SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

(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, 2007

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	Applied For
(State of incorporation)	(IRS Employer Identification No.)

2171 Avenue Rd. Suite 103 Toronto, Ontario Canada	M5M 4B4
(Address of Principal Executive Office)	Zip Code

Registrant's telephone number, including Area Code: (416) 787-1871 Securities registered pursuant to Section 12(b) of the Act: None Securities registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

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

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. (Check One):

Large accelerated filer [ ]   Accelerated filer [ ]

Non-accelerated filer [ ]   Smaller reporting company [X]
(Do not check if a smaller reporting company)

Check whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 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

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X] Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes ____   No __X__

The Company's revenues during the year ended November 30, 2007 were $ -0- .

The aggregate market value of the voting stock held by non-affiliates of the Company (9,900,550 shares) on February 25, 2008 was approximately $13,860,000.

Documents incorporated by reference: None

As of February 25, 2008, the Company had 14,330,050 issued and outstanding shares of common stock.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This report includes "forward-looking statements". All statements other than statements of historical facts included in this report, regarding the Company's financial position, business strategy, plans and objectives, are forward-looking statements. Although the Company believes that the expectations reflected in the forward-looking statements and the assumptions upon which such forward-looking statements are based are reasonable, it can give no assurance that such expectations and assumptions will prove to have been correct.

ITEM 1. BUSINESS

SDI is currently in the advanced stages of developing LEKTROX, a unique line of wireless electric ammunition for use in military, homeland security, law enforcement, and professional and home security situations.

SDI's LEKTROX system was developed by Elad Engineering, Israel, assisted by:

o Dr. Yoav Paz, a heart and chest surgery specialist at the Hadassah Medical Center, Jerusalem, member of the European Society of Cardiology; and

o Emanuel Mendes, an electrical engineer at the forefront of Israel's R&D for almost 50 years.

SDI's strategic collaboration with Elad resulted in the patent pending LEKTROX system. Featuring the unique extended range Wireless Electro-Muscular Disruption Technology, (or "W-EMDT"), SDI's first products, the LEKTROX 37/38mm and 40mm round ammunition will be ready for the market in 3rd quarter 2008 with a 12-guage version to be introduced later.

LEKTROX has been specially designed for use with standards issue riot guns, M203 grenade launchers. This will allow military, law enforcement agencies etc. to quickly deploy LEKTROX without the need for lengthy, complex training methods or significant functional adjustments to vehicles or personal equipment. Simplicity of use is also a key benefit for the home security market where most users have little or no specialized training.

LEKTROX is a 3rd generation electric solution. First generation solutions were electric batons and hand-held stun guns which had a range of arm's length. 2nd generation were the wired electric charge solutions. 3rd generation are the wireless electric bullets. Currently, there is still no 3rd generation wireless electric bullet on the market.

LEKTROX is being specifically developed to achieve the highest operational success at the greatest distance of those known to be currently in development. Causing instant target incapacitation up to distances of 60 yards, the LEKTOX will give maximum field superiority to military personnel, law enforcement officers and other security operatives in situations that do not call for the use of lethal ammunition.

The LEKTROX Electric Bullet is totally safe in storage, transportation, handling and loading. Locked in safe mode until its internal electric and mechanical systems are activated by contact with the target, LEKTROX eliminates any possibility of the round's accidental charging.

Exploiting proven technologies, the LEKTROX Electric Bullet maintains excellent stability for the highest possible accuracy. In addition LEKTROX achieves distances way beyond those reached by previous generation, wired electric ammunition systems.

In addition to achieving a greater range, the LEKTROX delivers new levels of effectiveness and safety through the use of

- o Unique mechanisms that reduce the projectile's kinetic energy
- o W-EMDT that instantly incapacitates the target without causing serious injury or lethality.

To reduce kinetic energy levels, the bullet's head is composed of a collapsible material that enlarges the contact surface and absorbs part of the impact. Additional energy is transferred to other absorption mechanisms that use the energy to release the Multiple Mini-Harpoon mechanism and activate the built-in electrical system.

When released, the mini-harpoons fix the bullet irremovably to the target's clothing or body. At the same time, the bullet's electrical system releases a W-EMDT charge that imitates the electro-neural impulses used by the human body. Sending out a control signal to the muscles, this high voltage low current pulse safely overrides the target's nervous system inducing a harmless muscle spasm that causes them to fall to the ground helpless.

Operating at lower than critical cardio-fibrillation levels, the LEKTROX W-EMDT electric output has been designed in line with stringent medical equipment standards that protect patients from permanent injury. Enabling full recovery with no clinical after effects, LEKTROX helps decreases liability for wrongful injury or death.

When introduced, the Short Range LEKTROX will have a safe firing range of 2-10 yards and will be fired from a proprietary system powered by a pressurized air cartridge. Simple to operate, this laser-aiming system will be point and fire exactly as they would with a standard pistol trigger. The round will fire with low recoil enabling a quick firing of a second or third round if necessary.

The cost of manufacturing a LEKTROX electrical round is estimated to be between $20 and $30. SDI anticipates that its electric round will sell at a retail price of approximately $100 per round. In comparison, rubber, smoke or stun rounds typically sell for $20 to $28. A cartridge for the TASER(R) sells for approximately $60.

As of February 25, 2008 SDI has completed the following steps in the development of the LEKTROX:

- o Design and testing of ballistic rounds.
- o Production of various ballistic rounds.
- o Design of `electrical arms' to adhere to clothing or skin. o Design of safety/armed mechanism.
- o Production of mechanical systems.
- o Design of electrical system.
- o Production of electrical system.

- o Integration and assembly of mechanical and electrical sub-systems for electrical rounds.
- o Testing of different ballistic rounds
- o Powder loading testing o Testing of complete electrical rounds
- o Adjustment of electrical rounds based on test results
- o Two clinical studies in European Clinics.

Additional steps to be completed include:

- o Production of completed rounds.
- o Testing with military and law enforcement organization of fully operational Long Range LEKTROX for production.

See Item 6 of this report for information regarding the timing of the remaining steps in the development of the LEKTROX.

The mechanical development of the LEKTROX is being completed by Elad Engineering Ltd., an Israeli company which has designed weapons for the Israeli Military.

During the period from its inception (March 1, 2005) to November 30, 2007 SDI paid $1,882,495 for research and development.

SDI does not have written agreements with Elad Engineering for work relating to the development of the LEKTROX.

As of February 25, 2008 SDI has not entered into any joint venture or licensing agreements.

SDI currently plans to manufacture market and sell all products on its own behalf.

Competition

The primary competitive factors in the market for non-lethal weapons are a weapon's cost, effectiveness, and ease of use.

In the military market a wide variety of weapon systems are used. Conducted energy devices, such as the LEKTROX, have gained increased acceptance during the last two years as a result of the increased role of military personnel in Iraq and Afghanistan. Conducted energy weapons have gained limited acceptance in the private citizen market for non-lethal weapons.

SDI's primary competitors will be Taser International, Inc. and Stinger Systems, Inc. The LEKTROX will also compete indirectly with a variety of other non-lethal alternatives, including pepper spray and impact weapons sold by companies such as Armor Holdings, Inc. and Jaycor, Inc.

SDI believes that its competitive advantage will be the ability of the LEKTROX to effectively incapacitate offenders from a distance as far as 75 meters without a trail of wires leading back to the launcher. Stun Gun operators must be in direct physical contact with combatants while the TASER(R) has a range of less than seven meters. In contrast, the LEKTROX will be designed to have a range which is over four times farther that TASER(R), providing a significant safety advantage for enforcement officers and security personnel.

Patents

Four patent applications, one for the electrical mechanism and other three for the mechanical mechanism of the LEKTROX, have been filed by SDI with the U.S. Patent Office.

SDI does not hold any foreign patents.

SDI's patents may not protect its proprietary technology. In addition, other companies may develop products similar to the LEKTROX or avoid patents held by SDI. Disputes may arise between SDI and others as to the scope and validity of its patents. Any defense of its patents could prove costly and time consuming and SDI may not be in a position, or may not consider it advisable, to carry on such a defense. In addition, others may acquire or independently develop the same or similar unpatented proprietary technology used by SDI.

Government Regulation

Under current regulations the LEKTROX will be considered a crime control product by the United States Department of Commerce and the export of the LEKTROX will be regulated under export administration regulations. As a result, export licenses from the Department of Commerce will be required for all shipments to foreign countries other than Canada. In addition, the Department of Commerce has regulations which may restrict the export of technology used in the LEKTROX.

The LEKTROX will be controlled, restricted or its use prohibited by several state and local governments. In many cases, the law enforcement and corrections market is subject to different regulations than the private citizen market. Many states have regulations restricting the sale of stun guns and hand-held shock devices, such as the LEKTROX, to private citizens or security personnel.

Foreign regulations pertaining to non-lethal weapons are numerous and often unclear
and a number of countries prohibit devices similar to the LEKTROX.
Employees

The LEXTROX will be controlled, restricted or its use prohibited by several state and local governments. In many cases, the law enforcement and corrections market is subject to different regulations than the private citizen market. Many states have regulations restricting the sale of stun guns and hand-held shock devices, such as the LEXTROX, to private citizens or security personnel.

General

As of February 25, 2008 SDI did not have any full-time employees.

SDI's offices are located at 2171 Avenue Rd., Suite 103, Toronto, Ontario, Canada M5M 4B4. SDI's rental costs on this space for the three years ending November 30, 2010, excluding SDI's share of operating and common area expenses, are $11,705 (2008), $12,138 (2009) and $12,138 (2010). SDI's offices are expected to be adequate to meet SDI's foreseeable future needs.

SDI's website is www.lektrox.com.

ITEM 2. DESCRIPTION OF PROPERTY

See Item 1 of this report.

ITEM 3. LEGAL PROCEEDINGS.

SDI is not involved in any legal proceedings and SDI does not know of any legal proceedings which are threatened or contemplated.

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

Not Applicable

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

On August 28, 2006 SDI's common stock was listed on the OTC Bulletin Board under the symbol "SDEV". The following shows the high and low closing prices for SDI's common stock for the periods indicated:

Three Months Ended	High	Low
November 2006	$2.65	$0.15
February 2007	$3.80	$1.75
May 2007	$3.25	$2.65
August 2007	$3.20	$2.00
November 2007	$1.95	$1.20

As of February 25, 2008 SDI had approximately 200 shareholders and 14,330,050 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.

SDI's Articles of Incorporation authorize its Board of Directors to issue up to 50,000,000 shares of preferred stock. The provisions in the Articles of Incorporation relating to the preferred stock allow SDI's 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. The issuance of preferred stock with these rights may make the removal of management difficult even if the removal would be considered beneficial to shareholders generally, and will have the effect of limiting shareholder participation in certain transactions such as mergers or tender offers if these transactions are not favored by SDI's management.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND PLAN OF OPERATION

SDI was incorporated on March 1, 2005 and as of February 25, 2008 has not yet generated any revenue. SDI is a defense technology company which is developing LEKTROX, a unique line of wireless electric ammunition for use in military, homeland security, law enforcement, and professional and home security situations.

During the year ended November 30, 2006 substantial all of SDI's cash expenses were related to the development of its LEKTROX technology.

During the year ended November 30, 2007:

- o general and administrative expenses increased primarily as the result of expenses (which did not require the use of cash) associated with the issuance of options and warrants.

- o more capital was available to SDI and as a result SDI was able to spend more on research and product development;

During the period from inception (March 1, 2005) through November 30, 2007 SDI's operations used ($2,494,917) in cash. During this period SDI:

- o purchased $26,557 of equipment,

- o raised $7,719,650 from the sale of shares of its common stock,

- o raised $95,000 from three of its officers and directors upon the exercise of options to purchase 950,000 shares of common stock.

SDI did not have any material future contractual obligations or off balance sheet arrangements as of November 30, 2007.

SDI's plan of operation during the twelve-month-period ending February 28, 2009 is as follows:

Activity	Projected Completion Date
Completion of fully operational Long Range LEKTROX prototype (37-38MM) up to production file:	3rd quarter 2008
Completion of fully operational Long Range LEKTROX prototype (40MM) up to production file:	3rd quarter 2008
Completion of mechanical aspects of Long Range LEKTROX prototype (12 GUAGE)	2009
Completion of tooling and moulds for 37MM and 40MM LEKTROX	3rd quarter 2008

SDI anticipates that its capital requirements for the twelve-month period ending February 28, 2009 will be:

Research and Development	2,100,000
General and administrative expenses	250,000
Total	2,350,000

SDI does not anticipate that it will need to hire any employees prior to September 30, 2008. SDI does not expect that it will need to raise additional capital during the twelve months ending February 28, 2009 SDI believes that its cash on hand will satisfy its working capital needs until sale of its products have commenced.

SDI does not have any commitments or arrangements from any persons to provide SDI with any additional capital it may need.

ITEM 7. FINANCIAL STATEMENTS

See the financial statements attached to this report.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS.

Not applicable

ITEM 8A. CONTROLS AND PROCEDURES

Sheldon Kales, the Company's Chief Executive Officer and Rakesh Malhotra, the Company's Principal Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) as of the end of the period covered by

this report, and in their opinion the Company's disclosure controls and procedures are effective. There were no changes in the Company's internal controls over financial reporting that occurred during the fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

Name	Age	Position
Sheldon Kales	51	Chief Executive Officer and a Director
Boaz Dor	53	Secretary and a Director
Rakesh Malhotra	51	Chief Financial Officer
Gregory Sullivan	41	Director

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.

Sheldon Kales has been an officer and director of SDI since March 2005. Since February 2004 Mr. Kales has been working on the development of the LEKTROX. Between January 2000 and February 2004 Mr. Kales was the President of Yangtze Telecom, a company which provides messaging and related services for cell phone users in China. Mr. Kales founded, and between 1985 and 2001, operated Argus Investigation Services.

Boaz Dor has been a director of SDI since April 2005 and its Secretary since March 15, 2006. Mr. Dor served in the Israeli Defense Forces from 1972 to 1975. Recruited by the Israeli Secret Services, Mr. Dor was assigned to the International Security Division for Aviation Security for the Israeli Government, eventually assuming the position of Head of Security for the Embassy of Israel and El Al Israel Airlines in Cairo, Egypt, and later, as Vice-Consul and Head of Security for the Israeli Consulate in Toronto and Western Canada and El Al Israel Airlines. In 1989, Mr. Dor resigned from the public sector to open a security consulting firm. In 1991, he was appointed executive director of security for the Seabeco Group of Companies where Mr. Dor oversaw international operations in Switzerland, Belgium, Russia, New York and Toronto. Since 2000 Mr. Dor has owned and operated Ozone Water Systems Inc., a water purification company.

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 Chartered Accountant (CA). Mr. Malhotra graduated with Bachelor of Commerce (Honors) degree from the University of Delhi (India) and worked for A.F Ferguson & Co. (the Indian correspondent for KPMG) and obtained his CA designation in India. Having practiced as an accountant for over ten years in New Delhi, Mr. Malhotra moved to the Middle East and worked for five years with the

International Bahwan Group in a senior finance position. During 2000 and 2001, Mr. Malhotra worked as a chartered accountant with a mid-sized accounting firm in Toronto performing audits of public companies. Since 2005 Mr. Malhotra has been a consultant to a number of public companies. Mr. Malhotra has more than 20 years experience in accounting and financing.

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

None of SDI's directors are independent as that term is defined in section 121(A) of the listing standards of the American Stock Exchange.

SDI does not have a compensation committee or an audit committee. Rakesh Malhotra is SDI's financial expert. However, since he is an officer of SDI Mr. Malhotra is not independent as that term is defined in section 121(A) of the listing standards of the American Stock Exchange.

SDI has not adopted a Code of Ethics applicable to its principal executive, financial, and accounting officers and persons performing similar functions. SDI does not believe a Code of Ethics is needed at this time since SDI has only four officers.

ITEM 10. EXECUTIVE COMPENSATION

The following table shows the compensation for the years ended November 30, 2007 and 2006 paid or accrued, to Sheldon Kales, the Principal Executive Officer of SDI. None of the executive officers of SDI received compensation in excess of $100,000 during this period.

Name and Principal Position	Fiscal Year	Salary (1)	Bonus (2)	Stock Awards (3)	Option Awards (4)	All Other Annual Compensation (5)	Total
Sheldon Kales,	2007	--	--	--	$886,948	--	$886,948
President	2006	--	--	--	$386,302	--	$386,302

(1) The dollar value of base salary (cash and non-cash) received. (2) The dollar value of bonus (cash and non-cash) received.
(3) The fair value of stock issued for services computed in accordance with FAS 123R on the date of grant.
(4) The fair value of options and warrants granted computed in accordance with FAS 123R on the date of grant.
(5) All other compensation received that SDI could not properly report in any other column of the table. SDI does not have an employment agreement with any of its officers.

The following shows the amounts which SDI expects to pay in cash to its officers during the twelve month period ending November 30, 2008, and the time these persons plan to devote to SDI's business.

Name	Proposed Compensation	Time to be Devoted to the Business of SDI
Sheldon Kales	*	100%
Boaz Dor	*	50%
Rakesh Malhotra	$18,000	10%
Gregory Sullivan	*	10%

* These officers/directors have agreed to serve without cash compensation until SDI has accumulated gross revenues of $500,000. In lieu of cash compensation, these persons have received shares of SDI's common stock as well as options.

Once accumulated revenue reaches $500,000, SDI's directors may compensate its officers depending upon a variety of factors, including past sales volume and the anticipated results of its future operations. However, there are no sales, net income, or other thresholds which are required for SDI's directors to increase the compensation paid to SDI's officers. SDI may issue shares of its common stock to its officers in payment of compensation owed to its officers.

Long-Term Incentive Plans. SDI does not provide its officers or employees with pension, stock appreciation rights, long-term incentive or other plans and has no intention of implementing any of these plans for the foreseeable future.

Employee Pension, Profit Sharing or other Retirement Plans. SDI does not have a defined benefit, pension plan, profit sharing or other retirement plan, although it may adopt one or more of such plans in the future.

Compensation of Directors During Year Ended November 30, 2007

Name	Paid in Cash	Stock Awards (1)	Awards of Options or Warrants (2)
Boaz Dor	--	--	$304,987
Gregory Sullivan	--	--	$213,867

(1) The fair value of stock issued for services computed in accordance with FAS 123R on the date of grant.
(2) The fair value of options or warrants granted computed in accordance with FAS 123R on the date of grant.

Stock Option and Bonus Plans

SDI has adopted stock option and stock bonus plans. A summary description of these plans follows. In some cases these Plans are collectively referred to as the "Plans".

Incentive Stock Option Plan. SDI's Incentive Stock Option Plan authorizes the issuance of shares of SDI's Common Stock to persons that exercise options granted pursuant to the Plan. Only SDI employees may be granted options pursuant to the Incentive Stock Option Plan. The option exercise price is determined by SDI's directors but cannot be less than the market price of SDI's common stock on the date the option is granted.

Non-Qualified Stock Option Plan. SDI's Non-Qualified Stock Option Plan authorizes the issuance of shares of SDI's Common Stock to persons that exercise options granted pursuant to the Plans. SDI's employees, directors, officers, consultants and advisors are eligible to be granted options pursuant to the Plans, provided however that bona fide services must be rendered by such consultants or advisors and such services must not be in connection with the offer or sale of securities in a capital-raising transaction.

Stock Bonus Plan. SDI's Stock Bonus Plan allows for the issuance of shares of common stock to it's employees, directors, officers, consultants and advisors. However bona fide services must be rendered by the consultants or advisors and such services must not be in connection with the offer or sale of securities in a capital-raising transaction.

Summary. The following lists, as of February 25, 2008, the options granted pursuant to the Plans. Each option represents the right to purchase one share of SDI's common stock.

Name of Plan	Total Shares Reserved Under Plans	Shares Reserved for Outstanding Options	Shares Issued as Stock Bonus	Remaining Options/Shares Under Plans
Incentive Stock Option Plan	1,000,000	--	N/A	1,000,000
Non-Qualified Stock Option Plan	4,500,000	2,225,000	N/A	1,325,000
Stock Bonus Plan	150,000	N/A	--	150,000

The following tables show all options granted and exercised by SDI's officers and directors since the inception of SDI and through February 25, 2008, and the options held by the officers and directors named below. All of the options listed below were granted pursuant to SDI's Non-Qualified Stock Option Plan.

Options Granted/Exercised

Name	Grant Date	Options Granted (#)	Exercise Price	Expiration Date	Shares Acquired on Exercise (1)	Value Realized (2)
Sheldon Kales	10/29/05	550,000	$0.10	10/29/11	550,000	$275,000
Sheldon Kales	10/29/05	100,000	$0.25	10/29/11		

Boaz Dor	10/29/05	200,000	$0.10	10/29/11	200,000	$100,000
Boaz Dor	10/29/05	100,000	$0.25	10/29/11		
Gregory Sullivan	10/29/05	200,000	$0.10	10/29/11	200,000	$100,000
Gregory Sullivan	10/29/05	100,000	$0.25	10/29/11		
Rakesh Malhotra	1/07/07	125,000	$1.50	01/07/12		
Sheldon Kales	10/12/07	675,000	$1.20	10/12/12		
Boaz Dor	10/12/07	300,000	$1.20	10/12/12		
Rakesh Malhotra	10/12/07	175,000	$1.20	10/12/12		
Gregory Sullivan	10/12/07	175,000	$1.20	10/12/12		
Sheldon Kales	1/24/08	108,000	$0.10	01/24/13		
Boaz Dor	1/24/08	117,000	$0.10	01/24/13		

(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
Sheldon Kales	100,000	--	$0.25	10-29-11
Boaz Dor	100,000	--	$0.25	10-29-11
Gregory Sullivan	100,000	--	$0.25	10-29-11
Rakesh Malhotra	125,000	--	$1.50	1-17-12
Sheldon Kales	675,000	--	$1.20	10-12-12
Rakesh Malhotra	175,000	--	$1.20	10-12-12
Gregory Sullivan	175,000	--	$1.20	10-12-12
Sheldon Kales	108,000	--	$0.10	1-24-13
Boaz Dor	117,000	--	$0.10	1-24-13

(1) These options will expire on the first to occur of the following: (i) the expiration date of the option, (ii) the date the option holder is removed from office for cause, or (iii) the date the option holder resigns as an officer of the Company.

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.

The following table shows the weighted average exercise price of the outstanding options granted pursuant to SDI's stock option plans as of November 30, 2007, SDI's most recent fiscal year end. SDI's stock option plans have not been approved by its shareholders.

Plan category	Number of Securities to be Issued Upon Exercise of Outstanding Options (a)	Weighted-Average Exercise Price of of Outstanding Options	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans, Excluding Securities Reflected in Column (a)
Incentive Stock Option Plan	--	--	
Non-Qualified Stock Option Plan			

Warrants

In addition to the options described above, SDI has granted warrants to the persons and upon the terms shown below.

Name	Grant Date	Shares Issuable Upon Exercise of Options	Exercise Price	Expiration Date
Broker warrants	4-25-07	106,950	$2.81	4-25-09
Boaz Dor	9-06-07	17,000	$0.50	5-31-17
Sheldon Kales	10-05-07	250,000	$0.50	10-05-14
Gregory Sullivan	10-05-07	50,000	$0.50	10-05-14

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table shows the ownership of SDI's common stock as of February 25, 2008 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
Sheldon Kales	2,884,000	20.1%
Boaz Dor	1,140,500	8.0%
Rakesh Malhotra	--	--
Gregory Sullivan	405,000	2.8%
Dror Shachar (2)	1,200,000	8.4%
All Officers and Directors as a group (four persons)	4,429,500	30.9%

(1) Does not reflect shares issuable upon the exercise of options.

(2) Dror Shachar holds these shares for the benefit of his father, Mark Shachar.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The following lists all shares of SDI's common stock which have been issued since its incorporation:

Shareholder	Date of Sale	Shares Issued	Consideration Paid for Shares
Sheldon Kales	3-03-05	2,300,000	Services rendered, valued at $23,000
Sheldon Kales	3-04-05	200,000	Services rendered, valued at $2,000
Boaz Dor	3-03-05	900,000	Services rendered, valued at $9,000
Gregory Sullivan	3-03-05	40,000	Services rendered, valued at $400
Gregory Sullivan	3-04-05	200,000	Services rendered, valued at $2,000
Alexander Blaunshtein(1)	3-03-05	1,560,000	Services rendered, valued at $15,600
Consultant	3-03-05	1,200,000	Services rendered, valued at $12,000
Consultants	3-04-05	125,000	Services rendered, valued at $1,250
Private Investors	4-15-05	397,880	$ 99,470
Private Investors	12-31-05	486,000	$ 48,600
Private Investors	1-31-06	470,000	$ 47,000
Private Investors	3-08-06	286,000	$ 50,050
Consultant	3-08-06	50,000	Services rendered, valued at $8,750

Shareholder	Date of Sale	Shares Issued	Consideration Paid for Shares
Public Investors	5-06/7-06	2,000,000	$ 400,000
Sheldon Kales	11-06	550,000	$ 55,000 (2)
Boaz Dor	11-06	200,000	$ 20,000 (2)
Gregory Sullivan	11-06	200,000	$ 20,000 (2)
Private Investors	12-06	2,536,170	$2,536,170
Consultant	3-12-07	50,000	Services rendered, valued at $155,000
Private Investors	4-07/5-07	2,139,000	$4,812,750

(1) Alexander Blaunshtein is the son of Natan Blaunstein, who was a former director of SDI. In March 2007 these shares were purchased by SDI for $50,000, cancelled, and returned to the status of authorized but unissued shares.
(2) Shares were issued upon the exercise of stock options.

With the exception of the shares issued upon the exercise of shares issued upon the exercise of options, SDI relied upon the exemption provided by Section 4(2) of the Securities Act of 1933 in connection with the issuance of these shares.

Sheldon Kales, Natan Blaunstein, Boaz Dor and Gregory Sullivan are the promoters and parents of SDI.

The services relating to the shares issued in March 2005 were provided for the development of the LEKTROX and were valued at $0.01 per share. The 50,000 shares issued in March 2006 to a consultant were issued as compensation for introducing investors to SDI and were valued at $0.175 per share which is the price, per share, received by SDI for the shares sold for cash in March 2006.

ITEM 13. EXHIBITS

Exhibit Number	Description of Exhibit	
3.1	Articles of Incorporation	(Incorporated by reference to the same exhibit filed with the Company's registration statement on Form SB-2 (File No. 333-12456).
3.2	Bylaws	(Incorporated by reference to the same exhibit filed with the Company's

registration statement on Form SB-2 (File No. 333-132456).

31	Rule 13a-14(a) Certifications	*
32	Section 1350 Certifications	*

* Filed with this report.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Schwartz Levitsky Feldman, LLP ("Schwartz Levitsky") audited SDI's financial statements for the years ended November 30, 2007 and 2006.

The following table shows the aggregate fees billed and billable to SDI during the years ended November 30, 2007 and 2006 by Schwartz Levitsky.

	2007	2006
Audit Fees	$17,000	$16,800
Audit-Related Fees	$39,900	$ 1,000
Financial Information Systems	--	--
Design and Implementation Fees	--	--
Tax Fees	--	--
All Other Fees	--	--

Audit fees represent amounts billed for professional services rendered for the audit of SDI's annual financial statements. Audit-Related fees represent amounts billed for the services related to the filing of SDI's registration statements on Form SB-2 and Form S-8. Before Schwartz Levitsky was engaged by Security Devices to render audit services, the engagement was approved by Security Device's Directors.

SECURITY DEVICES INTERNATIONAL, INC.
(A Development Stage Enterprise)

FINANCIAL STATEMENTS

YEARS ENDED NOVEMBER 30, 2007 AND 2006

Together with Report of Independent Registered Public Accounting Firm

(Amounts expressed in US Dollars)

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Schwartz Levitsky Feldman llp
CHARTERED ACCOUNTANTS
TORONTO. MONTREAL

1167 Caledonia Road
Toronto, Ontario M6A 2X1
Tel: 416 785 5353
Fax: 416 785 5663

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Security Devices International, Inc.
(A Development Stage Enterprise)

We have audited the accompanying balance sheets of Security Devices International, Inc. (incorporated in Delaware, United States of America) as at November 30, 2007 and 2006 and the related statements of operations and comprehensive loss, cash flows and stockholders' equity for the years ended November 30, 2007 and 2006 and the period from inception to November 30, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Security Devices International, Inc. as of November 30, 2007 and 2006, and the results of its operations and its cash flows for the years ended November 30, 2007 and 2006 and the period from inception to November 30, 2007 in accordance with generally accepted accounting principles in the United States of America.

"SCHWARTZ LEVITSKY FELDMAN LLP"

Toronto, Ontario, Canada Chartered Accountants
February 25, 2008 Licensed Public Accountants

SECURITY DEVICES INTERNATIONAL, INC.
(A Development Stage Enterprise)
Balance Sheets

As at November 30, 2007 and 2006
(Amounts expressed in US Dollars)

ASSETS	2007 $	2006 $
CURRENT		
Cash and cash equivalents	5,293,176	1,463,833
Prepaid expenses and other	36,788	4,452
Total Current Assets	5,329,964	1,468,285
Plant and Equipment, net (Note 9)	23,960	-
TOTAL ASSETS	5,353,924	1,468,285

LIABILITIES

CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	174,842	104,011
Loans from Directors/Shareholders (Note 8)	-	4,227
Total Current Liabilities	174,842	108,238

Related Party Transactions (note 8)

Commitments and Contingencies (note 11)

STOCKHOLDERS' EQUITY

Capital Stock (Note 5)	14,330	11,365
Additional Paid-In Capital	11,842,187	3,198,180
Deficit Accumulated During the Development Stage	(6,677,435)	(1,849,498)
Total Stockholders' Equity	5,179,082	1,360,047
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	5,353,924	1,468,285

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

SECURITY DEVICES INTERNATIONAL, INC.
(A Development Stage Enterprise)
Statements of Operations and Comprehensive loss
Years Ended November 30, 2007 and 2006 and the Period from Inception (March 1, 2005) to November 30, 2007 (Amounts expressed in US Dollars)

EXPENSES:	Cumulative since inception $	2007 $	2006 $
Research and Product Development	1,882,495	1,344,195	458,300
Amortization	2,597	2,597	-
General and administration	4,983,473	3,672,275	1,202,499
TOTAL OPERATING EXPENSES	6,868,565	5,019,067	1,660,799
LOSS FROM OPERATIONS	(6,868,565)	(5,019,067)	(1,660,799)

Other Income-Interest	191,130	191,130	-
LOSS BEFORE INCOME TAXES	(6,677,435)	(4,827,937)	(1,660,799)
Income taxes (note 10)	-	-	-
NET LOSS AND COMPREHENSIVE LOSS	(6,677,435)	(4,827,937)	(1,660,799)
Loss per share - basic and diluted		(0.35)	(0. 19)
Weighted average common shares outstanding		13,815,317	8,623,258

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

SECURITY DEVICES INTERNATIONAL, INC.
(A Development Stage Enterprise)
Statement of Cash Flows
Years Ended November 30, 2007 and 2006 and the Period from Inception (March 1, 2005) to November 30, 2007 (Amounts expressed in US Dollars)

	Cumulative Since inception	2007	2006
	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period	(6,677,435)	(4,827,937)	(1,660,799)
Items not requiring an outlay of cash:			
Issue of shares for professional services	154,000	80,000	8,750
Stock based compensation (included in general and administration expenses)	3,496,373	2,446,433	1,049,940
Compensation expense for warrants issued (included in general and administration expenses)	357,094	357,094	-
Loss on cancellation of common stock	34,400	34,400	-
Amortization	2,597	2,597	-
Changes in non-cash working capital:			
Prepaid expenses and other	(36,788)	(32,336)	(4,452)
Accounts payable and accrued liabilities	174,842	70,831	87,935
NET CASH USED IN OPERATING ACTIVITIES	(2,494,917)	(1,868,918)	(518,626)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Plant and Equipment	(26,557)	(26,557)	-
NET CASH USED IN INVESTING ACTIVITIES	(26,557)	(26,557)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans/ (Repayments) from directors/ shareholders	-	(4,227)	(3,802)
Net Proceeds from issuance of common shares	7,769,650	5,779,045	1,891,135
Cancellation of common stock	(50,000)	(50,000)	-
Exercise of stock options	95,000	-	95,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	7,814,650	5,724,818	1,982,333

NET INCREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD	5,293,176	3,829,343	1,463,707
Cash and cash equivalents, beginning of period	-	1,463,833	126
	---------	---------	- --------
CASH AND CASH EQUIVALENTS, END OF PERIOD	5,293,176	5,293,176	1,463,833
	=========	=========	=========
INCOME TAXES PAID	-	-	-
	=========	=========	=========
INTEREST PAID	-	-	-
	=========	=========	=========

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

SECURITY DEVICES INTERNATIONAL, INC.
(A Development Stage Enterprise)
Statement of Changes in Stockholders' Equity
For the years ended November 30, 2007 and 2006 and from the period from inception (March 1, 2005) to November 30, 2007.
(Amounts expressed in US Dollars)
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	Number of Common Shares	Common Shares amount	Additional Paid-in Capital	Deficit accumulated	Total
	---------	---------	----------	-----------	-------
Balance as of March 1, 2005	-	$ -	$ -	$ -	$ -
Issuance of Common shares for professional services	6,525,000	6,525	58,725	-	65,250
Issuance of common shares for cash	397,880	398	99,072		99,470
Net loss for the period	-	-	-	(188,699)	(188,699)
	----------	--------	---------	---------	---------
Balance as of November 30, 2005	6,922,880	6,923	157,797	(188,699)	(23,979)
Issuance of common shares for cash	956,000	956	94,644	-	95,600
Issuance of common shares for cash	286,000	286	49,764	-	50,050
Issuance of common shares to consultant for services	50,000	50	8,700	-	8,750
Issuance of common shares for cash	2,000,000	2,000	398,000	-	400,000
Exercise of stock options	950,000	950	94,050	-	95,000
Issuance of common shares for cash (net of agent commission)	200,000	200	179,785	-	179,985
Stock subscriptions received			1,165,500	-	1,165,500
Stock based compensation	-	-	1,049,940	-	1,049,940
Net loss for the year	-	-	-	(1,660,799)	(1,660,799)
	----------	--------	---------	---------	---------
Balance as of November 30, 2006	11,364,880	11,365	3,198,180	(1,849,498)	1,360,047
Issuance of common shares for stock subscriptions received in prior year	1,165,500	1,165	(1,165)	-	-
Issuance of common shares for cash	1,170,670	1,171	1,169,499		1,170,670
Issuance of common shares for cash and services	50,000	50	154,950		155,000

Issuance of common shares for cash (net of expenses)	2,139,000	2,139	4,531,236		4,533,375
Cancellation of stock	(1,560,000)	(1,560)	(14,040)		(15,600)
Stock based compensation			2,446,433		2,446,433
Issue of warrants			357,094		357,094
Net loss for the year ended November 30, 2007	-	-	-	(4,827,937)	(4,827,937)
	----------	--------	---------	---------	---------
Balance as of November 30, 2007	14,330,050	14,330	11,842,187	(6,677,435)	5,179,082
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</TABLE>

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

SECURITY DEVICES INTERNATIONAL, INC.
(A Development Stage Enterprise)
Notes to Financial Statements
November 30, 2007 and 2006
(Amounts expressed in US Dollars)

1. BASIS OF PRESENTATION

The financial statements, which include the accounts of Security Devices International Inc. (the "Company"), were prepared in accordance with United States Generally Accepted Accounting Principles. The Company was incorporated under the laws of the state of Delaware on March 1, 2005.

2. NATURE OF OPERATIONS

The Company is currently in the advanced stages of developing LEKTROX, a unique line of wireless electric ammunition for use in military, homeland security, law enforcement, and professional and home security scenarios. LEKTROX has been specially designed for use with standard issue riot guns, M203 grenade launchers and regular 12-guage shotguns. This will allow military, law enforcement agencies etc. to quickly deploy LEKTROX without the need for lengthy, complex training methods or significant functional adjustments to vehicles or personal equipment. Simplicity of use is also a key benefit for the home security market where most users have little or no specialized training. LEKTROX is a 3rd generation electric solution. First generation solutions were electric batons and hand-held stun guns which had a range of arm's length. 2nd generations were the wired electric charge solutions. 3rd generations are the wireless electric bullets. Currently, there is still no 3rd generation wireless electric bullet on the market.

The Company is in the development stage and has not yet realized revenues from its planned operations. The Company has incurred a loss of $ 4,827,937 during the year ended November 30, 2007. At November 30, 2007, the Company had an accumulated deficit during the development stage of $6,677,435 which includes a non- cash stock based compensation expense of $3,496,373 and non-cash compensation expense on issue of warrants for $357,094. The Company has funded operations through the issuance of capital stock. During the year ended November 30, 2006 the Company raised $1,982,333 substantially through issue of common stock. (See note 5). During the first quarter of 2007, the company raised $1,170,670 through issue of common stock. During the second quarter of 2007, the Company raised an additional $4,688,375 (net of expenses of $279,375) through the issue of Common stock.

The company has a working capital of $ 5,155,122 and stockholders' equity of $5,179,082 as at November 30, 2007. Management's plan is to continue raising additional funds through future equity or debt financing until it achieves profitable operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Use of Estimates

These financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America. As the precise determination of assets and liabilities, and correspondingly revenues and expenses, depends on future events, the preparation of financial statements for any period necessarily involves the use of estimates. Actual amounts may differ from these estimates. Significant estimates include accruals, valuation allowance and estimates for calculation for stock based compensation.

b) Income Taxes

The Company accounts for income taxes under the provisions of SFAS No. 109, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred income taxes are provided using the liability method. Under the liability method, deferred income taxes are recognized for all significant temporary differences between the tax and financial statement bases of assets and liabilities.

Current income tax expense (recovery) is the amount of income taxes expected to be payable (recoverable) for the current period. A deferred tax asset and/or liability is computed for both the expected future impact of differences between the financial statement and tax bases of assets and liabilities and for the expected future tax benefit to be derived from tax losses. Valuation allowances are established when necessary to reduce deferred tax asset to the amount expected to be "more likely than not" realized in future tax returns. Tax law and rate changes are reflected in income in the period such changes are enacted. Due to valuation allowance for deferred tax assets, no deferred tax benefits or expenses were recorded for the years ended November 30, 2007 and 2006.

c) Revenue Recognition

The Company's revenue recognition policies are expected to follow common practice in the manufacturing industry.

d) Loss per Share

The Company has adopted FAS No. 128, "Earnings per Share", which requires disclosure on the financial statements of "basic" and "diluted" loss per share. Basic loss per share is computed by dividing net loss by the weighted average number of common shares outstanding for the year. Diluted loss per share is computed by dividing net loss by the weighted average number of common shares outstanding plus common stock equivalents (if dilutive) related to stock options and warrants for each year. There were no common equivalent shares outstanding at November 30, 2007 and 2006 that have been included in dilutive loss per share calculation as the effects would have been anti-dilutive. At November 30, 2007, there were 2,890,000 options and 423,950 warrants outstanding, which were convertible into equal number of common shares of the Company. At November 30, 2006, there were 700,000 options outstanding convertible into equal number of common shares and no warrants outstanding.

e) Fair Values

The Company's financial instruments as defined by SFAS No. 107, "Disclosures about Fair Value of Financial Instruments", includes cash, accounts payable and accrued liabilities. All instruments are accounted for on a historical cost basis, which, due to the short maturity of these financial instruments, approximates fair value.

f) Research and Product Development

Research and Product Development costs, other than capital expenditures but including acquired research and product development costs, are charged against income in the period incurred.

g) Stock-Based Compensation

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 123 (Revised 2004), "Share-Based Payment" (SFAS 123 (R)). SFAS 123 (R) requires companies to recognize compensation cost for employee and non-employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. All awards granted to employees and non-employees are valued at fair value in accordance with the provisions of SFAS 123 (R) by using the Black-Scholes option pricing model and recognized on a straight-line basis over the service periods of each award.

The Company accounts for equity instruments issued in exchange for the receipt of goods or services from other than employees in accordance with SFAS No. 123 and the conclusions reached by the Emerging Issues Task Force ("EITF") in Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring or in Conjunction with Selling Goods or Services". Costs are measured at the estimated fair market vconsideration received or the estimated fair value of the equity instruments issued, whichever is more reliably measurable. The value of equity instruments issued for consideration other than employee services is determined on the earlier of a performance commitment or completion of performance by the provider of goods or services as defined by EITF No. 96-18.

h) Foreign Currency

The Company maintains its books, records and banking transactions in U.S. dollars which is its functional and reporting currency. Foreign currency transactions are translated at the transaction date into functional currency by the use of the exchange rate in effect at that date.

i) Comprehensive Income

The Company has adopted SFAS No. 130, "Reporting Comprehensive Income." This statement establishes standards for reporting comprehensive income and its components in a financial statement. Comprehensive income as defined includes all changes in equity (net assets) during a period from non-owner sources. Examples of items to be included in comprehensive income, which are excluded from net income, include foreign currency translation adjustments and unrealized gains and losses on available-for-sale securities.

j) Impairment of Long-lived Assets

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal 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 grouping over the remaining life in measuring whether the assets are recoverable.

(Amounts expressed in US Dollars)

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. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value of asset less cost to sell.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

k) Asset Retirement Obligation

The Company accounts for asset retirement obligations in accordance with Financial Accounting Standards Board ("FASB") Statement No. 143, "Accounting for Asset Retirement Obligations" ("Statement 143"), which requires that the fair value of an asset retirement obligation be recorded as a liability in the period in which a company incurs the obligation.

l) Concentration of Credit Risk

SFAS No. 105, "Disclosure of Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentration of Credit Risk", requires disclosure of any significant off-balance sheet risk and credit risk concentration. The Company does not have significant off-balance sheet risk or credit concentration.

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.

n) Intellectual Property with Respect to Pending Patent Applications

Four patent applications, one for the electrical mechanism and the other three for the mechanical mechanism of the LEKTROX, have been filed by the Company with the U.S. Patent Office. Expenditures for patent applications as a result of research activity are not capitalized due to the uncertain value of the benefits that may accrue.

o)Plant and Equipment

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

Computer equipment	30%	declining balance method
Furniture and fixtures	30%	declining balance method

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

p) Recent Accounting Pronouncements

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and 140". This Statement permits fair value of re-measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation; clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities"; establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation; clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; and amended SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 is effective for all financial instruments acquired, issued, or subject to a re-measurement (new basis) event occurring after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company believes that adoption of the standard will not have a material effect on its financial position or result of operation.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets", which amends SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". In a significant change to current guidance, SFAS No. 156 permits an entity to choose either of the following subsequent measurement methods for each class of separately recognized servicing assets and servicing liabilities: (1) Amortization Method or (2) Fair Value Measurement Method. SFAS No. 156 is effective as of the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company believes that adoption of the standard will not have a material effect on its financial position or result of operation.

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprises' financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes". FIN 48 prescribes a recognition threshold and measurement attributable for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides

guidance on derecognizing, classification, interest and penalties, accounting in interim periods, disclosures and transitions. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company believes that adoption of the standard will not have a material effect on its financial position or result of operation.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measures" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP"), expands disclosures about fair value measurements, and applies under other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 does not require any new fair value measurements, however the FASB anticipates that for some entities, the application of SFAS No. 157 will change current practice. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently reviewing the effect, if any, SFAS 157 will have on its financial position and operations.

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)". This statement requires employers to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multi employer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. The provisions of SFAS No. 158 are effective for employers with publicly traded equity securities as of the end of the fiscal year ending after December 15, 2006. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159 ("SFAS 159") - the fair value option for financial assets and liabilities including in amendment of SFAS 115.

This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement objectives for accounting for financial instruments. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November15, 2007, and interim periods within those fiscal years. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of FASB Statement No. 157, Fair value measurements. The Company is currently evaluating the impact of SFAS No. 159 on its financial statements.

In September 2006, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 108 (Topic 1N), "Quantifying Misstatements in Current Year Financial Statements" ("SAB No. 108"). SAB No. 108 addresses how the effect of prior year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. SAB No. 108 requires SEC registrants (i) to quantify misstatements using a combined approach which considers both the balance sheet and income statement approaches; (ii) to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors; and (iii) to adjust their financial statements if the new combined approach results in a conclusion that an error is material. SAB No. 108 addresses the mechanics of correcting misstatements that include effects from prior years. It indicates that the current year correction of a material error that includes prior year effects may result in the need to correct prior year financial statements even if the misstatement in the prior year or years is considered immaterial. Any prior year financial statements found to be materially misstated in years subsequent to the issuance of SAB No. 108 would be restated in accordance with SFAS No. 154, "Accounting Changes and Error Corrections." Because the combined approach represents a change in practice, the SEC staff will not require registrants that followed an acceptable approach in the past to restate prior years' historical financial statements. Rather, these registrants can report the cumulative effect of adopting the new approach as an adjustment to the current year's beginning balance of retained earnings. If the new approach is adopted in a quarter other than the first quarter, financial statements for prior interim periods within the year of adoption may need to be restated. SAB No. 108 is effective for fiscal years ending after November 15, 2006. The implementation of SAB No. 108 is not expected to have a material impact on the Company's results of operations and financial condition.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations". This Statement replaces SFAS No. 141, Business

Combinations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

This Statement retains the fundamental requirements in Statement 141 that the acquisition method of accounting (which Statement 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. This Statement also establishes principles and requirements for how the acquirer: a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree; b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase and c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) will apply prospectively to business combinations for which the acquisition date is on or after Company's fiscal year beginning December 1, 2009.

In December 2007, the FASB issued SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements". This Statement amends ARB 51 to establish accounting and reporting standards for the non-controlling (minority) interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. The Company has not yet determined the impact, if any, that SFAS No. 160 will have on its consolidated financial statements. SFAS No. 160 is effective for the Company's fiscal year beginning December 1, 2009

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2007	2006
Accounts payable and accrued liabilities are comprised of the following:		
Trade payables	$ 17,973	$ 7,689
Accrued liabilities	156,869	96,322
	$ 174,842	$ 104,011

5. CAPITAL STOCK

Accrued liabilities relate primarily to research and development and legal and accounting expenses.

a) Authorized

50,000,000 Common shares, $0.001 par value

And

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

The Company's Articles of Incorporation authorize its Board of Directors to issue up to 5,000,000 shares of preferred stock. 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

14,330,050 Common shares (2006: 11,364,880 Common shares)

c) Changes to Issued Share Capital.

Year ended November 30, 2006

i) On December 31, 2005 the Company authorized the issuance of 486,000 common shares for cash for a total consideration of $48,600.

ii) On January 31, 2006 the Company authorized the issuance of 470,000 common shares for cash for a total consideration of $ 47,000.

iii) On March 8, 2006 the Company authorized the issuance of 286,000 common shares for cash @ $0.175 per share for a total consideration of $50,050. On the same day, the Company authorized the issuance of 50,000 shares to a consultant for the services rendered as finder's fees. These services were valued @$0.175 per common share and expensed as consulting fees in the amount of $8,750.

iv) By means of a prospectus dated May 5, 2006 the Company offered to the public up to 2,000,000 shares of its common stock at a price of $0.20 per share. The Company closed the offering on July 31, 2006 after receiving consideration of $400,000 and issued 2,000,000 common shares in August, 2006.

v) The company directors exercised 950,000 stock options to purchase 950,000 common shares for a total consideration of $95,000 on November 1, 2006.

vi) On November 29, 2006 the company authorized the issuance of 200,000 common shares for cash @$1.00 per common share. A commission of $20,015 was paid to the agent and this amount is netted with additional paid in capital. The proceeds received were part of the Private offering effective November 20, 2006.

vii) As at November 30, 2006 the company received stock subscription for $1,165,500. This was also part of the private offering effective November 20, 2006. The Company closed this private offering on December 12, 2006 when it had completed the sale of 2,536,170 shares of its common stock to a group of private investors.

Year ended November 30, 2007

On December 12, 2006 the Company completed the sale of 2,536,170 shares of its common stock to a group of private investors. The shares were sold in the private offering at a price of $1.00 per share and are restricted securities as that term is defined in Rule 144 of the Securities and Exchange Commission.

The Company had already issued 200,000 common shares on November 29, 2006 and it issued the balance 2,336,170 shares on December 12, 2006. The Company relied upon the exemption provided by Section 4(2) of the Securities Act of 1933 for the sale of these shares.

On March 12, 2007, the Company authorized the issuance of 50,000 common shares at $1.50 per share for a total cash consideration of $75,000 to a consultant who rendered investor relation services to the Company during the quarter ended May 31, 2007.

The market price of the total stock on the date of issuance was $155,000. The difference of $80,000 between the market price of the total stock ($155,000) and the issued price ($75,000) represents the estimated fair value of the consultant's services. The par value of the shares in the amount of $50 was credited to share capital and the balance of $154,950 credited to additional paid-in capital and shown as issuance of common shares for cash and services in the statement of changes in stockholder's equity.

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5. CAPITAL STOCK (cont'd)

The Company had entered into an amended agreement in February 2007, with a director regarding development of its "Electrical Shocker" ("ES") technology. Pursuant to the original agreement executed in November 2006, the director was paid a total of $38,000 which included $22,000 during the last quarter of 2006 and an additional $16,000 in January 2007. The Company has expensed this payment of $22,000 as Research and Product Development during 2006 and also expensed the balance $16,000 to Research and Product Development in the first quarter of 2007. In addition, the director was paid $62,000 in February, 2007 upon signing the amended agreement. The Company expensed this payment of $62,000 to Research and Product Development in the first quarter of 2007. The director in return had released the Company from a prior obligation to pay royalty from the sale of any product developed using this technology. In the absence of acceptance of the ES technology by the Company, the Company cancelled 1,560,000 shares and the director was paid $50,000 on March 12, 2007 in accordance with the amended agreement. The Company accounted for this transaction under the constructive retirement method in the second quarter of 2007. The cancelled shares reverted to authorized but unissued status. The stock and additional paid-in-capital amounts were reduced with a total of $15,600 and a debit of $34,400 to retained earnings, being the excess of purchase cost over the original issuance.

On April 25, 2007 the Company sold 1,998,500 shares of its common stock to a group of private investors. As part of this same financing the Company sold an additional 140,500 shares to private investors on May 4, 2007. The shares were sold at a price of $2.25 per share and are restricted securities as that term is defined in Rule 144 of the Securities and Exchange Commission. In connection with the sale of these 2,139,000 shares, the Company paid a commission of $240,638 to the sales agent for the offering and incurred legal and other expenditure of $38,737.

The sales agent also received 106,950 warrants which allow them to purchase 106,950 shares of the Company's Common stock at a price of $2.81 per share. The warrants expire in 2009.

The Company agreed to file a registration statement with the Securities and Exchange Commission registering the resale of the shares sold to the investors, as well as the shares issuable upon the exercise of the warrants issued to the sales agent. The registration statement was declared effective on September 20, 2007.

The Company relied upon the exemption provided by Section 4(2) of the Securities Act of 1933 for the sale of these securities.

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6. STOCK BASED COMPENSATION

Per SEC Staff Accounting Bulletin 107, Topic 14.F, "Classification of Compensation Expense Associated with Share-Based Payment Arrangements" stock based compensation expense is being presented in the same lines as cash compensation paid.

Effective October 30, 2006 the Company adopted the following stock option and stock bonus plans.

Incentive Stock Option Plan. The Company's Incentive Stock Option Plan authorizes the issuance of shares of its Common Stock to persons that exercise options granted pursuant to the Plan. Only employees may be granted options pursuant to the Incentive Stock Option Plan. The option exercise price is determined by its directors but cannot be less than the market price of its common stock on the date the option is granted. The Company has reserved 1,000,000 common shares under this plan. No options have been issued under this plan as at November 30, 2007.

Non-Qualified Stock Option Plan. SDI's Non-Qualified Stock Option Plan authorizes the issuance of shares of its Common Stock to persons that exercise options granted pursuant to the Plans. SDI's employees, directors, officers, consultants and advisors are eligible to be granted options pursuant to the Plans, provided however that bona fide services must be rendered by such consultants or advisors and such services must not be in connection with the offer or sale of securities in a capital-raising transaction. By a resolution of the Board of Directors, the Company amended this plan to increase the number of common shares available under this plan from 2,250,000 to 4,500,000 effective October 10, 2007.

Stock Bonus Plan. SDI's Stock Bonus Plan allows for the issuance of shares of common stock to its employees, directors, officers, consultants and advisors. However bona fide services must be rendered by the consultants or advisors and such services must not be in connection with the offer or sale of securities in a capital-raising transaction. The Company has reserved 150,000 common shares under this plan. No options have been issued under this plan as at November 30, 2007.

Year ended November 30, 2006

On October 31, 2006 the board of directors granted the following options under its Non-Qualified Stock Option Plan:

1. Options to one director to acquire 650,000 common shares. The exercise price for 550,000 options was set at $0.10 per share and balance 100,000 options were set at $0.25 per share.

2. Options to one director to acquire 300,000 common shares. The exercise price for 200,000 options was set at $0.10 per share and balance 100,000 options were set at $0.25 per share.

3. Options to one director to acquire 300,000 common shares. The exercise price for 200,000 options was set at $0.10 per share and balance 100,000 options were set at $0.25 per share.

4. Options to two consultants to acquire 150,000 common share each for a total of 300,000 shares. The exercise price for 300,000 options was set at $0.50 per share.

All of the above options vest immediately and have an expiry date of October 29, 2011.

On November 14, 2006 the board of directors granted the following options under its Non-Qualified Stock Option Plan:

Options to one consultant to acquire 100,000 common shares. The exercise price for 100,000 options was set at $1.00 per share. These options vest immediately and expire on November 14, 2011.

For the year ended November 30, 2006, the Company has recognized in the financial statements, stock-based compensation costs as per the following details. The fair value of each option used for the purpose of estimating the stock compensation is based on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

	October 31,	November 14,

	2006	2006	Total
	----------	-----------	------
Risk free rate	3.50%	3.50%	
Volatility factor	100%	100%	
Expected dividends	0%	0%	
Stock-based compensation cost expensed for year ended November 30, 2006	$892,214	$157,726	$1,049,940
Unexpended stock-based compensation deferred over to next year	$nil	$nil	$nil

As of November 30, 2006 there was $Nil of unrecognized expense related to non-vested stock-based compensation arrangements granted. The total stock-based compensation expense relating to employees and non employees for the year ended November 30, 2006 was $1,049,940.

Year ended November 30, 2007

Effective January 7, 2007 the company granted stock options to one officer to acquire 125,000 common shares under its Non-Qualified Stock Option Plan. The exercise price for the options was set at $1.50 per share. These options vest immediately and expire on January 17, 2012. The stock based compensation cost of $204,986 has been expensed to general and administration.

Effective April 23, 2007, the board of directors granted the following options under its Non-Qualified Stock Option Plan:

1. Options to two consultants to acquire 150,000 common share each for a total of 300,000 shares. The exercise price for 300,000 options was set at $2.75 per share. These options vest immediately and expire on April 23, 2012. Stock based compensation cost of $622,074 has been expensed to general and administration expense.

2. Options to two consultants to acquire 20,000 common share each for a total of 40,000 shares. The exercise price for 40,000 options was set at $3.60 per share. These options vest immediately and expire on January 29, 2012. Stock based compensation cost of $78,224 has been expensed to general and administration expense.

Effective October 12, 2007 the board of directors granted the following options under its Non-Qualified Stock Option Plan:

1. Options to one director to acquire 675,000 common shares. The exercise price was set at $1.20 per share.

2. Options to one director to acquire 300,000 common shares. The exercise price was set at $1.20 per share.

3. Options to one director to acquire 175,000 common shares. The exercise price was set at $1.20 per share.

4. Options to one officer to acquire 175,000 common shares. The exercise price was set at $1.20 per share.

5. Options to two consultants to acquire 125,000 common shares each for a total of 250,000 options. The exercise price was set at $1.20 per share.

All of the above options vest immediately and have an expiry date of October 12, 2012. Stock based compensation cost of $1,436,275 has been expensed to general and administration expense.

Effective October 25, 2007, the board of directors granted under its Non-Qualified Stock Option Plan, options to a consultant to acquire 150,000 common shares. The exercise price was set at $1.20 per share. These options vest immediately and have an expiry date of January 31, 2010. Stock based compensation cost of $104,874 has been expensed to general and administration expense.

6. STOCK BASED COMPENSATION (cont'd)

The fair value of each grant was estimated at the grant date using the Black-Scholes option-pricing model. The Black-Scholes option pricing model requires the use of certain assumptions, including expected terms, expected volatility, expected dividends and risk-free interest rate to calculate the fair value of stock-based payment awards. The estimated volatility was determined by comparing the volatility of similar Companies within the industry sector. The expected term calculation is based upon the expected term the option is to be held, which is the full term of the option. The risk-free interest rate is based upon the U.S. Treasury yield in effect at the time of grant for an instrument with a maturity that is commensurate with the expected term of the stock options. The dividend yield of zero is based on the fact that we have never paid cash dividends on our common stock and we have no present intention to pay cash dividends. The expected forfeiture rate of 0% is based on immediate vesting of options.

For the year ended November 30, 2007, the Company has recognized in the financial statements, stock-based compensation costs as per the following details. The fair value of each option used for the purpose of estimating the stock compensation is based on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

Date of grant	7-Jan 2007	23-Apr 2007	12-Oct 2007	25-Oct 2007	Total
Risk free rate	3.50%	4.25%	5%	5%	
Volatility factor	122.84%	106.04%	98.76%	102.37%	
Expected dividends	0%	0%	0%	0%	
Forfeiture rate	0%	0%	0%	0%	
Expected life	5 years	5 years	5 years	2.3 years	
Exercise price	$1.50	$2.75-3.60	$1.20	$1.20	
Total number of options granted	125,000	340,000	1,575,000	150,000	2,190,000
Grant date fair value of options	$1.64	$1.96	$0.91	$0.70	
Market price of	$1.90	$2.65	$1.20	$1.20	
Company's common stock on date of grant	$1.90	$2.65	$1.20	$1.20	
Stock-based compensation cost expensed during the year ended November 30, 2007	$204,986	$700,298	$1,436,275	$104,874	2,446,433
Unexpended Stock-based compensation cost deferred over the vesting period	$nil	$nil	$nil	$nil	$nil

6. STOCK BASED COMPENSATION (cont'd)

The following table summarizes the options outstanding under its Non-Qualified Stock Option Plan:

Number of shares

	2007	2006
Outstanding, beginning of year	700,000	-
Granted	2,190,000	1,650,000
Expired	-	-
Exercised	-	(950,000)
Cancelled	-	-
Outstanding, end of year	2,890,000	700,000
Exercisable, end of year	2,890,000	700,000

Expiry date	Option price per share	Number of shares 2007	2006
January 31, 2010	$1.20	150,000	-
October 29, 2011	$0.25	300,000	300,000
October 29, 2011	$0.50	300,000	300,000
November 14, 2011	$1.00	100,000	100,000
January 7, 2012	$1.50	125,000	-
January 29, 2012	$3.60	40,000	-
April 23, 2012	$2.75	300,000	-
October 12, 2012	$1.20	1,575,000	
TOTAL		2,890,000	700,000
Weighted average exercise price at end of year		$1.22	0.46

At November 30, 2007, the weighted average contractual term of the total outstanding, and the total exercisable options under the Non-Qualified Stock Option Plan were as follows:

	Weighted-Average Remaining Contractual Term
Total outstanding options	4.4 years
Total exercisable options	4.4 years

7. STOCK PURCHASE WARRANTS

During the year ended November 30, 2007 the Company granted the following stock purchase warrants:

Effective September 6, 2007, the Company issued 17,000 common share purchase warrants to a director. Each warrant is exercisable into one common share of the Company at the price of $0.50 until May 31, 2017. These warrants vest immediately (Refer to note 8-related party transactions)

The fair value of the warrant was estimated on the grant date using the Black-Scholes option-pricing model. For the year ended November 30, 2007, the Company expensed $31,411 as compensation expense on issue of warrants. The fair value of the warrant was calculated using the following weighted average assumptions: Risk free rate of 5%, volatility factor 96.85%, expected dividends 0% and forfeiture rate 0%. The grant date fair value of each warrant was $ 1.85.

Effective October 5, 2007, the Company issued 250,000 common share purchase warrants to one director and another 50,000 common share purchase warrants to another director. Each warrant is exercisable into one common share of the Company at the price of $0.50 until October 5, 2014. These warrants vest immediately. The fair value of the warrant was estimated on the grant date using the Black-Scholes option-pricing model. For the year ended November 30, 2007, the Company expensed $325,683 as compensation expense on issue of warrants. (Refer to note 8-related party transactions) The fair value of the warrant was calculated using the following weighted average assumptions:

Risk free rate of 5%, volatility factor 100.56%, expected dividends 0% and forfeiture rate 0%. The grant date fair value of each warrant was $ 1.09.

	Number of Warrants Granted	Exercise Prices	Expiry Date
Outstanding at December 1, 2005 and average exercise price	-	-	
Granted in year 2006	-	-	-
	------	------	--------
Outstanding at November 30, 2006 and average exercise price	-	-	-
Granted in year 2007	17,000	0.50	5/31/2017
Granted in year 2007	250,000	0.50	10/5/2014
Granted in year 2007	50,000	0.50	10/5/2014
Granted in year 2007	106,950	2.81	4/25/2009
Exercised	-	-	
Forfeited	-	-	
Cancelled			
	------	------	--------
Outstanding at November 30,2007 and average exercise price	423,950	1.08	
	=======	======	
Exercisable at November 30, 2007	423,950		

At November 30, 2007, the weighted average contractual term of the total outstanding, and the total exercisable warrants were as follows:

	Weighted-Average Remaining Contractual Term
Total outstanding options	5.7 years
Total exercisable options	5.7 years

8. RELATED PARTY TRANSACTIONS

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

During the years ended November 30, 2007 and 2006, no director was paid any compensation in cash. All out of pocket expenses of directors/promoters were expensed. During the year ended November 30, 2007 and November 30, 2006, the Directors were compensated for their services by issue of Stock Options (Refer to note 6).

Year ended November 30, 2006

a) Options to one director to acquire 650,000 common shares. The exercise price for 550,000 options was set at $0.10 per share and balance 100,000 options were set at $0.25 per share. The Company recognized stock based compensation expense of $386,302. The director exercised the options to acquire 550,000 common shares at $0.10 per share.

b) Options to one director to acquire 300,000 common shares. The exercise price for 200,000 options was set at $0.10 per share and balance 100,000 options were set at $0.25 per share. The Company recognized stock based compensation expense of $176,028. The director exercised the option to acquire 200,000 common shares at $0.10 per share.

c) Options to one director to acquire 300,000 common shares. The exercise price for 200,000 options was set at $0.10 per share and balance 100,000 options were set at $0.25 per share. The Company recognized stock based compensation expense of $176,028. The director exercised the option to acquire 200,000 common shares at $0.10 per share.

Year ended November 30, 2007

Effective January 7, 2007 the company granted stock options to one officer to acquire 125,000 common shares under its Non-Qualified Stock Option Plan. The exercise price for the options was set at $1.50 per share. These options vest immediately and expire on January 17, 2012. The stock based compensation cost of $204,986 has been expensed to general and administration.

Effective October 12, 2007 the board of directors granted the following options under its Non-Qualified Stock Option Plan:

1. Options to one director to acquire 675,000 common shares. The exercise price was set at $1.20 per share.

2. Options to one director to acquire 300,000 common shares. The exercise price was set at $1.20 per share.

3. Options to one director to acquire 175,000 common shares. The exercise price was set at $1.20 per share.

4. Options to one officer to acquire 175,000 common shares. The exercise price was set at $1.20 per share.

5. Options to two consultants to acquire 125,000 common shares each for a total of 250,000 options. The exercise price was set at $1.20 per share.

All of the above options vest immediately and have an expiry date of October 12, 2012. Stock based compensation cost of $1,436,275 has been expensed to general and administration expense.

Effective September 6, 2007, the Company issued 17,000 common share purchase warrants to a director. Each warrant is exercisable into one common share of the Company at the price of $0.50 until May 31, 2017. These warrants vest immediately. The fair value of the warrant was estimated on the grant date using the Black-Scholes option-pricing model. For the year ended November 30, 2007, the Company expensed $31,411 as compensation expense on issue of warrants.

Effective October 5, 2007, the Company issued 250,000 common share purchase warrants to one director and another 50,000 common share purchase warrants to another director. Each warrant is exercisable into one common share of the Company at the price of $0.50 until October 5, 2014. These warrants vest immediately. The fair value of the warrant was estimated on the grant date using the Black-Scholes option-pricing model. For the year ended November 30, 2007, the Company expensed $325,683 as compensation expense on issue of warrants.

The Directors also made advances to the Company to meet the operating expenses. These advances of $nil (2006 $4,227) are unsecured and bear interest at 4% p.a. Further, a Company Director has charged the Company a total amount of $1,500 (2006: $2,250) for providing office space during the year.

8. RELATED PARTY TRANSACTIONS (cont'd)

A company controlled by a 13.7% (as of November 30, 2006) shareholder, who is also the son of a director (since resigned) was paid $16,000 during the year ended November 30, 2007 (2006: $90,100) for research and development.

9. PLANT AND EQUIPMENT, NET

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

Computer equipment	30%	declining balance method
Furniture and Fixtures	30%	declining balance method

	Nov 30, 2007 Cost	Nov 30, 2007 Accumulated Amortization	Nov 30, 2006 Cost	Nov 30, 2006 Accumulated Amortization
	$	$	$	$
Computer equipment	18,387	2,597	-	-
Furniture and fixtures	8,170	-	-	-
	26,557	2,597	-	-
	------	-----	---	---
Net carrying amount	$23,960		$nil	
	-------		----	

10. INCOME TAXES

The Company has certain non-capital losses of approximately $2,823,968 (2006: $799,558) available, which can be applied against future taxable income and which expire as follows:

2025	$ 188,699
2026	$ 610,859
2027	$2,024,410
	$2,823,968

These losses have not been assessed by the tax authorities.

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

Federal statutory income tax rate	(34.0) %
State income taxes, net of tax benefit	(3.5) %

Deferred tax asset valuation allowance	(37.5) %
Effective rate	(0.0) %

10. INCOME TAXES-Cont'd

Deferred tax asset components as of November 30, 2007 and 2006 are as follows:

	2007	2006
Operating losses available to offset future income-taxes	$2,823,968	$799,558
	----------	--------

Expected Income tax recovery at statutory

rate of 37.5%	($1,058,988)	($299,834)
Valuation Allowance	$1,058,988	$299,834
	----------	--------
Net deferred tax assets	-	-
	----------	--------

As the company is in the development stage, it has provided a 100 per cent valuation allowance on the net deferred tax asset as of November 30, 2007 and 2006.

11. COMMITMENTS

1. The company has commitments for leasing office premises in Toronto to November 30, 2010. The annual commitments, excluding proportionate realty and maintenance costs and taxes are as follows:

Year ended November 30,

2008	$11,705
2009	$12,138
2010	$12,138
	$35,981

2. Effective October 25, 2007 the Company entered into a contract with a consultant for a period of one year which can be terminated by 30 days written notice to either party. The consultant is to provide investor relation services. The company granted 150,000 options to purchase restricted common shares, exercisable at a price of $1.20 per share and expires on January 31, 2010. In addition, the Company may grant options to purchase an additional 250,000 shares of the Company's common stock if the closing price of the Company's common stock maintains at $3.00 per share for 30 calendar days prior to March 15, 2008. In addition, the Company may grant an option to purchase an additional 100,000 shares of the Company's common stock if the closing price of the Company's common stock maintains at $4.00 per share during any consecutive 30-day calendar period beginning on March 15, 2008. All options are exercisable at a price of $1.20 per share and expire January 31, 2010.

12. SUBSEQUENT EVENTS

Effective January 24, 2008 the board of directors granted the following options under its Non-Qualified Stock Option Plan:

1. Options to one director to acquire 108,000 common shares. The exercise price was set at $0.10 per share.

2. Options to one director to acquire 117,000 common shares. The exercise price was set at $0.10 per share.

All of the above options vest immediately and have an expiry date of January 24, 2013. Stock based compensation cost of $324,891 will be expensed to general and administration expense during the quarter ended January 31, 2008.

SIGNATURES

In accordance with Section 13 or 15(a) of the Exchange Act, the Registrant has caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized on the 26th day of February 2008.

SECURITY DEVICES INTERNATIONAL INC.

By /s/ Sheldon Kales

Sheldon Kales, President and Chief Executive Officer

By /s/ Rakesh Malhotra

Rakesh Malhotra, Principal Financial and Accounting Officer

Pursuant to the requirements of the Securities Act of l934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

	Title	Date
/s/ Sheldon Kales - ---------------------------- Sheldon Kales	Director	February 26, 2008
/s/ Boaz Dor - -------------------------- Boaz Dor	Director	February 26, 2008
/s/ Gregory Sullivan - --------------------------- Gregory Sullivan	Director	February 26, 2008

EXHIBIT 31

CERTIFICATIONS

I, Sheldon Kales, certify that:

1. I have reviewed this annual report on Form 10-KSB of Security Devices International Inc.;

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 small business issuer as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officer(s) 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 small business issuer 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 small business issuer, 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 cause 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 small business issuer'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 small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer'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 small business issuer'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 small business issuer's internal control over financial reporting.

February 26, 2008 /s/ Sheldon Kales

Sheldon Kales, President

CERTIFICATIONS

I, Rakesh Malhotra, certify that:

1. I have reviewed this annual report on Form 10-KSB of Security Devices International Inc.;

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 small business issuer as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officer(s) 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 small business issuer 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 small business issuer, 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 cause 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 small business issuer'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 small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer'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 small business issuer'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 small business issuer's internal control over financial reporting.

February 26, 2008 /s/ Rakesh Malhotra

Rakesh Malhotra, Principal Financial Officer

EXHIBIT 32

In connection with the Annual Report of Security Devices International Inc. (the "Company") on Form 10-KSB for the period ending November 30, 2007 as filed with the Securities and Exchange Commission (the "Report"), Sheldon Kales, the Chief Executive Officer, and Rakesh Malhotra, the Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of their knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects the financial condition and results of the Company.

February 26, 2008 By: /s/ Sheldon Kales

Sheldon Kales, President

February 26, 2008 By: /s/ Rakesh Malhotra

Rakesh Malhotra, Principal Financial Officer