by Dean Thrasher under the consulting agreement. SDI issued 180,000 common shares at a price of $0.1533 per share for a total consideration of $27,600 due September 15, 2018.

In November 2018, the Company made a share issuance of 6,666,666 common shares to FinTekk AP, LLC ("FinTekk") at a price of $0.15 per share. The shares are issued pursuant to a debt settlement agreement, to retire certain debt owing by the Company to FinTekk, in connection with a sponsorship agreement (the "Sponsorship Agreement"). The Sponsorship Agreement details a marketing campaign for the launch of the Company's new Byrna™ HD product over the 2018 and 2019 fiscal years. The Company recognized $750,000 as a prepaid expense as at November 30, 2018 (See note 17).

Year ended November 30, 2017

In January 2017, the Company made the second share issuance to Northeast Industrial Partners pursuant to a consulting agreement. The Company issued 589,414 common shares at a price of $0.0848 per share to satisfy the payment of $50,000 due on November 15, 2016.

In March 2017, the Company made the third share issuance to Northeast Industrial Partners pursuant to a consulting agreement. The Company issued 503,251 common shares at a price of $0.0994 per share to satisfy the payment of $50,000 due on February 15, 2017.

In June 2017, the Company made the fourth and final share issuance to Northeast Industrial Partners pursuant to a consulting agreement. The Company issued 534,941 common shares at a price of $0.0935 per share to satisfy the payment of $50,000 due on May 15, 2017.

In October 2017, the Company made a further share issuance to Northeast Industrial Partners under the consulting agreement announced on June 20, 2016 and extended as announced on June 16, 2017. The Company issued 498,423 common shares at a price of $0.1254 per share to satisfy the payment of $62,500 due in August 2017.

On November 28, 2017, the Company closed the sale of 35,783,612 units on a private placement basis for gross proceeds of $3,793,063 (net proceeds of $3,669,120). Share issue costs related to this issuance totaled $123,943. This includes the issuance of 17,648,258 units, issued to settle the 2016 secured convertible debt for $1,500,000 along with interest as well as additional $113,044 in debt which comprised of a promissory note for $72,585 (CAD $89,040) and unsecured convertible debentures for $39,159 (CAD$50,000) plus accrued interest of $1,300.

Each unit consists of one common share of Company stock and one-half of a warrant. Each whole warrant is exercisable for one common share of the Company stock on or before November 28, 2022 at an exercise price of $0.18. If the average closing price of the common shares is over $0.36 per share for a period of 20 consecutive trading days ending after November 28, 2019, the Company may give notice to the registered holders of the warrants accelerating the expiry date to a date not less than 30 days following the date of that notice.

J Streicher Capital, LLC (the "Agent") acted as exclusive Agent for the brokered portion of the private placement which totaled $1,922,348. The Agent received a cash commission of $60,669 and 572,354 agent warrants. Each agent warrant is exercisable for one common share of the Company stock on or before November 28, 2022 at an exercise price of $0.15. If the closing price of the common shares is over $0.30 per share for a period of 20 consecutive trading days ending after November 28, 2019, the Company may give notice accelerating the expiry date of the agent warrants to a date not less than 30 days following the date of that notice.

6. STOCK BASED COMPENSATION AND WARRANTS

Effective May 31, 2013, the Company adopted an incentive stock option plan (the "2013 Stock Option Plan") which replaced the prior stock option and stock bonus plans, as ratified by the Company's shareholders at the Company's 2015 annual meeting of shareholders. A maximum of 9,379,857 common shares were reserved for issuance under the 2013 Stock Option Plan.

The Board approved a revised stock option plan (the "Revised Stock Option Plan") and received stockholder approval at the annual meeting held on December 19, 2017, that increased the number of shares reserved for issuance under the stock option plan from 9,379,857 to 18,993,274.

The material terms of the Revised Stock Option Plan are as follows:

(a) While the shares are listed on the CSE, options may be granted to employees, senior officers, directors and consultants of the Company or a subsidiary of the Company and to corporations wholly-owned by such an employee, senior officer, director or consultant.

(b) The maximum number of common shares which can be issued under the Revised Stock Option Plan will be 18,993,274: provided that, so long as the Company is listed on the CSE, this maximum will be reduced to 20% of the issued and outstanding common shares on December 19, 2017.

(c) The term of any option granted under the Revised Stock Option Plan will be fixed by the board of directors at the time such option is granted, provided that options will not be permitted to exceed a term of ten years.

(d) The exercise price of any options granted under the Revised Stock Option Plan will be determined by the board of directors, in its sole discretion, but shall not be less than the closing price of the shares on the stock exchange on the day preceding the day on which the directors grant such options.

(e) While the shares are listed on the CSE, options will be non-assignable and non-transferable.

(f) So long as the shares are listed on the CSE, options on no more than 2% of the issued shares may be granted to any one consultant, or in aggregate to all persons performing investor relations activities, in any 12-month period.

(g) If the option holder ceases to be someone eligible to receive a grant of options under the Revised Stock Option Plan, then that holder's existing options shall expire on the earlier of (i) the expiry date fixed at the time of the option grant, and (ii) ninety days after the date that the option holder ceases to be eligible to receive a grant of options under the Revised Stock Option Plan.

(Amounts expressed in US Dollars)

6. STOCK BASED COMPENSATION AND WARRANTS-Cont'd

Year ended November 30, 2018

Warrants

On October 22, 2018, the Company entered into a securities purchase agreement with several accredited investors to sell $1,275,000 of units at a price of $1,000 per unit, consisting of (i) $1,000 10% interest unsecured convertible promissory note, convertible into the Company's common stock at a conversion price of $0.15 per share (see note 14(c)), and (ii) four thousand warrants each exercisable for one share of common stock at an exercise price of $0.25 per share on or before the five year anniversary of the issuance. The Company issued 5,100,000 warrants. The relative grant date fair value of these warrants was estimated at $524,089 using the Binomial lattice option pricing model and reflected in additional paid-in capital, with the following assumptions:

Risk free rate		3.05%
Expected dividends		0%
Expected volatility		159%
Expected life		5 years
Market price of the Company's common stock on date of grant of options	$	0.14

Stock Options

On March 27, 2017, the board of directors granted options to the Chief Executive officer ("CEO"), Dean Thrasher to acquire a total of 1,150,000 common shares. These options were issued at an exercise price of CAD $0.13 ($0.10) per share and vest thirty-three and one-third (33 1/3) percent every six months commencing January 1, 2017, with an expiry term of five years. The Company expensed stock-based compensation expense of $39,046 regarding the vesting of options during the year ended November 30, 2018, leaving a balance of $nil as unvested stock- based compensation expense.

On April 13, 2018, the board of directors granted 1,500,000 options for shares of the Company's common stock to the Chief Technology officer ("CTO"), André Buys ("Buys"), with exercise price of $0.16 and a trigger price of $0.30, $0.50 and $1.00 for each batch of 500,000 options, respectively. The Company's stock price must close above the trigger price for 20 days in order for the option to be vested. The options shall have a seven-year life from grant date and Buys must remain employed by the Company for three years for the options to vest. The grant date fair value of the options used for the purpose of estimating the stock compensation is estimated using the Binomial Lattice option pricing model with the following assumptions:

Risk free rate		2.77%
Expected dividends		0%
Expected forfeiture rate		0%
Expected volatility		190%
Expected life		7 years
Market price of the Company's common stock on date of grant of options	$	0.15
Stock-based compensation cost expensed	$	10,568
Unvested stock-based compensation expense	$	40,159

On October 22, 2018, the board of directors granted 400,000 options to directors and 250,000 options to a consultant for a total of 650,000 options. These options were issued at an exercise price of CAD $0.19 ($0.14) 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 estimated using the Black-Scholes option pricing model with the following assumptions:

Risk free rate		2.00%
Expected dividends		0%
Expected forfeiture rate		0%
Expected volatility		133%
Expected life		5 years
Market price of the Company's common stock on date of grant of options	$	0.14
Stock-based compensation cost expensed	$	79,185
Unvested stock-based compensation expense	$	Nil

As of November 30, 2018, there was $40,159 of unrecognized expense related to non-vested stock-based compensation arrangements granted.

Year ended November 30, 2017

Warrants

On November 28, 2017, the Company closed the sale of 35,783,612 units on a private placement basis for gross proceeds of $3,793,063. Each unit consists of one common share of Company stock and one-half of a warrant. The Company issued 35,783,612 common shares and 17,891,806 warrants. Each whole warrant is exercisable for one common share of the Company stock on or before November 28, 2022 at an exercise price of $0.18. In addition to cash compensation, the Agent received 572,354 agent warrants. Each agent warrant is exercisable for one common share of the Company stock on or before November 28, 2022 at an exercise price of $0.15. The fair value of these agent warrants was estimated at $78,332 using the Binomial option pricing model and reflected in additional paid-in capital. The valuation considered the following assumptions- risk free rate of 2%; expected dividends of 0%; expected forfeiture rate of 0%; expected volatility of 132%; market price of the Company's common stock of $0.17 and expected life of 5 years. If the closing price of the common shares is over $0.30 per share for a period of 20 consecutive trading days ending after November 28, 2019, the Company may give notice accelerating the expiry date of the agent warrants to a date not less than 30 days following the date of that notice.

Stock Options

On March 27, 2017, the board of directors granted options to the CEO to acquire a total of 1,150,000 common shares. These options were issued at an exercise price of CAD $0.13 ($0.10) per share and vest thirty-three and one-third (33 1/3) percent every six months commencing January 1, 2017, with an expiry term of five years. The fair value of each option used for the purpose of estimating the stock compensation is estimated using the Black-Scholes option pricing model with the following assumptions:

Risk free rate		2.00%
Expected dividends		0%
Expected forfeiture rate		0%
Expected volatility		134%
Expected life		5 years
Market price of the Company's common stock on date of grant of options	$	0.10
Stock-based compensation cost expensed	$	61,358
Unvested stock-based compensation expense	$	39,046

On May 26, 2017, the board of directors granted 895,000 options to directors and 75,000 options to a consultant to acquire a total of 970,000 common shares. These options were issued at an exercise price of CAD $0.20 ($0.15) 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 estimated using the Black-Scholes option pricing model with the following assumptions:

Risk free rate		2.00%
Expected dividends		0%
Expected forfeiture rate		0%
Expected volatility		127%
Expected life		5 years
Market price of the Company's common stock on date of grant of options	$	0.14
Stock-based compensation cost expensed	$	124,326
Unvested stock-based compensation expense	$	Nil

(Amounts expressed in US Dollars)

6. STOCK BASED COMPENSATION AND WARRANTS-Cont'd

On June 19, 2017, the board of directors granted options to an employee to acquire a total of 150,000 common shares. These options were issued at an exercise price of CAD $0.20 ($0.15) 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 estimated using the Black-Scholes option pricing model with the following assumptions:

Risk free rate		2.00%
Expected dividends		0%
Expected forfeiture rate		0%
Expected volatility		129%
Expected life		5 years
Market price of the Company's common stock on date of grant of options	$	0.14
Stock-based compensation cost expensed	$	17,795
Unvested stock-based compensation expense	$	Nil

On August 10, 2017, the board of directors granted options to a new director to acquire a total of 96,667 common shares. These options were issued at an exercise price of CAD $0.20 ($0.16) 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 estimated using the Black-Scholes option pricing model with the following assumptions:

Risk free rate		2.00%
Expected dividends		0%
Expected forfeiture rate		0%
Expected volatility		130 %
Expected life		5 years
Market price of the Company's common stock on date of grant of options	$	0.13
Stock-based compensation cost expensed	$	10,633
Unvested stock-based compensation expense	$	Nil

As of November 30, 2017, there was $39,046 of unrecognized expense related to non-vested stock-based compensation arrangements granted.

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7. STOCK PURCHASE OPTIONS AND WARRANTS

a) OPTIONS

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

	Number of options 2018	2017
Outstanding, beginning of year	4,866,667	4,625,000
Granted	2,150,000	2,366,667
Expired	-	(500,000)
Exercised	-	-
Forfeited	-	-
Cancelled	(640,000)	(1,625,000)
Outstanding, end of year	6,376,667	4,866,667
Exercisable, end of year	5,189,167	4,419,445

Year 2018

Expiry date	Exercise price per share	Number of options 2018
May 8, 2019	CDN$ 0.35 ($0.26)	600,000
September 10, 2019	CDN$ 0.40 ($0.30)	550,000
October 19, 2020	CDN$ 0.38 ($0.29)	800,000
October 19, 2021	CDN$ 0.11 ($0.08)	350,000
March 22, 2022	CDN$ 0.13 ($0.10)	1,150,000
May 25, 2022	CDN$ 0.20 ($0.15)	680,000
August 16, 2022	CDN$ 0.20 ($0.15)	96,667
October 21, 2023	CDN$ 0.19 ($0.14)	650,000
April 12, 2025	CDN$ 0.21 ($0.16)	1,500,000
TOTAL		6,376,667
Weighted average exercise price:		
Options outstanding at end of year	CDN$ 0.22	($0.18)
Options granted during the year	CDN$ 0.20	($0.16)
Options exercised during the year	-	-
Options expired during the year	-	-
Options cancelled during the year	CDN$ 0.30	($0.23)

Year 2017

Expiry date	Exercise price per share	Number of options 2017
May 8, 2019	CDN$ 0.35 ($0.32)	600,000
September 10, 2019	CDN$ 0.40 ($0.36)	550,000
October 19, 2020	CDN$ 0.38 ($0.29)	1,150,000
October 19, 2021	CDN$ 0.11 ($0.08)	350,000
March 22, 2022	CDN$ 0.13 ($0.10)	1,150,000
May 25, 2022	CDN$ 0.20 ($0.15)	970,000
August 16, 2022	CDN$ 0.21 ($0.16)	96,667
TOTAL		4,866,667
Weighted average exercise price:		
Options outstanding at end of year	CDN$ 0.24	($0.19)
Options granted during the year	CDN$ 0.15	($0.13)
Options exercised during the year	-	-
Options expired during the year	CDN$ 0.35	($0.31)
Options cancelled during the year	CDN$ 0.37	($0.32)

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

	2018	2017
	(Years)	(Years)
Total outstanding options	3.5	3.4
Total exercisable options	2.0	2.7

(Amounts expressed in US Dollars)

7. STOCK PURCHASE OPTIONS AND WARRANTS-Cont'd

b) WARRANTS

	Number of Warrants Granted	Exercise Prices
		$
Outstanding at November 30, 2016 and average exercise price	2,484,650	0.16
Granted	17,891,806	0.18
Granted	572,354	0.15
Expired	(7,650)	0.25
Outstanding at November 30, 2017 and average exercise price	20,941,160	0.18
Granted	5,100,000	0.25
Expired	-	-
Outstanding at November 30, 2018 and average exercise price	26,041,160	0.19
Exercisable at November 30, 2018	26,041,160	0.19
Exercisable at November 30, 2017	20,941,160	0.18

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

	2018	2017
	(Years)	(Years)
Total outstanding warrants	3.88	4.68
Total exercisable warrants	3.88	4.68

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 related parties.

Year ended November 30, 2018

As of November 30, 2018, there are no amounts receivable from related parties.

As of November 30, 2018, the Company had a payable of $137,780 to related parties. During the year ended November 30, 2018, the Company reimbursed directors for travel and related expenses for $94,000.

Effective as of October 1, 2017, the Company entered into an employment agreement (the "Employment Agreement") with Paul Jensen ("Jensen") pursuant to which Jensen serves as President and Chief Operating Officer ("COO") and effective July 13, 2018 serves as CEO of the Company. By the terms of the Employment Agreement, Jensen will receive an annual salary of $200,000, payable as follows. For the period beginning on October 1, 2017 and ending on June 30, 2018, Jensen shall receive quarterly payments of the Company's common stock, to be issued 15 days after the end of each three-month quarter. Commencing July 1, 2018, the Company will pay $10,000 per month in cash and the balance in Company common stock. At such time as the Company can pay the entire salary in cash and be cash positive on an operating basis, the entire monthly salary will be paid in cash. The Company expensed $200,000 for the services for the year ended November 30, 2018 which includes $136,667 for issuance of 882,303 common shares for services and an accrual for $13,333 for issuance of proportionate shares, in accordance with the consulting contract (See notes 5, 11, and 19).

The Company expensed $45,500 for services provided by Rakesh Malhotra, Chief Financial Officer ("CFO") of the Company which was paid to a corporation in which the CFO has an ownership interest, pursuant to the consulting contract (See note 19).

The Company expensed $156,580, which includes $27,600 for the issuance of 180,000 common shares for services and an accrual for $19,200 for issuance of proportionate shares, pursuant to a consulting contract, for services provided by Dean Thrasher, the CEO until July 13, 2018 and effective July 13, 2018, the executive chairman of the Company. This was paid to a corporation in which Dean Thrasher has an ownership interest. (See notes 5, 11 and 19).

On March 27, 2017, the board of directors granted options to the CEO to acquire a total of 1,150,000 common shares. The Company expensed $39,046 for the value of options which vested during this period (See note 6).

In March 2018, the Company made a share issuance to NEIP under a consulting agreement. The Company issued 507,550 common shares at a price of $0.1231 per share to satisfy the payment of $62,500 due in December 2017 (See note 5).

On April 13, 2018, the Company employed Buys as the CTO with compensation of $10,000 per month over a three-year period. The Company expensed $75,000 during the year ended November 30, 2018. On April 13, 2018, the Company granted options to Buys to acquire a total of 1,500,000 common shares. The Company expensed $10,568 for the value of options which vested during this period. (See notes 6 and 11)

Effective June 1, 2018 the Company entered into a consulting agreement with Ganz pursuant to which Ganz serves as President of the Company. By the terms of the consulting agreement, Ganz will be paid annually $200,000 in the Company's common shares for his services and subject to stock exchange approval. The common shares shall be issued quarterly, ending March 31, 2019. For the Company's third and fourth 2018 fiscal quarters, Ganz shall be paid 500,000 common shares for each quarter. The Company expensed $149,466 being cost for services being compensated by issuance of shares, which includes $72,573 for common shares issued for services and an accrual for $76,893 for issuance of proportionate shares, in accordance with the consulting contract (See notes 5, 11 and 19).

During the year ended November 30, 2018, the Company issued 400,000 options to directors. The Company expensed $48,730 for the grant date fair value of options which vested during the year.

On October 22, 2018, the Company entered into a Securities Purchase Agreement with several accredited investors to sell $1,275,000 of units, with each $1,000 of unit consisting of (i) a $1,000 10% interest unsecured convertible promissory note (collectively the "Notes") due April 15, 2020, convertible into the Company's Common Stock at a conversion price of $0.15 per share, and (ii) four thousand (4,000) warrants each exercisable for one share of Common Stock at an exercise price of $0.25 per share on or before the five year anniversary of the issuance. The directors of the Company subscribed for a total value of $100,000 of units.

Effective December 1, 2017, the Company leased office premises at Wakefield, Massachusetts, USA for rent of $700 plus services per month from a corporation owned and controlled by a director of the Company. The Company expensed $12,939 as office rent for the year ended November 30, 2018. As of November 30, 2018, the Company has a payable for $3,353 for the rent.

8. RELATED PARTY TRANSACTIONS-Cont'd

Year ended November 30, 2017

As of November 30, 2017, there are no amounts receivable from related parties.

As of November 30, 2017, the Company had a payable of $110,833 to related parties. During the year ended November 30, 2017, the Company reimbursed directors for travel and related expenses for $32,500.

Effective July 21, 2016, Bryan Ganz was elected as a director of the Company. Prior to his appointment, effective May 1, 2016, the Company executed a one-year consulting agreement with Northeast Industrial Partners, LLC ("NEIP"), a corporation in which the said director has an ownership interest. In January 2017, the Company issued 589,414 common shares at a price of $0.1142 per share to satisfy the payment of $50,000 due on November 15, 2016. In March 2017, the Company issued 503,251 common shares at a price of $0.0994 per share to satisfy the payment of $50,000 due on February 15, 2017. In May 2017, the Company made the final share issuance and issued 534,941 common shares at a price of $0.0935 per share to satisfy the payment of $50,000 due on May 15, 2017. Effective May 1, 2017, the Company and NEIP renewed the agreement. For services rendered by NEIP during the extension, SDI shall pay NEIP $62,500 within 15 days following every consecutive three-month period during the extension. The payment shall be made by issuance of stock.

In September 2017, the Company made a further share issuance to NEIP and issued 498,423 common shares at a price of $0.1254 per share to satisfy the payment of $62,500 due in August 2017. The agreement was terminated on October 31, 2017. The Company accrued a payable for $62,500 as of November 30, 2017 and this expense was subsequently settled and paid by issuance of shares during the year ended November 30, 2018 (See note 5). In addition, the Company executed a one-year back-office accounting and administration services agreement with NEIP effective January 1, 2017 to pay compensation of $7,500 per month. As at November 30, 2017, the Company has an outstanding payable to NEIP of $15,000 under this back- office accounting and administration services agreement. The Company expensed $82,500 for services provided during the year ended November 30, 2017.

On December 7, 2016, NEIP participated in the 10% senior secured convertible debt issuance by investing $100,000 in a private placement along with outside investors. This debt along with interest of $17,178 was settled in November 2017 by issuance of 1,105,454 units at $0.106 per unit being the same terms as the private placement.

Effective as of October 1, 2017, the Company entered into an Employment Agreement with Jensen. By the terms of the Employment Agreement, Jensen will receive an annual salary of $200,000, payable as follows. For the period beginning on October 1, 2017 and ending on June 30, 2018, Jensen shall receive quarterly payments of the Company's common stock, to be issued 15 days after the end of each three-month quarter (see Note 11). The Company accrued a payable for $33,333 for the months of October and November as of November 30, 2017 and this expense was subsequently settled and paid by the issue of shares during the year ended November 30, 2018 (See note 5).

On November 28, 2017, Paul Jenson and Don Levintin participated in the issuance of units by investing $100,000 and $7,500, respectively, in the private placement along with outside investors.

On August 10, 2017, the Company issued a promissory note to Don Levintin, a director of the Company for cash advance receipt for $72,585 (CAD $89,040) at 12% per annum and repayable on February 16, 2018. In November 2017, the said note was settled, and the director was issued 684,762 units at $0.106 per unit being the same terms as the private placement.

The Company expensed $37,000 for services provided by the CFO of the Company which was paid to a corporation in which the CFO has an ownership interest. The Company expensed $156,000 (CAD$200,000) for services provided by the CEO of the Company and which was paid part in salary and part to two corporations in which the CEO has an ownership interest, in accordance with the consulting contract.

During the year ended November 30, 2017, the Company issued 2,141,667 options to directors. The Company expensed $186,704 for fair value of options which vested during this period.

(Amounts expressed in US Dollars)

9. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost less accumulated depreciation.

	November 30, 2018 Cost $	Accumulated Depreciation $	November 30, 2017 Cost $	Accumulated Depreciation $
Computer equipment and software	77,382	46,837	53,696	39,971
Furniture and fixtures	20,998	18,763	20,998	17,805
Leasehold improvements	26,471	26,471	26,471	26,471
Moulds	291,599	210,961	209,515	199,482
	416,450	303,032	310,680	283,729
Net carrying amount	$	113,418	$	26,951
Depreciation expense	$	19,392	$	45,377

The Company deposited $205,664 with vendors primarily for supply of moulds and equipment. As of November 30, 2018, the vendors had not completed the supply of these moulds and equipment.

10. INCOME TAXES

The Company has non-capital losses of approximately $18.5 million in the United States and $3.4 million (CDN$4.6 million) in Canada available, which may be applied against future taxable income and which expire as follows:

	USA	Canada	Total
2025	$ 188,000	$	$ 188,000
2026	610,000		610,000
2027	1,731,000		1,731,000
2028	3,175,000		3,175,000
2029	2,793,000		2,793,000
2030	2,045,000		2,045,000
2031	-		-
2032	1,999,000		1,999,000
2033	36,000		36,000
2034	948,000	820,000	1,768,000
2035	561,000	1,061,000	1,622,000
2036	699,000	958,000	1,657,000
2037	1,564,000	555,000	2,119,000
2038	2,153,000	38,000	2,191,000
	$ 18,502,000	$3,432,000	$21,934,000

The reconciliation of income taxes at statutory income tax rates (U.S. – 21% and Canada – 26.5% on their respective losses) to the income tax expense is as follows:

	November 30, 2018	November 30, 2017
Loss before income taxes	$ (2,153,000)	$ (2,800,251)
Income tax recovery at statutory rate	(455,000)	(932,000)
Change in U.S. tax rates	2,321,000	-
Permanent differences	42,000	(74,000)
Tax benefit not recognized	(1,908,000)	1,006,000
Income taxes – current and deferred	$ -	$ -

The above changes in tax rates are a result of the US Tax Cuts and Jobs Act.

The Company had an effective tax rate of nil as the tax losses are fully reserved by an allowance.

Deferred tax asset components as of November 30, 2018 and 2017 are as follows:

	2018	2017
Non-capital losses available to offset future income-taxes	$ 21,934,000	$ 20,084,000
Expected income tax recovery at statutory rates	$ (4,795,000)	$ (4,410,000)
Valuation allowance	$ 4,795,000	$ 4,410,000
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% valuation allowance on the net deferred tax assets as of November 30, 2018 and 2017. Management believes the Company has no uncertain tax positions that were material.

11. COMMITMENTS

a) Consulting agreements:

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

The Company executed a consulting agreement effective July 1, 2018 with a corporation owned by the executive chairman. The contract, unless renewed expires on March 31, 2019. During the service term, the Company will pay $3,500 per month and in addition, issue 180,000 common shares of the Company on a quarterly basis until the end of the term. Each quarterly installment is due the 15th day of the following month after the quarter. The common shares will be priced at the volume weighted average trading price per common share over the 20-day period proceeding the due date.

Effective as of October 1, 2017, the Company entered into an employment agreement (the “Employment Agreement”) with Paul Jensen (“Jensen”) pursuant to which Jensen serves as President and COO of the Company. By the terms of the Employment Agreement, Jensen will receive an annual salary of $200,000, payable as follows. For the period beginning on October 1, 2017 and ending on June 30, 2018, Jensen shall receive quarterly payments of the Company’s common stock, to be issued 15 days after the end of each three-month quarter. The shares issued shall be valued based upon the weighted average closing price of the Company’s shares for the twenty (20) trading days prior to the end of the applicable quarter. Commencing July 1, 2018, the Company will pay $10,000 per month in cash and the balance in Company stock. At such time as the Company can pay the entire salary in cash and be cash positive on an operating basis, the entire monthly salary will be paid in cash.

On April 13, 2018, the Company entered into a Purchase and Sale Agreement (the “Agreement”) with André Buys, (“Buys”) a resident of South Africa, pursuant to which the Company purchased from Buys a portfolio of registered patent rights and other intellectual property relating to air and/or gas fired long guns or pistols, including pump action launchers and munitions used with such pistols and long guns, including self-stabilizing shaped or “finned” rounds (the “Portfolio”). As consideration for the Portfolio, the Company (i) paid Buys $100,000, (ii) agreed to pay Buys either $500,000 in cash or $750,000 worth of Company stock within two years (the “Second Payment”) at Buys’ discretion and (iii) agreed to pay Buys certain royalty payments for sales of products by the Company using technology covered by the Portfolio. In addition, the Company employed Buys as the CTO and for services issued 1,500,000 options for shares of the Company’s common stock to Buys with a strike price of $0.16 and a trigger price of $0.30, $0.50 and $1.00 for each batch of 500,000 options, respectively. The Company’s stock price must close above the trigger price for 20 days in order for the option to be triggered. The options shall have a seven-year life from grant date and Buys must remain employed by the Company for three years in order for the options to vest. Until the earlier of, the second anniversary or the date the Second Payment is made, the royalty will be 10% of the Net Sales Price (“NSP”). The royalty will then be reduced to 4% till the sixth anniversary, 3% till the eighth anniversary, and 2% till the last expiration date of any of the intellectual property in the Portfolio. Until the royalty exceeds $25,000 per year, the Company is committed to a minimum payment of $25,000 per year effective on the earlier of one year from closing or upon Buys relocation to Boston. In the event that the Company fails to make the Second Payment, the Portfolio would revert to Buys, but the Company would retain perpetual, irrevocable, exclusive and non-exclusive licenses to use technology with respect to the Portfolio and any technology developed within two years of April 13, 2018. As the substance of the purchase and sale agreement has been determined to be an option agreement, the Company has not recorded any amount related to the Second Payment. The Company agrees that it will not terminate Buys except for cause prior to April 2021. As a result, the minimal commitment relating to the employment contract is $320,000 payable over a period of 32 months.

Effective June 1, 2018, the Company entered into a consulting agreement with Ganz pursuant to which Ganz serves as President of the Company. By the terms of the consulting agreement, Ganz will be paid annually $200,000 in the Company’s common shares for his service, subject to stock exchange approval. The common shares shall be issued quarterly, ending March 31, 2019. For the Company’s 2018 fiscal third and fourth quarter the President shall be paid 500,000 common shares for each quarter. Commencing on the Company’s first quarter of 2019, Ganz will be issued an ongoing 250,000 common shares every quarter for his services.

Effective October 29, 2018, the Company entered into a consulting agreement with a consultant pursuant to which the consultant serves as Chief Legal Officer (“CLO”) of the Company. By the terms of the consulting agreement, the consultant will be paid a total of 250,000 common shares for the services calculated at 83,333 common shares per month commencing November 1, 2018 and expires on January 31, 2019. A total of 166,666 common shares were issued on January 23, 2019 and balance 83,333 common shares due on February 15, 2019 (See note 19).

Effective November 1, 2018, the Company entered into consulting agreements (the “Consulting Agreements”) with two consultants. The consultants will each be paid $7,500 per month commencing November 1, 2018 and to be increased to $10,000 per month subsequent to the month the Company begins shipping the Byrna HD product to customers. The term of the contracts with the consultants continue until December 31, 2019. In addition, and subject to board approval (received subsequent to November 30, 2018), the Company issued to each consultant 750,000 warrants (the “incentive warrants”) to purchase common shares of the Company at a strike price equal to the average trading price of the Company on the OTC QB during the 20 business days proceeding such approval. 50% of the incentive warrants vested upon issuance and balance vest upon the completion of the service term. The incentive warrants have a three-year life (See note 19).

b) Lease commitments

The Company has commitments for leasing office premises in Wakefield, Massachusetts, USA to June 27, 2019, at a monthly rent of $700 (See note 8).

(Amounts expressed in US Dollars)

12. EXCLUSIVE SUPPLY AND PURCHASE AGREEMENTS

The Company entered a Development, Supply and Manufacturing Agreement with the BIP manufacturer on August 1, 2017. This agreement provides the Company to order and purchase only from the BIP manufacturer certain BIP assemblies and components for use by the Company to produce less-lethal and training projectiles as described in the agreement in North America. The agreement is for a term of four years with an automatic extension for additional one- year terms if neither party has given written notice of termination at least sixty (60) days prior to the end of the then- current term.

The Company entered a License and Supply Agreement with Safariland, LLC on May 1, 2017. This agreement provides the Company to license and sell only to Safariland, LLC for certain BIP standard payloads for integration with and production of certain less-lethal impact munitions in North America. This agreement is for a term of four years with an automatic extension for an additional one-year term if neither party have given written notice of termination at least ninety (90) days prior to the end of the then-current term.

13. SEGMENT DISCLOSURES

The Company is organized into two geographic areas in the U.S.A. and Canada respectively. The U.S.A. and Canada operations are the Company's operating segments and reportable segments, and each of those segments are led by the Company's CEO. Performance is assessed, and resources are allocated by our CEO, whom we have determined to be the Company's 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, 2018 and 2017:

Year ended November 30, 2018

	SDI USA	SDI Canada	Total
Sales	$ 212,462	$ 123,381	$ 335,843

Year ended November 30, 2017

	SDI USA	SDI Canada	Total
Sales'	$ 252,227	$ 86,272	$ 338,499

	2018	2017
Sales	$ 335,843	$ 338,499
Elimination of intersegment revenue	(85,616)	(45,991)
Consolidated sales	$ 250,227	292,508

As at November 30, 2018

	SDI USA	SDI Canada	Total
Assets	$ 2,629,315	$ 27,770	$ 2,657,085

As at November 30, 2017

	SDI USA	SDI Canada	Total
Assets	$ 2,159,618	$ 32,739	$ 2,192,357

(Amounts expressed in US Dollars)

14. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITIES

a) Unsecured Convertible Debentures $ nil (2017: $40,357)

On August 6, 2014, the Company issued CAD $1,549,000 ($1,398,342) face value 12% unsecured convertible debentures with a term to August 6, 2017 (the "Maturity Date").

On December 7, 2016, the Company entered into a Securities Purchase Agreement to sell $1,500,000 of 10% senior secured convertible debentures, convertible into shares of the Company's common stock, in a private placement (see note 14(d)). The sale of the secured notes closed on December 7, 2016. A condition to the sale of the secured notes was the exchange of at least 80% in principal amount of the Company's outstanding 12% unsecured convertible debentures, which matured on August 6, 2017 (the "Unsecured Debentures") for an equal principal amount of subordinate secured debentures. Concurrent with the sale of the secured notes, CAD$1,363,000 ($1,015,026) of the Company's outstanding Unsecured Debentures, which represented approximately 88% of the outstanding Unsecured Debentures, were exchanged for an equal principal amount of the subordinate secured debentures.

Unsecured convertible debentures

	Unsecured convertible debentures $	Deferred financing costs $	Unsecured convertible debenture (Net) $
Balance as of November 30, 2016	(1,153,540)	35,769	(1,117,771)
Exchanged for subordinate secured debentures	1,015,026	-	1,015,026
Amortization of deferred financing costs	-	(35,769)	(35,769)
Repayment of unsecured convertible debentures	66,640	-	66,640
Conversion of unsecured convertible debentures to equity	39,159	-	39,159
Foreign currency translation	(7,642)	-	(7,642)
Balance as of November 30, 2017	(40,357)	-	(40,357)
Repayment of unsecured convertible debentures	40,357	-	40,357
Balance as of November 30, 2018	-	-	-

On August 6, 2017, the Company repaid CAD $84,000 ($66,640) of the convertible debentures and the remaining convertible debenture holders for $40,357 executed agreements for forbearance of their debt with a new repayment date of February 16, 2018. In February 2018, the Company repaid the convertible debt for $40,357 along with accrued interest. During the year ended November 30, 2018, the Company recorded interest expense of $1,035 (November 30, 2017: $16,753).

(Amounts expressed in US Dollars)

14. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITIES -Cont'd

b) Secured Convertible Debentures $978,361 (2017: $892,176)

The CAD$1,363,000 ($1,015,026) of Series B Secured Convertible Debentures (Subordinate Secured Debentures) were issued pursuant to the Trust Indenture agreement dated December 7, 2016 (the "Indenture") in exchange for the Unsecured Debentures in equal principal amount and an additional CAD$36,000 ($26,809) of Series B Secured Convertible Debentures were issued pursuant to the Indenture in payment of accrued interest. These debentures mature on June 6, 2019 and bear interest at 12% per annum, payable semi-annually. The debentures are secured by all the assets of the Company. The principal amount, plus accrued interest, may be converted at the option of the holder at any time during the term to maturity into shares of the Company's common stock at a conversion price of $0.24 (CAD $0.31) per share subject to anti-dilution protection with a minimum conversion price of $0.135 and for capital reorganization events. The debentures also embody certain traditional default provisions that are linked to credit or interest risks, such as bankruptcy proceedings, liquidation events and corporate existence. The Company has concluded that the embedded conversion option is not indexed to its stock because it did not pass all eight conditions of equity classification provided in ASC 815. The embedded conversion option is subject to classification in the financial statements in liabilities at fair value both at inception and subsequently.

The Company has evaluated the terms and conditions of the debentures under the guidance of ASC 815. All three criteria under ASC 815-15-25-1 are met, therefore, the conversion feature requires classification and measurement as derivative financial instruments. Accordingly, the evaluation resulted in the conclusion that this derivative financial instrument requires bifurcation and liability classification, at fair value. Current standards contemplate that the classification of financial instruments requires evaluation at each report date.

The following table reflects the allocation of the purchase on December 7, 2016:

Secured convertible cotes		Face Value
(CAD $1,399,000)	$	1,041,835
Proceeds		1,041,835
Embedded derivative		(285,612)
Carrying value	$	756,223

The carrying value of these debentures at November 30, 2018 is CAD $1,301,359 ($978,361) and at November 30, 2017 was CAD $1,149,563 ($892,176).

Discounts (premiums) on the convertible notes arise from (i) the allocation of basis to other instruments issued in the transaction, (ii) fees paid directly to the creditor and (iii) initial recognition at fair value, which is lower than face value. Discounts (premiums) are amortized through charges (credits) to interest expense over the term of the debt agreement. Amortization of debt discounts (premiums) amounted to CAD $151,795 ($118,898) during the year ended November 30, 2018 and CAD$134,089 ($103,034) during the prior year ended November 30, 2017. During the year ended November 30, 2018, the Company recorded interest expense for $131,085 (November 30, 2017: $125,079).

(Amounts expressed in US Dollars)

14. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITIES -Cont'd

c) Convertible Notes $167,077 (2017: $nil)

On October 22, 2018, the Company entered into a Securities Purchase Agreement with several accredited investors to sell $1,275,000 of units, with each $1,000 of unit consisting of (i) a $1,000 10% interest unsecured convertible promissory note (collectively the "Notes") due April 15, 2020, convertible into the Company's common stock at a conversion price of $0.15 per share, and (ii) four thousand (4,000) warrants each exercisable for one share of common stock at an exercise price of $0.25 per share on or before the five year anniversary of the issuance. The notes are secured secondary by all of the Company assets and accrue interest at 10% per annum, payable in cash at maturity. However, the principal amount, plus accrued interest, may be converted at the option of the holder at any time during the term to maturity into shares of common stock at a conversion price of $0.15 per share subject to anti-dilution protection. The note embodies certain traditional default provisions that are linked to credit or interest risks, such as bankruptcy proceedings, liquidation events and corporate existence. The Company concluded that the embedded conversion option is not indexed to the Company's stock because it did not pass all eight conditions of equity classification provided in ASC 815. Therefore, the embedded conversion option is subject to classification in the financial statements in liabilities at fair value both at inception and subsequently.

The Company evaluated the terms and conditions of the Notes under the guidance of ASC 815. All three criteria under ASC 815-15-25-1 are met, therefore, the conversion feature requires classification and measurement as derivative financial instruments. Accordingly, the evaluation resulted in the conclusion that this derivative financial instrument requires bifurcation and liability classification, at fair value. Current standards contemplate that the classification of financial instruments requires evaluation at each report date.

The following table reflects the allocation of the purchase on October 22, 2018:

Proceeds	$	1,275,000
Convertible notes	$	(131,547)
Derivative liability-convertible promissory notes	$	(619,364)
Additional paid in capital (equity warrants)	$	(524,089)

The Company issued 5,100,000 warrants (see note 6). The relative fair value of these warrants was estimated at $524,089 using the Binomial Lattice option pricing model and reflected in additional paid-in capital. Discounts (premiums) on the convertible notes arise from (i) the allocation of basis to other instruments issued in the transaction, (ii) fees paid directly to the creditor and (iii) initial recognition at fair value, which is lower than face value. Discounts (premiums) are amortized through charges (credits) to interest expense over the term of the debt agreement. Amortization of debt discounts (premiums) amounted to $35,530 during the year ended November 30, 2018 (November 30, 2017: $Nil) resulting in the carrying value of convertible notes at $167,077 as at November 30, 2018 (November 30, 2017: $Nil). During the year ended November 30, 2018, the Company recorded interest expense for $16,767 (November 30, 2017: $Nil).

d) Secured Convertible Notes $nil (2017: $nil)

On December 7, 2016, the Company issued a $1,500,000 10% secured convertible debenture with a term to June 9, 2019 (the "Maturity Date"). The holder has the option to convert the outstanding principal and interest into common stock at a conversion price of $0.24 per share. The conversion price is subject to adjustments in the event of subsequent equity issuances at a price per share below $0.24. During the year ended November 30, 2017, the Company incurred $103,158 in financing fees.

The Company evaluated the terms and conditions of the secured convertible debentures under the guidance of ASC 815. Even though the instrument's conversion price used to calculate the settlement amount is not fixed the embedded conversion feature is still considered indexed to an entity's own stock under the guidance of ASC 815 because the only variables that could affect the settlement amount are inputs to the fair value of a fixed-for-fixed forward or option on equity shares. However, the conversion feature did not meet the conditions for equity classification provided in paragraphs 11 through 35 of ASC 815-40-25 because the contracts contain a security agreement which requires the posting of collateral. Therefore, the conversion feature requires bifurcation and liability classification.

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

Convertible debentures (Face value)	$	1,500,000
Proceeds	$	(1,396,842)
Embedded conversion feature		889,050
Deferred financing costs		(103,158)
Convertible debentures		610,950

The secured convertible debt of $1,500,000 plus accrued interest of $257,671 comprising $140,959 for the period from issuance to date of settlement calculated at 10% per annum and $116,712 calculated at 5% per annum from date of settlement to original maturity date was settled on November 28, 2017.

(Amounts expressed in US Dollars)

14. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITIES -Cont'd

Derivative Liabilities

The carrying values of the embedded derivative liabilities is reflected on the balance sheet, with changes in the carrying value being recorded as a change in fair value of derivative liabilities on the statement of operations.

The components of the embedded derivative as of November 30, 2017 are:

Financings giving rise to derivative financial instruments	Indexed Shares	Fair Value
Convertible Secured Debentures December 7, 2016	8,044,853	$ 539,860
	8,044,853	$ 539,860

The components of the embedded derivative as of November 30, 2018 are:

Financings giving rise to derivative financial instruments	Indexed Shares	Fair Value
Convertible Secured Debentures December 7, 2016	8,044,853	$ 426,016
Convertible Notes October 22, 2018	8,500,000	531,285
	16,544,853	$ 957,301

The following table summarizes the effects on gain (loss) associated with changes in the fair values of derivative financial instruments by type of financing for the twelve months ended November 30, 2018 and 2017:

Financings giving rise to derivative financial instruments and the income effects:	Twelve Months Ended November 30, 2018	Twelve Months Ended November 30, 2017
Convertible Secured Debentures December 7, 2016	$100,464	$(239,802)
Convertible Notes October 22, 2018	$88,079	-
	$188,543	$(239,802)

(Amounts expressed in US Dollars)

14. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITIES -Cont'd

Fair Value Considerations

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. As presented in the tables below, this hierarchy consists of three broad levels:

Level 1 valuations: Quoted prices in active markets for identical assets and liabilities.

Level 2 valuations: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model- derived valuations whose inputs or significant value drivers are observable.

Level 3 valuations: Significant inputs to valuation model are unobservable.

The Company follows the provisions of ASC 820 with respect to the financial instruments. As required by ASC 820, assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. The derivative financial instruments which are required to be measured at fair value on a recurring basis under of ASC 815 as of November 30, 2018 and 2017 are all measured at estimated fair value using Level 2 and 3 inputs.

The embedded derivative was fair valued using the income valuation technique using the Lattice valuation model. The following table sets forth the inputs for each significant assumption:

Convertible secured debentures December 7, 2016		November 30, 2018		November 30, 2017
Derivative financial instruments	$	426,016	$	539,860
Conversion price	$	0.135	$	0.135
Volatility		91%		106%
Remaining term (years)		0.52		1.52
Risk free rate		2.52%		1.78%

Convertible notes October 22, 2018		November 30, 2018		November 30, 2017
Derivative financial instruments	$	531,285	$	-
Conversion price	$	0.15	$	-
Volatility		79%		-
Remaining term (years)		1.38		-
Risk free rate		2.70%		-

15. INVENTORY

Inventory as of November 30, 2018, consists of finished goods of Blunt Impact Projectiles 40mm for $90,329 (November 30, 2017: $109,673) and inventory procured from other suppliers for $38,792 (November 30, 2017: $47,630). The Company values its inventory on a first-in, first-out basis. Inventory is valued at the lower of cost or net realizable value.

16. PATENT RIGHTS

Seven patent applications, six non-provisional and one provisional, have been filed by the Company with the U.S. Patent Office. The Patents have been granted on the six non-provisional patents. The Company also owns the trademark for 'BIP'.

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 Wireless Electric Projectile ("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.

(e) Projectile: This invention relates to a non-lethal projectile to be fired using a paintball gun, and more particularly, but not exclusively, to an aerodynamic non-lethal projectile which is used for marking, inhibiting or administering medicinal or other chemical substances to live targets.

(f) Payload Carrying Arrangement for a Non-Lethal Projectile: This 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.

On April 13, 2018, the Company entered into a purchase and sale agreement with André Buys, pursuant to which the Company agreed to purchase from Mr. Buys a portfolio of registered patent rights, provisional patent rights, and other intellectual property relating to air and/or gas fired long guns or pistols, including pump action launchers and munitions used with such pistols and long guns, including self-stabilizing shaped or "finned" rounds (the "Portfolio"). As consideration for the portfolio, the Company paid Buys $100,000, and incurred $10,000 in legal costs to transfer these patent rights. This consideration of $110,000 has been capitalized. The Company also agreed to pay Buys either $500,000 in cash or $750,000 worth of Company stock within two years (the "Second Payment") at Buys' discretion. In the event that the Company fails to make the Second Payment, the Portfolio would revert to Buys, but the Company would retain perpetual, irrevocable, exclusive and non-exclusive licenses to use technology with respect to the Portfolio and any technology developed within two years of April 13, 2018. As the substance of the purchase and sale agreement has been determined to be an option agreement, Tthe Company has not recorded any amount related to the Second Payment. These patent rights have a maximum life of 20 years, expiring on various dates beginning in November 2033 to 2038, and are amortized straight-line commencing June 2018 over a period of 15 years being the estimated useful life, as determined by management. The Company amortized $3,666 during the year ended November 30, 2018. As the full arrangement included an option for full acquisition of the rights, conditional upon certain future events taking place, the Company has recorded the minimum rights to a licence arrangement as patent rights. As at November 30, 2018, the amount recorded as Patent rights refer to the perpetual, irrevocable, exclusive and non-exclusive license to use technology with respect to the portfolio.

17. PREPAID EXPENSES AND OTHER RECEIVABLES

Prepaid expenses and other receivables for the year ended November 30, 2018, include the prepayment of $750,000 by the issuance of common shares to FinTekk AP LLC, being the issuance relating to the marketing campaign for the launch of the Company's new Byrna™ HD product to occur in fiscal 2019 (November 30, 2017: $Nil) (See note 5).

18. 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 its cash balances within banks in Canada in both United States dollars and Canadian dollars and with banks in United States in United States 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, 2018, in comparison to the prior year, 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 a translation adjustment loss of $1,673 (2017- a gain of $24,734), in other comprehensive income or loss. The convertible debentures issued by the Company in Canadian currency reflected a currency gain of $(46,093) and loss of $55,007 for the years ended November 30, 2018 and 2017, respectively.

The Company's Canadian subsidiary revenue, costs of sales, operating costs and capital expenditures are denominated in Canadian dollars. 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% fluctuation in the US exchange rate, the impact on the loss and stockholders' deficiency is not material except the effect on the foreign exchange conversion of the convertible debt issued in Canadian dollars.

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 USA and 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 can source alternative suppliers.

iii) Credit Concentration

For the year ended November 30, 2018, two customers represented approximately 65% of total revenues (2017 - 48% from two customers).

The accounts receivable from three customers represents approximately 88% of accounts receivable as of November 30, 2018 (2017 - 85% from three customers).

The Company's customers are primarily in North America. Revenues primarily consists of the sale of BIP munition.

iv) Vendor Concentration

The Company currently purchases 100% of its BIP inventory from one supplier.

19. SUBSEQUENT EVENTS

Effective December 1, 2018, the Company signed a twelve-month contract with the corporation owned and controlled by the CFO to pay an annual compensation of $50,000 for the CFO services. The Company paid $10,000 at commencement and is committed to pay $3,333 on monthly basis.

On January 23, 2019, the Company made a share issuance to Jensen under an employment agreement described in note 11. The Company issued 134,938 common shares at a price of $0.1482 per share to satisfy the payment of $20,000 due January 15, 2019.
On January 23, 2019, the Company made a share issuance to Ganz under a consulting agreement. The Company issued 500,000 common shares at a price of $0.1482 due December 15, 2018.

On January 23, 2019, the Company made a share issuance to a corporation owned and controlled by Dean Thrasher, executive chairman of the Company under a consulting agreement described in note 11. The Company issued 180,000 common shares at a price of $0.1482 due January 15, 2018.

On January 23, 2019, the Company made a share issuance to the CLO under the consulting agreement described in note 11. The Company issued 166,666 common shares at a price of $0.1482 due January 15, 2019.

On January 23, 2019, the Company made a share issuance to a consultant under the consulting agreement. The Company issued 134,938 common shares at a price of $0.1482 per share to satisfy the payment of $20,000 due January 15, 2019.

On December 3, 2018, the Company issued 750,000 warrants each to two consultants (the “incentive warrants”) to purchase common shares of the Company at a strike price equal to the average trading price of the Company on the OTC QB during the 20 business days proceeding such approval. 50% of the incentive warrants will vest upon issuance and the balance will vest upon December 31, 2019. The incentive warrants shall have a three-year life. These warrants were issued pursuant to the contracts executed with these two consultants (See note 11).

Exhibit 21.1

SUBSIDIARY OF SECURITY DEVICES INTERNATIONAL, INC.

1. Security Devices International Canada Corp., an Ontario, Canada corporation, wholly owned by Security Devices International, Inc.

2. Byrna South Africa (Pty) Ltd.

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, Paul Jensen, 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, 2018;

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 27, 2019

/s/ Paul Jensen
Paul Jensen,
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, 2018;

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 27, 2019

/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, 2018 (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 27, 2019

/s/ Paul Jensen
Paul Jensen,
Principal Executive Officer
Security Devices International, Inc.

Dated: February 27, 2019

/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.