UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended **November 30, 2016**

OR

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

Commission File No. - **None**

SECURITY DEVICES INTERNATIONAL, INC.

(Name of Small Business Issuer in its charter)

Delaware	**71-1050654**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
9325 Puckett Road, **Perry, FL, 32348**	
(Address of Principal Executive Office)	*Zip Code*

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

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

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

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

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

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

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

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

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

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

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

The aggregate market value of the Common Stock held by non-affiliates of the issuer, as of May 31, 2016, was approximately $6,800,000 based upon a share valuation of $0.17 per share. This share valuation is based upon the closing price of the Company's shares as of May 31, 2016 (the date of the last sale of the Company's shares closest to the end of the Company's second fiscal quarter). For purposes of this disclosure, shares of Common Stock held by persons who the issuer believes beneficially own more than 5% of the outstanding shares of Common Stock and shares held by officers and directors of the issuer have been excluded because such persons may be deemed to be affiliates of the issuer.

As of March 9, 2017, the Company had 56,197,158 issued and outstanding shares of common stock.

Documents incorporated by reference: **None**

ITEM 1. BUSINESS

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

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

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

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

Business

History

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

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

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

In the fall of 2010 the Company underwent a change in the board of directors and management. This precipitated a change in the direction of the company as development of the WEP was discontinued and the company shifted its focus to a new product – the Blunt Impact Projectile (BIP). The Company concluded that the cost and time required to complete development and testing of the BIP were significantly less than that required to complete development and testing of the WEP. The goal was to develop a product that it could bring to market more quickly. The Company was able to exploit some of the patent pending technology of the WEP into the BIP. In 2011, the Company moved its engineering, intellectual property and production facilities to the operator (the "BIP Manufacturer") of an injection molding facility outside of Boston, Massachusetts.

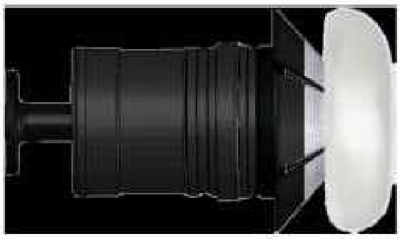
The Blunt Impact Projectile (BIP) – A Transformative Technology

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

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

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

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



Prior to Impact

At Impact

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

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

The Company believes that its patented collapsible head technology will transform the industry as law enforcement agencies recognize the tactical advantages of a less-lethal weapon that can be safely, accurately and effectively deployed at close range distances between 3 feet and 100 feet. There is simply nothing else on the market today that can compete with the BIP. SDI has been in discussions several industry players about licensing SDI's technology.

Early in 2011 the Company focused its attention on a new 40mm product, the blunt impact projectile ("BIP"), and discontinued further development work on the WEP.

2012

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

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

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

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

2013

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

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

2014

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

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

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

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

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

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

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

2015

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

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

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

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

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

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

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

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

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

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

August - SDI was invited to present to the Toronto Police Service ("TPS"), who are currently exploring less lethal options for front line officers. A full presentation was given to decision makers of the TPS and a follow-up live fire demonstration is to occur.

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

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

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

Q1 FY2016

In December 2015, SDI was invited to conduct a full product briefing and live fire demonstration for key Management with the United Sates Federal Bureau of Prisons. SDI was able to showcase the innovation of the BIP family of products and demonstrate the clear difference between SDI's products and other products on the market.

In January 2016, SDI management attended the SHOT show in Las Vegas and met with numerous existing partners and explored future partnerships with several other Industry leaders.

During the SHOT show SDI's rounds were used by AAMI, an existing partner of SDI, during a new product innovation range day that was attended by the majority of Companies in the firearms industry.

During Q1, SDI is pleased to announce that it received its first sale of 40MM launchers to a Law Enforcement Agency. This is an important step for SDI to be seen as having the availability to access other less lethal products to fulfil customer requests.

In January, SDI and Clyde Armory, signed a distribution agreement whereas Clyde will offer SDI's product line to Law Enforcement customers in their catchment area. Clyde is a full service gun store which supplies firearms, ammunition and accessories to Law Enforcement and Civilian customers. They are based in Athens, Georgia.

During this quarter, the non-exclusive renewable Technology License and Supply Agreement that was signed with United Tactical Solutions on April 17, 2015, was terminated by SDI management effective February 25, 2016.

On February 29, 2016, SDI signed a term sheet with an existing defense technology (less lethal) company to acquire that Company. This acquisition, if completed, will give SDI a diversified line of less lethal munitions, launchers and accessories as well as opening domestic and global distribution channels.

Q2 FY2016

During the second quarter of 2016, the Company continued to pursue the targeted acquisition through several funding sources, and financing structures. Subsequent to the quarter, on July 8, 2016, the Company announced that it had identified a number of items in the target company's (the "Target") financial statements that raised concerns in support of the negotiated price of the transaction. SDI has terminated discussions with the Target at this time.

Subsequent to the quarter, the Company announced that Gregory Sullivan had resigned as President and CEO to pursue other opportunities, effective July 15, 2016. Dean Thrasher, the current COO and a member of the SDI board of directors will assume the interim role of President and CEO. Mr. Sullivan will remain on the board of directors until his replacement is appointed and receives stock exchange clearance, or September 1, 2016, whichever occurs first.

The Company signed a one-year consulting agreement with Northeast Industrial Partners LLP ("Northeast"), which is headed up by Mr. Bryan Ganz. Northeast will assist SDI with sales & marketing, expansion of the Company's product range, review of operations, implementation of cost control measures, development of strategic alliances and financial oversight. Mr. Ganz brings more than 30 years of experience in sales management, manufacturing, new product design and development as well as mergers & acquisitions. During his career Mr. Ganz has bought, built and sold more than half a dozen global businesses with combined sales in excess of $1.0 billion. Most recently, Mr. Ganz sold Maine Industrial Tire LLC to Trelleborg (based out of Sweden), for $67 million generating a 7.0x return to investors over a three-year period.

For their services and subject to stock exchange approval, Northeast will be issued a value of US$200,000 in SDI stock in four quarterly instalments over the 12-month period ending May 15, 2017. The first quarterly instalment is due August 15, 2016. The stock will be priced at the volume weighted average trading price per common share over the 20-day period preceding the due date. The stock will vest at the end of the contract with Northeast.

NEIP is currently the controlling shareholder in two operating businesses and a 250-unit residential real estate portfolio in the New England area. Northeast also owns minority stakes in a number of public and private businesses including a California company developing wireless electricity. Mr. Ganz is a graduate of Columbia Law School in New York City and completed his accounting designation at Georgetown University in Washington DC.

The Company wishes to inform the market that a Schedule 13D was filed with the SEC on June 8, 2016 by SDI's largest group of shareholders in the US, holding approximately 10,474,522 shares. The 13D filing by the "reporting persons" relates to the maximizing of shareholder value with the intention of engaging more substantively with management, the board of directors and other relevant parties on matters concerning the business, assets, capitalization, operations and strategy of SDI. The 13D filing says that the reporting person may also discuss strategic alternatives with interested parties to propose or consider extraordinary transactions including joint ventures, mergers or a sale transaction of the Company.

Q3 FY2016

During Q3 2016 SDI announced that it has terminated its proposed acquisition of a less-lethal company, as previously released on May 13, 2016, and April 21, 2016.

During the Company's due diligence process, SDI identified a number of items in the target company's (the "Target") financial statements that raised concerns in support of the negotiated price of the transaction. SDI terminated discussions with the Target during this quarter.

SDI's management continues to look for acquisitions and strategic partnerships in the less-lethal sector, to broaden its product offering and increase its distribution reach. SDI is currently in preliminary discussions to license its collapsible technology to other less lethal market participants. SDI's objective is to both (1) increase revenues and (2) gain greater market acceptance for the BIP.

During Q3, SDI appointed Bryan Ganz to the board of directors. With the appointment of Mr. Ganz to the board of directors, the previously announced resignation of Greg Sullivan (previous CEO) as a director becomes effective.

During Q3 SDI reported that it has made the first share issuance to Northeast Industrial Partners under the consulting agreement announced on June 20, 2016. SDI issued 488,851 common shares at a deemed price of $ 0.1023 (CAD $0.1322) per share to satisfy the payment of USD $50,000 due on August 15, 2016. The shares will be subject to a four-month hold period expiring on January 13, 2017, and will not vest until May 2017.

The issuance of shares to Northeast Industrial Partners is the first of four such issuances to occur over the period ending May 15, 2017, as described in the June 20, 2016 news release.

Q4 FY2016

During Q4 the Company announced the signing of a sales and distribution agreement with the Bob Barker Company ("Bob Barker"), the nation's preeminent correctional services supplier, for distribution of SDI's products through their Officers Only distribution network.

A division of the Bob Barker Company, "Officers Only" is a reliable source for quality apparel and offers a broad and diverse product line-up of protective and essential equipment that are brand recognized and trusted by law enforcement, corrections, military and public service office. SDI will continue to look for qualified distributors as part of its new sales and marketing strategy with a goal of tripling the number of SDI distributors by the end of 2017.

On September 15, 2016 Allen Ezer resigned as Executive Vice President to pursue other opportunities.

During the quarter, the Company appointed Karen Bowling to the board of directors. Ms. Bowling brings more than 25 years of diverse executive management experience to the board of SDI. Some of her skill-sets include; government affairs, lobbying, public relations, government procurement, marketing, communications, operations, and local and state level legislation. Ms. Bowling has also spent part of her career in the less-lethal sector for a long-range acoustic hailing device company.

Karen's recent positions include; Public Affairs Director at Foley & Lardner LLP, CEO at WiseEye AI, (an artificial intelligence company focussed on the healthcare sector for CT scan identification and classification), Chief Administration Officer for the city of Jacksonville, FL (with a budget in excess of one billion dollars and over 5,000 employees), and Co-Founder and CEO of the Solantic Walk-In Urgent Care Centers. Ms. Bowling has sat on and chaired numerous boards across a dozen sectors, and has recently been Gubernatorial appointed to the board of the Florida State College in Jacksonville.

During the quarter SDI signed a three-year distribution agreement with Tac Wear Inc. Tac Wear is a supplier to law enforcement, military, corrections, and private security professionals in Canada and the US. SDI and Tac Wear have developed a buy-sell arrangement where Tac Wear will distribute SDI's 40mm line of products through their distribution networks in Canada, the US and internationally. In turn, SDI will sell and distribute specific items from Tac Wear's line of gear.

After the year, SDI issued 589,414 common shares at a deemed price of $0.0848 (CAD$0.1142) per share to satisfy the payment of USD $50,000 due on November 15, 2016. The shares are subject to a four-month hold period expiring on May 14, 2017. The issuance of shares to Northeast Industrial Partners is the second of four such issuances to occur over the period ending May 15, 2017, as described in the June 20, 2016 news release.

Northeast Industrial Partners is controlled by Bryan Ganz, who was appointed to the board of directors of SDI after the consulting agreement was entered into. As a condition of stock exchange approval, SDI was required to obtain disinterested shareholder approval of the share issuance reported in this news release. That approval was received on December 15, 2016 at the Annual General Meeting of shareholders.

Subsequent to the quarter, the Company completed the issuance of senior secured convertible notes (the "Senior Secured Notes") to raise USD $1,500,000. This offering was announced and described in the Company's news release of October 18, 2016.

It was a condition of the offering of Senior Secured Notes that not less than 80% of SDI's outstanding unsecured debentures (the "Unsecured Debentures") be exchanged for subordinate convertible secured debentures (the "Subordinate Secured Debentures"). $1,402,000 of the Unsecured Debentures (being $1,363,000 of principal and $29,000 of interest) were exchanged for Subordinate Secured Debentures, representing approximately 88% of the outstanding Unsecured Debentures due to mature in June of 2019. The issuances of Senior Secured Notes and Subordinate Secured Debentures were non-brokered transactions.

The Company hired a new Director of Sales, Marketing and Training with over 24 years of extensive law enforcement experience. His duties included: SWAT/SRT, patrol, criminal investigations, and various joint federal task forces. He is an armorer for numerous weapon platforms. He has served as an instructor for the following: Taser, defensive tactics/officer survival, impact weapons, active shooter response, SWAT tactics, chemical munitions, handgun, submachine gun, shotgun, and patrol rifle. Additionally, he worked as an instructor training foreign law enforcement and Military personnel in ant-terrorism operations. He has also developed training programs for the US Military (Reserve, National Guard, and Coast Guard) , Federal Agencies, various local and state agencies, as well as private security.

During Q4, the Company applied for its Federal Firearms and Federal Explosives Licenses. These licenses will permit the Company to enhance its product line to a much broader less-lethal offering. The licensing will also allow the Company to house and travel with 40mm launchers and munitions for demonstrations globally.

Operations

Subsequent to the year the Company secured a new office and distribution warehouse in Perry, Florida. This facility sets the foundation for regional distribution of SDI's future and existing products, and a new presence in Florida, one of the target markets of the Company.

Website Update

SDI continues to update its website to manage its digital presence, as well as maintain its top positioning in search engines for the less-lethal industry. The Company has also revised it messaging to respond to recent global law enforcement confrontations, such as incidents in the US, South America and in Europe.

Products

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

The Company has two products:

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

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

Intellectual Property

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

Non-Provisional (granted patents):

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

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

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

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

Provisional Patent:

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

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

General

- As of November 30, 2016, SDI had consultants and no full-time employees.
- SDI's offices are located at 25 Sawyer Passway, Fitchburg, Massachusetts, 01420 and 125 Lakeshore Road East, Unit 300, Oakville, Ontario L6J 1H3 Canada.
- SDI's website is www.securitydii.com.

ITEM 2. DESCRIPTION OF PROPERTY

See Item 1 of this report.

ITEM 3. LEGAL PROCEEDINGS.

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

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

On December 15, 2016, the Company held an annual meeting (the "Meeting") Company's shareholders. At the Meeting, the shareholders of the Company (1) elected all five (5) of the Company's director nominees; (2) ratified the appointment of Schwartz Levitsky Feldman LLP as the Company's independent registered public accounting firm for the fiscal year ended November 30, 2016; and (3) approved the consulting agreement (the "Northeast Consulting Agreement") between the Company and Northeast Industrial Partners LLC ("Northeast").

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

Director	For	Withheld
Dean Thrasher	23,254,463	706,633
Keith Morrison	23,254,463	706,633
Karim Kanji	9,272,897	14,688,199
Bryan Ganz	23,654,463	306,633
Karen Bowling	23,855,121	105,975

There were no broker non-votes or abstentions with regards to the election of directors.

The following is a tabulation of the votes for (1) the ratification of the appointment of Schwartz Levitsky Feldman LLP ("SLF") as the Company's independent registered public accounting firm and (2) the approval of the Northeast Consulting Agreement:

Item Approved	For	Withheld/Against	Abstain	Broker Non-Vote
Ratification of SLF	23,862,992	98,104	0	0
Northeast Consulting Agreement	23,364,141	108,104	488,851	0

Item 9.01 Financial Statements and Exhibits

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

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

OTC Bulletin Board

Three Months Ended	High	Low
February 2015	$ 0.34	$ 0.20
May 2015	$ 0.50	$ 0.27
August 2015	$ 0.41	$ 0.20
November 2015	$ 0.36	$ 0.20
February 2016	$ 0.28	$ 0.19
May 2016	$ 0.27	$ 0.19
August 2016	$ 0.24	$ 0.20

November 2016	$	0.20	$	0.20

TSXV*

Three Months Ended		High CAD $		Low CAD$
February 2015	$	0.38	$	0.23
May 2015	$	0.49	$	0.33
August 2015	$	0.49	$	0.34
November 2015	$	0.41	$	0.31
February 2016	$	0.33	$	0.19
May 2016	$	0.32	$	0.21
August 2016	$	0.22	$	0.11
November 2016	$	0.20	$	0.10

* Trading commenced in the last quarter of 2013.

As of February 18, 2017, SDI had 55,693,907 outstanding shares of common stock.

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

ITEM 6. SELECTED FINANCIAL DATA

The selected financial information set forth and the discussion and analysis of financial position and results of operations should be read in conjunction with the audited annual financial statements and related notes for SDI for the fiscal years ended November 30, 2016 and 2015. Those financial statements have been prepared in accordance with U.S. generally accepted accounting principles. All dollar figures included therein and in the following management discussion and analysis ("MD&A") are expressed in U.S. dollars.

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

Selected Financial Information	**Year ended November 30, 2016 (audited)**	**Year ended November 30, 2015 (audited)** (Restated)
Sales	$154,015	$151,005
Cost of sales	$95,017	$115,940
General and Administrative Expenses	$1,723,310	$2,306,940
Convertible debt currency translation gain	($18,749)	($179,537)
Depreciation	$46,515	$47,165
Net Loss	($1,924,110)	($2,370,901)
Loss per Share (Basic and Diluted)	($0.04)	($0.05)
Current Assets	$318,489	$2,015,245
Total Assets	$405,859	$2,148,280
Current Liabilities	$1,399,451	$173,329
Long Term Liabilities	$-	$1,161,750
Stockholders' Equity (Deficiency)	$(993,592)	$813,201
Accumulated Deficit	($28,298,613)	($26,374,503)
Dividends	$Nil	$Nil

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

This management discussion and analysis ("MD&A") in respect of the fiscal year ended November 30, 2016 includes information from, and should be read in conjunction with, the audited annual financial statements and related notes for SDI for the fiscal year ended November 30, 2016.

Comparison of Year Ended November 30, 2016 to Year Ended November 30, 2015

i. Overview

The Corporation has $154,015 of revenue during the year ended November 30, 2016 (2015: $151,005) and we continue to operate at a loss. We expect our operating losses to continue for so long as we do not generate adequate revenue. As of November 30, 2016, we had accumulated losses of $28,298,613 (November 30, 2015 - $26,374,503). Our ability to generate significant revenue and conduct business operations is dependent, in large part, upon our raising additional equity financing.

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

ii. Assets

Total assets as of November 30, 2016, includes cash of $192,826, accounts receivable of $32,534, prepaid expenses and other receivables of $50,037, Inventory of $7,323, Deferred financing costs (current and non-current) for $72,643 and plant and equipment for $50,496 net of depreciation. Total assets as of November 30, 2015 includes cash of $1,851,021, accounts receivable of $39,676, prepaid expenses and other receivables of $27,283, Inventory of $44,319, Deferred financing costs (current and non-current) for $88,970 and plant and equipment for $97,011 net of depreciation. Total assets decreased from $2,148,280 on November 30, 2015 to $405,859 on November 30, 2016. This decrease is primarily the result of expenses incurred in normal course of business without any additional raise of funds.

iii. Revenues

Revenue from operations during the year ended November 30, 2016 was $154,015 as compared to $151,005 during the year ended November 30, 2015.

iv. Net Loss

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

(a) General and Administration Expense

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

General and administration expense for the year ended November 30, 2016 was $1,723,310, as compared with $2,306,940 for the year ended November 30, 2015. General and administration expense decreased by $583,630 in the current year, as compared to the prior year. The primary reasons for the change in general and administrative costs is as follows:

The Company expensed stock based compensation expense (included in general and administrative expenses) for issue of options and modification of warrants for $639,143 during the year ended November 30, 2015. In 2016, the Company expensed stock based compensation expense (included in general and administrative expenses) for issue of options and modification of warrants for $77,936. Stock based compensation expense does not require the use of cash (non-cash expenses), associated with the issuance of options and modification of warrants.

v. Quarterly Results

The net loss and comprehensive loss (unaudited) of the Corporation for the quarter ended November 30, 2016 as well as the seven quarterly periods completed immediately prior thereto are set out below:

	For the three months ended November30, 2016 ($)	For the three months ended August 31, 2016 ($)	For the three months ended May 31, 2016 ($)	For the three months ended February 28, 2016 ($)	For the three months ended November30 , 2015 ($)	For the three months ended August 31, 2015 ($)	For the three months ended May 31, 2015 ($)	For the three months ended February 28, 2015 ($)
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss	(580,156)	(491,928)	(472,224)	(379,802)	(1,108,472)	(403,621)	(473,151)	(385,657)
Loss per Weighted Average Number of Shares Outstanding –Basic and Fully Diluted	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)

Quarterly activities and financial performance are impacted by the Company’s ability to raise capital for its activities.

vi. Liquidity and Capital Resources

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

		Year ended November 30, 2016		Year ended November 30, 2015
Cash and cash equivalent	$	192,826	$	1,851,021
Working capital (deficit)	$	(1,080,962)	$	1,841,916
Cash used in operating activities	$	(1,660,139)	$	(1,738,824)
Cash used in investing activities	$	-	$	-
Cash provided (used) by financing activities	$	(36,874)	$	2,523,770

As of November 30, 2016, the Company had working capital deficit of $(1,080,962) as compared to working capital surplus of $1,841,916 as of November 30, 2015. Working capital decreased primarily as a result of expenses incurred in the normal course of business without raising any funds and re-class of convertible debentures from non-current liabilities in 2015 to current liabilities in 2016. Also, refer to the subsequent events note wherein the terms of the convertible debentures were modified.

Net cash used in operations for the year ended November 30, 2016, was $1,660,139 as compared to $1,738,824 used for the year ended November 30, 2015. The major components of change relate to:

1) Items not affecting cash:

Stock based compensation of $77,936 in 2016, as compared to $639,143 in 2015.

November 30, 2016

On June 9, 2016, the board of directors extended the expiry dates of 400,000 warrants issued in 2012 to a director at exercise price of $0.20, from original expiry date of August 9, 2016 to August 7, 2020. The change in the terms of the warrants was determined to be a modification and not a cancellation and issuance of a new warrant. Because of these modifications, the fair value of 400,000 warrants increased by $49,912.

On August 18, 2016, the board of directors granted options to a consultant to acquire a total of 25,000 common shares. These options were issued at an exercise price of $0.11 (CAD $0.14) per share and vest immediately with an expiry term of five years. The Company expensed stock based compensation expense for $2,574.

On October 20, 2016, the board of directors granted options to a new director to acquire a total of 350,000 common shares. These options were issued at an exercise price of $0.08 (CAD $0.11) per share and vest immediately with an expiry term of five years. The Company expensed stock based compensation expense for $25,450.

November 30, 2015

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

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

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

The Company's inventory decreased by $36,996 as compared to a decrease of $75,927 in 2015. The decrease resulted in reduction in the Company's investment in Inventory. Account receivables was $32,534 in 2016 as compared to 39,676 in 2015.

Net cash outflow from investing activities was $nil during the year ended November 30, 2016 as compared to $ nil for the year ended November 30, 2015. The Company did not acquire any fixed assets during these years.

Net Cash flow from financing activities was an outflow of $36,874 for the year ended November 30, 2016 as compared to an inflow of $2,523,770 for the year ended November 30, 2015. The outflow in 2016 reflect deferred financing costs incurred till end of the year to raise funds after the year.

Year ended November 30, 2015

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

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

vii. Off-Balance Sheet Arrangement. The Company had no off- balance sheet arrangements as of November 30, 2016 and 2015

viii. Commitments

a) Consulting agreements:

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

Effective October 1, 2014, SDI executed a renewal agreement with a private company in which the Chief Operating Officer Dean Thrasher has an ownership interest in, for a period which expires on December 31, 2017 for services rendered. The total consulting fees are estimated at $648,000 (CAD$864,000) for the three-year period. In the event of termination without cause due to change in control brought out by sale, lease, merger or transfer, the Company is obligated to pay 18 months' fees at current rate at time of change in control. SDI paid cash and expensed $ 221,217 (CAD $230,892) during the year ended November 30, 2015. The company may also accept common shares in lieu of cash. As of November 30, 2016, the company has not exercised its right to accept this compensation in shares. Effective February 1, 2015, the Company and director agreed to reduce the monthly remuneration by 10% to $16,200 (CAD $21,600). This reduction continued until the completion of the next round of financing, which was completed in May 2015. On July 16, 2016, Dean Thrasher was appointed interim CEO and President of the Company. Effective August 1, 2016, the Company and director agreed to reduce the monthly consulting fees to $10,550 (CAD $14,000).

Effective July 21, 2016, Bryan Ganz was elected as a director of the Company. Prior to his appointment, effective May 1, 2016, the Company executed a one-year consulting agreement with a Corporation in which the said director has an ownership interest. The said Corporation will assist the Company with sales & marketing, expansion of the Company's product range, review of operations, implementation of cost control measures, development of strategic alliances and financial oversight. For the consultant services and subject to TSX Venture Exchange Inc. (the "Stock Exchange") approval, the consultant was paid cash for $50,000 and issued a value of $200,000 in Company's stock in four quarterly installments over the 12-month period ending May 15, 2017. The first quarterly installment was issued in September 2016. The stock will be priced at the volume weighted average trading price per common share over the 20- day period preceding the due date. (See also note 18 Subsequent events)

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

Effective May 1, 2015, SDI executed an agreement with another non-related consultant to pay compensation of $3,750 (CAD $5,000) per month. The consultant is to assist with sales initiatives, demos and participate in trade shows. The agreement unless renewed by mutual consent expires December 31, 2015. The consultant is also entitled to a 5% cash commission for all completed direct sales to end users and a 2% cash commission for all completed indirect sales. In addition, as a sales incentive, the company may grant stock options at market prices, being 25,000 stock options for every 5,000 rounds sold, to a maximum of 200,000 options. Either party may terminate the consulting agreement by giving 60 days' written notice. Subsequent to the year this agreement was terminated (refer to Note 18)

Effective April 2014, SDI executed an agreement with a non-related consultant to set up its social media sites and optimization of search engines for the Company, at a start- up fee for $2,250 (CAD$3,000) (Phase 1) and payment of $2,250 (CAD$3,000) per month and issued 150,000 stock options at $0.32 (CAD$0.38) when Phase 2 of the project was implemented. Either party can terminate the agreement by giving 30 days' notice.

Effective July 1, 2016, SDI renewed an agreement with a non-related consultant to pay compensation of $5,250 per month. The consultant is to assist with sales initiatives, demos and participate in trade shows. The agreement unless renewed by mutual consent expires December 31, 2016. The consultant is also entitled to a 5% cash commission for all completed direct sales to end users and a 2% cash commission for all completed indirect sales. The Company agreed to grant 25,000 stock options for every 5,000 rounds sold to a maximum of an additional 175,000 options. Either party may terminate the consulting agreement by giving 30 days' written notice. Subsequent to the year this agreement was terminated (refer to Note 18)

Effective September 1, 2016, the Company executed an agreement with a non-related consultant to pay compensation of $12,500 per month. The consultant is to assist with sales initiatives, licensing, DOT testing, distributorship set-up and forecast. The agreement expires December 31, 2016, after which the same may continue at Company discretion on a month to month basis.

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

EXCLUSIVE SUPPLY AGREEMENT

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

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

Cash Requirements

At November 30, 2016, the Company had cash of $192,826, accounts receivable of $32,534, Inventory of $7,323 and prepaid expense and other receivables of $50,037. Current liabilities comprise accounts payable and accrued liabilities for $245,911 and convertible debentures (re-classed to current liabilities in 2016) for $1,153,540. For the year ended November 30, 2016, the Company's cash outflow from operations was $1,660,139. Subsequent to the year, in December 2016, the Company raised additional funds for $1,500,000 (gross) by issue of convertible debentures (refer to subsequent event note) and as such subsequent to the year raised adequate cash to meet its expenses over the next twelve months of its operations.

x. Critical Accounting Policies

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

Recent Accounting Pronouncements

In January 2015, the FASB issued ASU No. 2015-01, "Income Statement - Extraordinary and Unusual Items (Subtopic 225-20) Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items" (ASU 2015-01). The amendments in ASU 2015-01 eliminate the GAAP concept of extraordinary items and no longer requires that transactions that met the criteria for classification as extraordinary items be separately classified and reported in the financial statements. ASU 2015-01 retains the presentation and disclosure guidance for items that are unusual in nature or occur infrequently and expands them to include items that are both unusual in nature and infrequently occurring. ASU 2015-01 will become effective in fiscal 2017. The Company is in the process of evaluating the amendments to determine if they have a material impact on the Company's financial position, results of operations or cash flow.

In February, 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. ASU No. 2015-02 provides guidance on the consolidation evaluation for reporting organizations that are required to evaluate whether they should consolidate certain legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). ASU No. 2015-02 is effective for periods beginning after December 15, 2015, with early adoption permitted. The Company is in the process of evaluating the amendments to determine if they have a material impact on the Company's financial position, results of operations or cash flow.

In April 2015, the FASB issued ASU No. 2015-03, Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. ASU No. 2015-03 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015 with early adoption permitted. The Company is in the process of evaluating the amendments to determine if they have a material impact on the Company's financial position, results of operations or cash flow.

In November 2015, the FASB issued ASU No. 2015-17, "Balance Sheet Classification of Deferred Taxes," as part of its simplification initiative. Under the ASU, organizations that present a classified balance sheet are required to classify all deferred taxes as noncurrent assets or noncurrent liabilities. ASU No. 2015-17 is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company is in the process of evaluating the amendments to determine if they have a material impact on the Company's financial position, results of operations or cash flow.

In January 2016, the FASB issued ASU 2016-01, which makes limited amendments to the guidance in U.S. GAAP on the classification and measurement of financial instruments. The new standard significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. ASU No. 2016-01 is effective for fiscal years beginning after December 15, 2017, and interim periods within those annual periods. The Company is in the process of evaluating the amendments to determine if they have a material impact on the Company's financial position, results of operations or cash flow.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The FASB issued the update to require the recognition of lease assets and liabilities on the balance sheet of lessees. ASU 2016-02is effective for fiscal years beginning after December 15, 2018. ASU 2016-02 requires a modified retrospective transition method with the option to elect a package of practical expedients. Early adoption is permitted. The Company is evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* (ASU 2016-08). The FASB issued the amendment to clarify the implementation guidance on principal versus agent considerations. The effective date and transition requirements for the amendments in this update is for annual reporting period beginning after December 15, 2017. The Company is evaluating the effect that ASU 2016-08 will have on its financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* (ASU 2016-09). The FASB issued the amendment to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Some of the areas for simplification apply only to nonpublic entities. ASU 2016-09 is effective for the Company for annual periods beginning after December 15, 2016, with early adoption permitted. The adoption of ASU 2016-09 is not expected to have a material impact on the financial statements of the Company.

In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* (ASU 2016-10). The FASB issued the amendment to clarify the following two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. The effective date and transition requirements for the amendments in this update is for annual reporting periods beginning after December 15, 2017. The Company is evaluating the effect that ASU 2016-10 will have on its financial statements and related disclosures.

In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients* (ASU 2016-12). The FASB issued the amendment to improve Topic 606 by reducing the potential for diversity in practice at initial application and reducing the cost and complexity of applying Topic 606 both at transition and on an ongoing basis. The effective date and transition requirements for the amendments in this update are the same as the effective date and transition requirements of ASU 2014-09. The Company is evaluating the effect that ASU 2016-12 will have on its financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). The FASB issued the amendment to require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The updates will be effective for the Company for fiscal years beginning after December 15, 2019. The Company is evaluating the effect that ASU 2016-13 will have on its financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments" (ASU 2016-15. The new guidance clarifies eight cash flow classification issues where current GAAP was either unclear or has no specific guidance. The new standard is effective for annual reporting periods beginning after December 15, 2017 and interim periods within those fiscal years. All entities may elect to early adopt ASU 2016-15 in any interim period. If an entity early adopts it must adopt all eight of the amendments in the same period and if early adopted in an interim period any adjustments should be reflected as of the beginning of the year. The amendments in ASU 2016-15 will be applied using the modified retrospective transition method for each period presented. The Company is evaluating the impact the adoption of this guidance will have on the classification of certain items on its consolidated statements of cash flows.

In January 2017, the FASB issued ASU No. 2017-01 Business Combinations (Topic 805) - Clarifying the Definition of a Business. This update clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments provide a screen to determine when a set of assets and activities is not a business. If the screen is not met, the amendments require further consideration of inputs, substantive processes and outputs to determine whether the transaction is an acquisition of a business. The new update is effective for annual periods beginning after December 15, 2017. The amendments in ASU 2017-01 will be implemented on a prospective basis.

Risk Factors

Senior and Subordinate Secured Convertible Debentures

On December 7, 2016, the Company entered a Securities Purchase Agreement with several accredited investors to sell $1,500,000 of 10% senior secured convertible notes, convertible into shares of the Company's common stock, in a private placement pursuant to Regulation D under the Securities Act of 1933. Concurrent with the sale of the Secured Notes, CAD$1,364,000 of the Company's outstanding Unsecured Debentures, were exchanged for an equal principal amount of the Subordinate Secured Debentures and an additional CAD$37,000 of Subordinated Secured Debentures were issued in satisfaction of a portion of the accrued interest on the Unsecured Debentures. Both senior and subordinated secured debentures mature on June 6, 2019 unless converted or extended and are fully secured against the undertaking, property and assets of the Company including its patents. Inability to repay the secured debt on maturity, if the debt is neither converted nor extended, will result in the financial condition of the Company to be materially adversely affected.

Additional Financing

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

General Venture Company Risks

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

Uncertainty of Revenue Growth

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

Dependence on Management and Key Personnel

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

Dependence on Key Suppliers

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

Product Liability

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

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

Strategic Alliances

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

Marketing and Distribution Capabilities

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

Rapid Technological Development

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

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

Competition

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

Regulation

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

Intellectual Property

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

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

Infringement of Intellectual Property Rights

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

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

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

Health and Safety

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

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

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

Insurance and Uninsured Risks

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

Conflicts of Interest

Certain directors and officers of the Corporation are or may become associated with other companies in the same or related industries which may give rise to conflicts of interest. Directors who have a material interest in any person who is a party to a material contract or a proposed material contract with the Corporation are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to the best interests of the Corporation.

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

Dividend Policy

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

Lack of Active Market

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

Market Price of Common Shares

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

Political Regulatory Risks

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

Dividends

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS

See the financial statements included with this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS.

None

ITEM 9A. CONTROLS AND PROCEDURES

SDI maintains a system of controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934, as amended ("1934 Act"), is recorded, processed, summarized and reported, within time periods specified in the SEC's rules and forms and to ensure that information required to be disclosed by SDI in the reports that it files or submits under the 1934 Act, is accumulated and communicated to SDI's management, including its Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure. As of November 30, 2016 SDI's Principal Executive Officer and Principal Financial Officer evaluated the effectiveness of the design and operation of SDI's disclosure controls and procedures. Based on that evaluation, our chief executive officer and chief financial officer concluded that as of November 30, 2016, our disclosure controls and procedures were not effective due to a material weakness in our internal control over financial reporting disclosed below.

Management's Report on Internal Control over Financial Reporting

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

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined by Rule 13a-15(f) of the Exchange Act). In assessing the effectiveness of our internal control over financial reporting as of November 30, 2016, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).

Based on that evaluation, our management concluded that our internal controls over financial reporting as of November 30, 2016 were not effective due to the following material weakness:

Inherent in any small business is the pervasive problem involving segregation of duties. Since SDI has a small accounting department, segregation of duties cannot be completely accomplished at this stage in its corporate lifecycle. In addition, the prior year comparative numbers for 2015 were restated to record currency gains to income statement.

In order to correct the foregoing material weakness, during the fiscal year 2016, we have taken and are taking the following remediation measures that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting:

- We have several Directors with business experience and spending time with the business.
- We have established an audit committee of our board of directors. The audit committee provides oversight of our accounting and financial reporting;
- For transactions which are complex are being referred to an outside expert.

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

There was no change in SDI's internal control over financial reporting that occurred during the year ended November 30, 2016 that has materially affected, or is reasonably likely to materially affect, SDI's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

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

Name	Age	Position
Dean Thrasher	53	Director and CEO
Keith Morrison	57	Director
Rakesh Malhotra	60	Principal Financial and Accounting Officer
Karim Kanji	49	Director
Bryan Ganz (1)	58	President and Director
Karen Bowling (2)	61	Director

(1) Appointed as a director on July 21, 2016.
(2) Appointed as a director on October 17, 2016.

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

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

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

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

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

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

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

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

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

ITEM 11. EXECUTIVE COMPENSATION

For the most recently completed financial year ended November 30, 2016, the Corporation's named executive officers were Gregory Sullivan (EX-CEO), Rakesh Malhotra (CFO) and Dean Thrasher (Interim CEO). Specific aspects of compensation payable to the named executive officers of the Corporation are dealt with in further detail in subsequent tables.

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

Summary Compensation Table

Name and Principal Position	Year ended Nov. 30	Salary ($)	Share-Based Awards ($)	Option-Based Awards(1) ($)	Non-Equity Incentive Plan Compensation		Pension Value ($)	All Other Compen-sation (5) ($)	Total Compen-sation ($)
					Annual Incentive Plan	Long-Term Incentive Plans			
Gregory Sullivan EX-CEO (2)	2016 2015 2014	0 0 0	0 0 0	0 131,482 70,558	0 0 0	0 0 0	0 0 0	151,454 135,966 155,774	151,454 267,448 226,332
Rakesh Malhotra CFO (3)	2016 2015 2014	0 0 0	0 0 0	0 40,132 0	0 0 0	0 0 0	0 0 0	32,064 35,717 38,700	32,064 75,849 38,700
Dean Thrasher INTERIM CEO (4)	2016 2015 2014	0 0 0	0 0 0	0 70,423 225,786	0 0 0	0 0 0	0 0 0	186,814 221,217 230,890	186,814 291,640 456,676

Note:

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

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

(2) Prior to entering into an agreement with the Corporation as CEO, Mr. Sullivan was a director of the Corporation. His directorship dates back to 2005. On May 30, 2010, Mr. Gregory Sullivan was appointed the CEO of the Corporation. Effective January 2012, Mr. Sullivan was contracted with the Corporation for a period of 60 months. Mr. Sullivan is to earn CAD $12,000 per month for his services, along with a 5% annual salary increase along with a car allowance of CAD $600 per month. In fiscal 2015 and 2014, Mr. Sullivan was granted 150,000 and 250,000 options respectively, which vested immediately. In 2015, the Company extended the expiry date of 397,000 warrants issued to Mr. Sullivan in 2010 from original expiry date of September 30, 2015 to September 23, 2019. In addition, in 2015, the Company extended the expiry date of 400,000 warrants issued to Mr. Sullivan in 2012 from original expiry date of January 4, 2016 to September 23, 2019. Effective July 15, 2016, Mr. Sullivan resigned from the Company.

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

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

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

Incentive Plan Awards

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

The following table summarizes all share-based and option/warrants-based awards granted by the Corporation to its Named Executive Officers, which are outstanding as of November 30, 2016.

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

Notes:

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

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

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

Pension Plan Benefits and Defined Contribution Plans

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

Employment/Consulting Contracts

1. The Corporation entered a consulting agreement effective October 4, 2012 with Level 4 Capital Corp. ("L4"), which ended September 30, 2014. The Company renewed this agreement with L4 effective October 1, 2014 and ends December 31, 2017. L4's remuneration was $20,000 per month which was increased to CAD$24,000 per month during the renewal period. Effective August 1, 2016, the Company and director agreed to reduce the monthly consulting fees to CAD $14,000. At the discretion of L4, it may take remuneration in the form of cash or in Common Shares. L4 is a corporation 50% owned by Dean Thrasher who is the Corporation's COO. The agreement has the following terms.

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

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

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

2. Effective July 21, 2016, Bryan Ganz was elected as a director of the Company. Prior to his appointment, effective May 1, 2016, the Company executed a one-year consulting agreement with a Corporation in which the said director has an ownership interest. The said Corporation will assist the Company with sales & marketing, expansion of the Company's product range, review of operations, implementation of cost control measures, development of strategic alliances and financial oversight. For the consultant services and subject to TSX Venture Exchange Inc. (the "Stock Exchange") approval, the consultant was paid cash for $50,000 and issued a value of $200,000 in Company's stock in four quarterly installments over the 12-month period ending May 15, 2017. The first quarterly installment was issued in September 2016. The stock will be priced at the volume weighted average trading price per common share over the 20- day period preceding the due date. (See also Subsequent events)

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

Compensation of Directors

The compensation of the independent directors of the Corporation is yet to be determined.

For the years ended 2016, 2015 and 2014, Independent directors were issued the following options:

Independent Directors	Number of Options	Year of Issuance	Exercise Price	Expiration Date
Keith Morrison	400,000	2015	0.29	10-19-2020
	600,000	2014	0.32	5-8-2019
Karim Kanji	350,000	2015	0.29	10-19-2020
	500,000	2014	0.36	9-10-2019
Karen Bowling (1)	350,000	2016	0.08	10-17-2021

For the years 2016, 2015 and 2014, Independent directors were paid the following compensation in cash:

Independent Directors	Year	Compensation in cash ($)
Keith Morrison	2016	-
	2015	-
	2014	-
Karim Kanji	2016	42,200
	2015	-
	2014	-
Karen Bowling (1)	2016	-

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

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

Compensation of Non-Independent Directors during Years Ended November 30, 2016 and November 30, 2015.

Year ended November 30, 2016:

Name	Paid/Payable in Cash	Stock Awards	Awards of Options or Warrants (4)
Gregory Sullivan (1)	$ 151,454	--	--
Allen Ezer (2)	$ 73,786	--	49,912
Dean Thrasher (3)	$ 186,814	--	--

(1) Mr. Sullivan resigned from the Company effective July 15, 2016

(2) Mr. Allen Ezer resigned from the Company effective September 16, 2016.

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

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

Year ended November 30, 2015:

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

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

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

Stock Option and Bonus Plans

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

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

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

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

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

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

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

Options Exercised

Name	Grant Date	Options Granted (#)	Exercise Price	Expiration Date	Shares Acquired on Exercise (1)	Value Realized (2)
Gregory Sullivan *	10/29/05	200,000	$ 0.10	10/29/11	200,000	$ 100,000

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

(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
Allen Ezer (1)	250,000	--	$ 0.36	9-10-2019
	300,000	--	$ 0.29	10-19-2020
Dean Thrasher (2)	800,000	--	$ 0.36	9-10-2019
David Goodbrand (3)	100,000	--	$ 0.29	10-19-2020
Keith Morrison	600,000	--	$ 0.32	5-8-2019
	400,000	--	$ 0.29	10-19-2020
Karim Kanji	500,000	--	$ 0.36	9-10-2019
	350,000	--	$ 0.29	10-19-2020
Karen Bowling	350,000	---	$ 0.08	10-17-2021

(1) Mr. Ezer resigned from the Company effective September 16, 2016
(2) Mr. Thrasher is contracted through Level 4 Capital Corp., a company in which Mr. Thrasher owns a 50% interest
(3) Mr. Goodbrand resigned from the Company effective October 17, 2016.

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

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

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

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

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

In addition to the options described above, SDI has as of November 30, 2016, granted warrants to its officers and directors which are held by them upon the terms shown below.

Name	**Date of Issue**	**Number of Warrants**	**Exercise Price US$**	**Expiry Date**
Greg Sullivan*	06-15-2010	397,000	$0.20	09-23-2019
Greg Sullivan	01-04-2012	400,000	$0.13	09-23-2019
Allen Ezer**	01-04-2012	250,000	$0.13	09-23-2019
Allen Ezer (1)	08-09-2012	400,000	$0.20	08-07-2020
Rakesh Malhotra	01-04-2012	20,000	$0.13	09-23-2019
Rakesh Malhotra	06-15-2010	175,000	$0.20	09-23-2019
Dean Thrasher (2)	01-04-2012	800,000	$0.13	09-23-2019

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

Notes

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

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

The following table shows the ownership of SDI's common stock as of March 9, 2017 by each shareholder known by SDI to be the beneficial owner of more than 5% of SDI's outstanding shares, each director and executive officer and all directors and executive officers as a group. Except as otherwise indicated, each shareholder has sole voting and investment power with respect to the shares they beneficially own.

Name	Number of Shares(1)	Percent of Class
Dean Thrasher (2)	813,500	1.4%
Keith Morrison	190,000	0.3%
Northeast Industrial Partners LLC (3)	1,581,516	2.8%
Bryan Ganz	120,000	0.2%
Alpha North Asset Management	4,974,378	8.9%
NLW1 LLC	7,575,757	13.6%
All Officers and Directors as a group	2,705,016	4.7%

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

(2) Dean Thrasher is contracted through Level 4 Capital Corp. Out of the 1,700,000 Common Shares owned by Level 4 Capital Corp. are Mr. Thrasher beneficially own 800,000.

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

None.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Schwartz Levitsky Feldman, LLP ("Schwartz Levitsky") audited SDI's financial statements for the years ended November 30, 2016 and 2015.

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

	2016	2015
Audit Fees	$ 21,500	$ 23,800
Audit-Related Fees	$ 11,300	$ 11,100
Financial Information Systems	--	--
Design and Implementation Fees	--	--
Tax Fees	--	--
All Other Fees	--	--

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

ITEM 15. EXHIBITS

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

* Filed with this report.

SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on the 13th day of March 2017.

SIGNATURE	TITLE	DATE
/s/ Dean Thrasher Dean Thrasher	Chief Executive Officer and Director	March 13, 2017
/s/ Rakesh Malhotra Rakesh Malhotra	Chief Financial Officer	March 13, 2017

SIGNATURE	TITLE	DATE
/s/ Dean Thrasher Dean Thrasher	Chief Executive Officer and Director	March 13, 2017
/s/ Bryan Ganz Bryan Ganz	President and Director	March 13, 2017
/s/ Karim Kanji Karim Kanji	Director	March 13, 2017
/s/ Keith Morrison Keith Morrison	Chairman of the Board of Directors	March 13, 2017
/s/ Karen Bowling Karen Bowling	Director	March 13, 2017

SECURITY DEVICES INTERNATIONAL, INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED NOVEMBER 30, 2016 AND 2015

Together with Report of Independent Registered Public Accounting Firm

(Amounts expressed in US Dollars)

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders of
Security Devices International, Inc.

We have audited the accompanying consolidated balance sheets of Security Devices International, Inc. as of November 30, 2016 and 2015 (as restated), and the related consolidated statements of operations and comprehensive loss, cash flows and changes in stockholders' equity (deficiency) for the years ended November 30, 2016 and 2015 (as restated). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Security Devices International, Inc. as of November 30, 2016 and 2015 (as restated), and the results of its operations and its cash flows for the years ended November 30, 2016 and 2015 (as restated) in conformity with accounting principles generally accepted in the United States of America.

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

/s/ SCHWARTZ LEVITSKY FELDMAN LLP

Toronto, Ontario, Canada — Chartered Accountants
March 13, 2017 — Licensed Public Accountants

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F a x : 416 785 5663

SECURITY DEVICES INTERNATIONAL, INC.
Consolidated Balance Sheets
As at November 30, 2016 and 2015
(Amounts expressed in US Dollars)

	2016	2015 (Restated) (See Note 17)
	$	$
ASSETS		
CURRENT		
Cash	192,826	1,851,021
Accounts Receivable	32,534	39,676
Inventory (Note 15)	7,323	44,319
Deferred financing costs (Note 14)	35,769	52,946
Prepaid expenses and other receivables	50,037	27,283
Total Current Assets	318,489	2,015,245
Deferred financing costs (Note 14)	36,874	36,024
Property and Equipment (Note 9)	50,496	97,011
TOTAL ASSETS	405,859	2,148,280
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	245,911	173,329
Convertible Debentures (Note 14)	1,153,540	-
Total Current Liabilities	1,399,451	173,329
Convertible Debentures (Note 14)	-	1,161,750
Total Liabilities	1,399,451	1,335,079
Going Concern (Note 2)		
Related Party Transactions (Note 8)		
Commitments (Note 11)		
STOCKHOLDERS' EQUITY (DEFICIENCY)		
Capital Stock (Note 5)		
Preferred stock, $0.001 par value, 5,000,000 shares authorized, Nil issued and outstanding (2015 - nil).		
Common stock, $0.001 par value 100,000,000 shares authorized, 55,104,493 issued and outstanding (2015: 54,615,642)	55,105	54,616
Additional Paid-In Capital	27,307,274	27,179,827
Accumulated deficit	(28,298,613)	(26,374,503)
Accumulated other comprehensive loss	(57,358)	(46,739)
Total Stockholders' Equity (Deficiency)	(993,592)	813,201
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)	405,859	2,148,280

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

SECURITY DEVICES INTERNATIONAL, INC.
Consolidated Statements of Operations and Comprehensive loss
Years Ended November 30, 2016 and 2015
(Amounts expressed in US Dollars)

	2016	2015 (Restated) (See Note 17)
	$	$
SALES	154,015	151,005
COST OF SALES	(95,017)	(115,940)
GROSS PROFIT	58,998	35,065
EXPENSES:		
Depreciation	46,515	47,165
Foreign currency translation gain	(18,749)	(179,537)
General and administration	1,723,310	2,306,940
TOTAL OPERATING EXPENSES	1,751,076	2,174,568
LOSS FROM OPERATIONS	(1,692,078)	(2,139,503)
Other Expense-Interest (Notes 14)	(232,032)	(231,398)
LOSS BEFORE INCOME TAXES	(1,924,110)	(2,370,901)
Income taxes (Note 10)	-	-
NET LOSS	(1,924,110)	(2,370,901)
Foreign exchange translation adjustment for the year	(10,619)	(15,033)
COMPREHENSIVE LOSS	(1,934,729)	(2,385,934)
Loss per share – basic and diluted	(0.04)	(0.05)
Weighted average number of common shares outstanding during the year	54,704,037	50,394,435

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

SECURITY DEVICES INTERNATIONAL, INC.
Consolidated Statements of Cash Flows
Years Ended November 30, 2016 and 2015
(Amounts expressed in US Dollars)

	2016	2015 (Restated) (See Note 17)
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	(1,924,110)	(2,370,901)
Items not requiring an outlay of cash:		
Fair value of issue of options (included in general and administration expenses)	28,024	422,459
Fair value of modification of options and warrants (included in general and administration expenses)	49,912	216,684
Amortization of deferred financing costs (Note 14)	63,740	63,566
Foreign currency translation gain	(18,749)	(179,537)
Depreciation	46,515	47,165
Changes in non-cash working capital:		
Accounts receivable	6,989	(31,326)
Inventory	36,996	75,927
Prepaid expenses and other receivables	(22,838)	1,807
Accounts payable and accrued liabilities	73,382	15,332
NET CASH USED IN OPERATING ACTIVITIES	(1,660,139)	(1,738,824)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Proceeds from issuance of common stock	-	2,500,000
Deferred financing costs incurred	(36,874)	-
Exercise of stock options and warrants	-	23,770
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(36,874)	2,523,770
Effects of foreign currency exchange rate changes	38,818	(18,931)
NET INCREASE (DECREASE) IN CASH FOR THE YEAR	(1,658,195)	766,015
Cash, beginning of Year	1,851,021	1,085,006
CASH END OF YEAR	192,826	1,851,021
SUPPLEMENTAL INFORMATION:		
INCOME TAXES PAID	-	-
INTEREST PAID	161,372	167,831

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

SECURITY DEVICES INTERNATIONAL, INC.
Consolidated Statement of Changes in Stockholders' Equity (Deficiency)
For the years ended November 30, 2016 and 2015.
(Amounts expressed in US Dollars)

	Number of Common Shares	Common Shares amount $	Additional Paid-in Capital $	Accumulated Deficit $	Accumulated Other Comprehensive loss	Total $
Balance as of November 30, 2014 (Restated-Note 17)	46,899,285	46,899	24,024,631	(24,003,602)	(31,706)	36,222
Issue of common shares	7,575,757	7,576	2,492,424			2,500,000
Exercise of options	35,000	35	6,960			6,995
Exercise of warrants	105,600	106	16,669			16,775
Stock based compensation for issue of options			422,459			422,459
Stock based compensation for modification of warrants			216,684			216,684
Net loss for the year				(2,370,901)		(2,370,901)
Foreign currency translation					(15,033)	(15,033)
Balance as of November 30, 2015 (Restated-Note 17)	54,615,642	54,616	27,179,827	(26,374,503)	(46,739)	813,201
Issue of common shares for services	488,851	489	49,511			50,000
Stock based compensation for issue of options			28,024			28,024
Stock based compensation for modification of warrants			49,912			49,912
Net loss for the year				(1,924,110)		(1,924,110)
Foreign currency translation					(10,619)	(10,619)
Balance as of November 30, 2016	55,104,493	55,105	27,307,274	(28,298,613)	(57,358)	(993,592)

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

1. BASIS OF PRESENTATION

The Company was incorporated under the laws of the state of Delaware on March 1, 2005. On February 3, 2014 the Company incorporated a wholly owned subsidiary in Canada "Security Devices International Canada Corp". The consolidated financial statements for the year ended November 30, 2016 include the accounts of Security Devices International, Inc. (the "Company" or "SDI"), and its subsidiary Security Devices International Canada Corp. All material inter-company accounts and transactions have been eliminated.

2. NATURE OF OPERATIONS AND GOING CONCERN

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

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

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

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

The Company has incurred a cumulative loss of $28,298,613 from inception to November 30, 2016. The Company has funded operations through the issuance of capital stock and convertible debentures. The company has started to generate revenue from operations. However, it still expects to incur significant expenses before becoming profitable. The Company's future success is dependent upon its ability to raise sufficient capital or generate adequate revenue, to cover its ongoing operating expenses, and also to continue to develop and be able to profitably market its products. There can be no assurance that such financing will be available at all or on favorable terms. These factors raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Use of Estimates

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

b) Income Taxes

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

c) Revenue Recognition

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Cont'd

d) Loss Per Share

Basic loss per share is computed by dividing net loss by the weighted average number of common shares outstanding for the year. Diluted loss per share is computed by dividing net loss by the weighted average number of common shares outstanding plus common stock equivalents (if dilutive) related to stock options and warrants for each year. There were no common equivalent shares outstanding at November 30, 2016 and 2015 that have been included in dilutive loss per share calculation as the effects would have been anti-dilutive. At November 30, 2016, there were 4,625,000 options and 2,484,650 warrants outstanding, which were convertible into equal number of common shares of the Company. At November 30, 2015, there were 4,750,000 options and 2,767,800 warrants outstanding, which were convertible into equal number of common shares of the Company.

e) Stock-Based Compensation

All awards granted to employees and non-employees after November 30, 2006 are valued at fair value by using the Black-Scholes option pricing model and recognized on a straight line basis over the service periods of each award. The Company accounts for equity instruments issued in exchange for the receipt of goods or services from other than employees using the estimated fair market value of the consideration received or the estimated fair value of the equity instruments issued, whichever is more reliably measurable. The value of equity instruments issued for consideration other than employee services is determined on the earlier of a performance commitment or completion of performance by the provider of goods or services.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Cont'd

f) Foreign Currency

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

g) Comprehensive loss

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

h) Financial Instruments

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

i) Fair Value Measurement

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

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

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

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

(Amounts expressed in US Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Cont'd

i) Fair Value-Cont'd

Assets and liabilities measured at fair value as of November 30, 2016 and 2015 are classified below based on the three fair value hierarchy tiers described above:

	Carrying Value	Fair Value
November 30, 2016:		
Cash	$ 192,826	$ 192,826
Accounts receivable	$ 32,534	$ 32,534
Accounts payable and accrued liabilities	$ 245,911	$ 245,911
Convertible debentures	$ 1,153,540	$ 1,153,540

	Carrying Value (Restated) (See Note 17)	Fair Value (Restated) (See Note 17)
November 30, 2015:		
Cash	$ 1,851,021	$ 1,851,021
Accounts receivable	$ 39,676	$ 39,676
Accounts payable and accrued liabilities	$ 173,329	$ 173,329
Convertible debentures	$ 1,161,750	$ 1,161,750

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

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

j) Convertible debt instruments

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

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

k) Intellectual Property

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

Non-Provisional (granted patents):

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

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

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

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

Provisional Patent:

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

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

l) Property and Equipment

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Cont'd

m) Impairment of Long-lived Assets

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

n) Inventories

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

o) Consolidation

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

p) Recent Accounting Pronouncements

In January 2015, the FASB issued ASU No. 2015-01, "Income Statement - Extraordinary and Unusual Items (Subtopic 225-20) Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items" (ASU 2015-01). The amendments in ASU 2015-01 eliminate the GAAP concept of extraordinary items and no longer requires that transactions that met the criteria for classification as extraordinary items be separately classified and reported in the financial statements. ASU 2015-01 retains the presentation and disclosure guidance for items that are unusual in nature or occur infrequently and expands them to include items that are both unusual in nature and infrequently occurring. ASU 2015-01 will become effective in fiscal 2017. The Company is in the process of evaluating the amendments to determine if they have a material impact on the Company's financial position, results of operations or cash flow.

In February, 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. ASU No. 2015-02 provides guidance on the consolidation evaluation for reporting organizations that are required to evaluate whether they should consolidate certain legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). ASU No. 2015-02 is effective for periods beginning after December 15, 2015, with early adoption permitted. The Company is in the process of evaluating the amendments to determine if they have a material impact on the Company's financial position, results of operations or cash flow.

In April 2015, the FASB issued ASU No. 2015-03, Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. ASU No. 2015-03 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015 with early adoption permitted. The Company is in the process of evaluating the amendments to determine if they have a material impact on the Company's financial position, results of operations or cash flow.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Cont'd

p) Recent Accounting Pronouncements-Cont'd

In November 2015, the FASB issued ASU No. 2015-17, "Balance Sheet Classification of Deferred Taxes," as part of its simplification initiative. Under the ASU, organizations that present a classified balance sheet are required to classify all deferred taxes as noncurrent assets or noncurrent liabilities. ASU No. 2015-17 is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company is in the process of evaluating the amendments to determine if they have a material impact on the Company's financial position, results of operations or cash flow.

In January 2016, the FASB issued ASU 2016-01, which makes limited amendments to the guidance in U.S. GAAP on the classification and measurement of financial instruments. The new standard significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. ASU No. 2016-01 is effective for fiscal years beginning after December 15, 2017, and interim periods within those annual periods. The Company is in the process of evaluating the amendments to determine if they have a material impact on the Company's financial position, results of operations or cash flow.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The FASB issued the update to require the recognition of lease assets and liabilities on the balance sheet of lessees. ASU 2016-02is effective for fiscal years beginning after December 15, 2018. ASU 2016-02 requires a modified retrospective transition method with the option to elect a package of practical expedients. Early adoption is permitted. The Company is evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* (ASU 2016-08). The FASB issued the amendment to clarify the implementation guidance on principal versus agent considerations. The effective date and transition requirements for the amendments in this update is for annual reporting period beginning after December 15, 2017. The Company is evaluating the effect that ASU 2016-08 will have on its financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* (ASU 2016-09). The FASB issued the amendment to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Some of the areas for simplification apply only to nonpublic entities. ASU 2016-09 is effective for the Company for annual periods beginning after December 15, 2016, with early adoption permitted. The adoption of ASU 2016-09 is not expected to have a material impact on the financial statements of the Company.

In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* (ASU 2016-10). The FASB issued the amendment to clarify the following two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. The effective date and transition requirements for the amendments in this update is for annual reporting periods beginning after December 15, 2017. The Company is evaluating the effect that ASU 2016-10 will have on its financial statements and related disclosures.

In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients* (ASU 2016-12). The FASB issued the amendment to improve Topic 606 by reducing the potential for diversity in practice at initial application and reducing the cost and complexity of applying Topic 606 both at transition and on an ongoing basis. The effective date and transition requirements for the amendments in this update are the same as the effective date and transition requirements of ASU 2014-09. The Company is evaluating the effect that ASU 2016-12 will have on its financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). The FASB issued the amendment to require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The updates will be effective for the Company for fiscal years beginning after December 15, 2019. The Company is evaluating the effect that ASU 2016-13 will have on its financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments" (ASU 2016-15. The new guidance clarifies eight cash flow classification issues where current GAAP was either unclear or has no specific guidance. The new standard is effective for annual reporting periods beginning after December 15, 2017 and interim periods within those fiscal years. All entities may elect to early adopt ASU 2016-15 in any interim period. If an entity early adopts it must adopt all eight of the amendments in the same period and if early adopted in an interim period any adjustments should be reflected as of the beginning of the year. The amendments in ASU 2016-15 will be applied using the modified retrospective transition method for each period presented. The Company is evaluating the impact the adoption of this guidance will have on the classification of certain items on its consolidated statements of cash flows.

In January 2017, the FASB issued ASU No. 2017-01 Business Combinations (Topic 805) - Clarifying the Definition of a Business. This update clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments provide a screen to determine when a set of assets and activities is not a business. If the screen is not met, the amendments require further consideration of inputs, substantive processes and outputs to determine whether the transaction is an acquisition of a business. The new update is effective for annual periods beginning after December 15, 2017. The amendments in ASU 2017-01 will be implemented on a prospective basis.

(Amounts expressed in US Dollars)

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2016		2015
Accounts payable and accrued liabilities are comprised of the following:				
Trade payables	$	85,603	$	69,962
Accrued liabilities-accrued interest	$	54,259	$	53,339
Accrued liabilities-other liabilities	$	106,049	$	50,028
	$	245,911	$	173,329

Accrued liabilities-other liabilities relate primarily to professional fees.

5. CAPITAL STOCK

a) Authorized

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

And

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

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

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

b) Issued

55,104,493 Common shares (2015: 54,615,642 Common shares)

5. CAPITAL STOCK-Cont'd

c) Changes to Issued Share Capital

Year ended November 30, 2016

Effective July 21, 2016, Bryan Ganz was elected as a director of the Company. Prior to his appointment, effective May 1, 2016, the Company executed a one-year consulting agreement with a Corporation in which the said director has an ownership interest. For the consultant services, the consultant was paid cash for $50,000 and issued a value of $200,000 in Company's stock in four quarterly instalments over the 12-month period ending May 15, 2017. In September 2016, the Company issued 488,851 common stock to the consultant being the first quarterly instalment for a value of $50,000 which was due August 15, 2016.

Year ended November 30, 2015

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

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

6. STOCK BASED COMPENSATION

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

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

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

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

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

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

(Amounts expressed in US Dollars)

6. STOCK BASED COMPENSATION-Cont'd

Year ended November 30, 2016

Warrants:

On June 9, 2016, the board of directors extended the expiry dates of 400,000 warrants issued in 2012 to a director at exercise price of $0.20, from original expiry date of August 9, 2016 to August 7, 2020. The change in the terms of the warrants was determined to be a modification and not a cancellation and issuance of a new warrant. As a result of these modifications, the fair value of 400,000 warrants increased by $49,912.

Fair value of warrants was calculated using the Black Scholes option pricing model with the following assumptions:

Risk free rate		2.00%
Expected dividends		0%
Forfeiture rate		0%
Volatility		101.25% to 150.29%
Warrant modification expense	$	49,912

Stock Options:

On August 18, 2016, the board of directors granted options to a consultant to acquire a total of 25,000 common shares. These options were issued at an exercise price of $0.11 (CAD $0.14) per share and vest immediately with an expiry term of five years. The fair value of each option used for the purpose of estimating the stock compensation is calculated using the Black-Scholes option pricing model with the following assumptions:

Risk free rate		2.00%
Expected dividends		0%
Forfeiture rate		0%
Volatility		163.68%
Market price of Company's common stock on date of grant of options	$	0.11
Stock-based compensation cost	$	2,574

On October 20, 2016, the board of directors granted options to a new director to acquire a total of 350,000 common shares. These options were issued at an exercise price of $0.08 (CAD $0.11) per share and vest immediately with an expiry term of five years. The fair value of each option used for the purpose of estimating the stock compensation is calculated using the Black-Scholes option pricing model with the following assumptions:

Risk free rate	2.00%
Expected dividends	0%
Forfeiture rate	0%
Volatility	149.08%
Market price of Company's common stock on date of grant of options	$ 0.08
Stock-based compensation cost	$ 25,450

As of November 30, 2016, there was $Nil of unrecognized expense related to non-vested stock-based compensation arrangements granted.

Year ended November 30, 2015

Warrants:

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

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

Stock Options:

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

Risk free rate	2.00%
Expected dividends	0%
Forfeiture rate	0%
Volatility	134.39%

Market price of Company’s common stock on date of grant of options	$	0.29
Stock-based compensation cost	$	422,459

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

(Amounts expressed in US Dollars)

7. STOCK PURCHASE OPTIONS AND WARRANTS

a) OPTIONS

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

	Number of options	
	2016	2015
Outstanding, beginning of year	4,750,000	3,360,000
Granted	375,000	1,675,000
Expired	(100,000)	(200,000)
Exercised	-	(35,000)
Forfeited	-	-
Cancelled	(400,000)	(50,000)
Outstanding, end of year	4,625,000	4,750,000
Exercisable, end of year	4,625,000	4,750,000

(Amounts expressed in US Dollars)

7. STOCK PURCHASE OPTIONS AND WARRANTS-Cont'd

a) OPTIONS-Cont'd

Year 2016

Expiry date		Option price per share	Number of options 2016
March 18, 2017	$	0.31	350,000
August 5, 2017	$	0.32	150,000
May 8, 2019	$	0.32	600,000
September 10, 2019	$	0.36	1,625,000
October 19, 2020	$	0.29	1,525,000
August 17, 2021	$	0.11	25,000
October 19, 2021	$	0.08	350,000
TOTAL			4,625,000

Weighted average exercise price:		
Options outstanding at end of year	$	0.30
Options granted during the year		0.08
Options exercised during the year		-
Options expired during the year		0.45
Options cancelled during the year		0.33

Year 2015

Expiry date		Option price per share	Number of options 2015
October 25, 2016	$	0.45	100,000
March 18, 2017	$	0.31	350,000
August 5, 2017	$	0.32	150,000
May 8, 2019	$	0.32	600,000
September 10, 2019	$	0.36	1,875,000
October 19, 2020	$	0.29	1,675,000
TOTAL			4,750,000
Weighted average exercise price:			
Options outstanding at end of year	$		0.33
Options granted during the year			0.29
Options exercised during the year			0.20
Options expired during the year			0.42
Options cancelled during the year			0.31

7. STOCK PURCHASE OPTIONS AND WARRANTS-Cont'd

a) OPTIONS-Cont'd

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

	2016	2015
	(Years)	(Years)
Total outstanding options	2.8	3.8
Total exercisable options	2.8	3.8

(Amounts expressed in US Dollars)

7. STOCK PURCHASE OPTIONS AND WARRANTS-Cont'd b) WARRANTS

b) WARRANTS

	Number of Warrants Granted	Exercise Prices	Expiry Date
		$	
Outstanding at November 30, 2014 and average exercise price	4,794,545	0.24	
Granted in year 2015	-	-	
Exercised	(27,500)	0.20	
Exercised	(68,750)	0.13	
Exercised	(9,350)	0.25	
Forfeited	-	-	
Expired	(622,500)	0.20	
Expired	(75,000)	0.42	
Expired	(1,223,645)	0.47	
Cancelled	-	-	
Outstanding at November 30, 2015 and average exercise price*	2,767,800	0.17	
Granted in year 2016	-	-	
Exercised	-	-	
Expired	(131,250)	0.13	
Expired	(151,900)	0.45	
Cancelled	-	-	
Outstanding at November 30, 2016 and average exercise price*	2,484,650	0.16	
Exercisable at November 30, 2016	2,484,650	0.16	
Exercisable at November 30, 2015	2,767,800	0.17	

* On September 24, 2015, the board of directors extended the expiry dates of 572,000 warrants issued in 2010 and 1,505,000 warrants issued in 2012. In addition, on June 9, 2016, the board of directors extended the expiry of 400,000 warrants issued in 2012 by an additional 4 years (refer to note 6)

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

	2016	2015
	(Years)	(Years)
Total outstanding warrants	3.25	2.87
Total exercisable warrants	3.25	2.87

8. RELATED PARTY TRANSACTIONS

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

Year ended November 30, 2016

The directors were compensated as per their consulting agreements with the Company. The Company expensed a total of $219,000 as management fees to two of its ex-directors in their role as officers in accordance with their consulting contracts, which included $57,600 paid on full and final settlement to one director in his role as CEO on his resignation and termination effective July 15, 2016, and also expensed a total of $5,900 as automobile allowance. In addition, the Company expensed $42,200 as a consulting fee to an independent director for services provided.

On June 9, 2016, the board of directors extended the expiry dates of 400,000 warrants issued in 2012 to a director at exercise price of $0.20, from original expiry date of August 9, 2016 to August 7, 2020. As a result of these modifications, the fair value of 400,000 warrants increased by $49,912.

On October 20, 2016, the board of directors granted 350,000 options to a new director. These options were issued at an exercise price of $0.08 (CAD $0.11) per share and vest immediately with an expiry term of five years. The Company expensed stock based compensation cost of $25,450.

Effective July 21, 2016, Bryan Ganz was elected as a director of the Company. Prior to his appointment, effective May 1, 2016, the Company executed a one-year consulting agreement with a Corporation in which the said director has an ownership interest. The said Corporation was paid cash of $25,000 in May, 2016 and $25,000 in June, 2016. In addition, in September 2016, the Company issued 488,851 shares for services at deemed price of $0.1023 (CAD$0.1322) for a total consideration of $50,000.

The Company expensed $32,000 for services provided by the CFO of the Company and $186,800 for services provided by a Corporation in which the Chief Operating Officer has an ownership interest, in accordance with the consulting contract.

The Company reimbursed $50,780 to directors and officers for travel and entertainment expenses incurred for the Company.

Year ended November 30, 2015

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

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

On October 20, 2015, the board of directors granted 1,350,000 options to directors and officers. These options were issued at an exercise price of $0.29 (CAD $0.38) per share and vest immediately with an expiry term of five years. The Company expensed stock based compensation cost of $340,489 for these 1,325,000 options issued to directors and officers.

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

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

(Amounts expressed in US Dollars)

9. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost less accumulated depreciation.

	November 30, 2016 Cost $	Accumulated Depreciation $	November 30, 2015 Cost $	Accumulated Depreciation $
Computer equipment	37,573	35,410	37,573	34,483
Furniture and fixtures	18,027	16,648	18,027	16,057
Leasehold Improvements	23,721	19,338	23,721	16,244
Moulds	209,515	166,944	209,515	125,041
	288,836	238,340	288,836	191,825
Net carrying amount		$ 50,496		$ 97,011
Depreciation expense		$ 46,515		$ 47,165

10. INCOME TAXES

The Company has non-capital losses of approximately $1 available, which can be applied against future taxable income and which expire as follows:

	USA	Canada	Total
2025	$ 188,494		188,494
2026	609,991		609,991
2027	1,731,495		1,731,495
2028	3,174,989		3,174,989
2029	2,792,560		2,792,560
2030	2,044,857		2,044,857
2031	854,218		854,218
2032	1,073,610		1,073,610
2033	1,410,557		1,410,557
2034	882,513	1,089,850	1,972,363
2035	722,853	1,124,876	1,847,729
2036	600,185	963,545	1,563,730
	$ 16,086,322	3,178,271	19,264,593

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

	November 30, 2016	November 30, 2015 (Restated) (See Note 17)
Loss before income taxes	$ (1,924,110)	$ (2,331,734)
Income tax recovery at statutory rate	(592,327)	(728,692)
Permanent differences	49,587	245,949
Tax benefit not recognized	542,740	482,743
Income taxes – current and deferred	$ -	$ -

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

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

(Amounts expressed in US Dollars)

10. INCOME TAXES-Cont'd

Deferred tax asset components as of November 30, 2016 and 2015 are as follows:

		2016		2015
Non capital losses available to offset future income-taxes	$	19,264,593	$	17,700,863
Expected Income tax recovery at statutory rates	$	(6,472,455)	$	(6,007,050)
Valuation Allowance	$	6,472,455	$	6,007,050
Net deferred tax assets		-		-

As the Company has recognized substantial cumulative losses from operations and has not earned significant revenues, it has provided a 100 per cent valuation allowance on the net deferred tax asset as of November 30, 2016 and 2015. Management believes the Company has no uncertain tax position.

11. COMMITMENTS

a) Consulting agreements:

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

Effective October 1, 2014, SDI executed a renewal agreement with a private company in which the Chief Operating Officer Dean Thrasher has an ownership interest in, for a period which expires on December 31, 2017 for services rendered. The total consulting fees are estimated at $648,000 (CAD$864,000) for the three-year period. In the event of termination without cause due to change in control brought out by sale, lease, merger or transfer, the Company is obligated to pay 18 months' fees at current rate at time of change in control. SDI paid cash and expensed $ 221,217 (CAD $230,892) during the year ended November 30, 2015. The company may also accept common shares in lieu of cash. As of November 30, 2016, the company has not exercised its right to accept this compensation in shares. Effective February 1, 2015, the Company and director agreed to reduce the monthly remuneration by 10% to $16,200 (CAD $21,600). This reduction continued until the completion of the next round of financing, which was completed in May 2015. On July 16, 2016, Dean Thrasher was appointed interim CEO and President of the Company. Effective August 1, 2016, the Company and director agreed to reduce the monthly consulting fees to $10,550 (CAD $14,000).

Effective July 21, 2016, Bryan Ganz was elected as a director of the Company. Prior to his appointment, effective May 1, 2016, the Company executed a one-year consulting agreement with a Corporation in which the said director has an ownership interest. The said Corporation will assist the Company with sales & marketing, expansion of the Company's product range, review of operations, implementation of cost control measures, development of strategic alliances and financial oversight. For the consultant services and subject to TSX Venture Exchange Inc. (the "Stock Exchange") approval, the consultant was paid cash for $50,000 and issued a value of $200,000 in Company's stock in four quarterly installments over the 12-month period ending May 15, 2017. The first quarterly installment was issued in September 2016. The stock will be priced at the volume weighted average trading price per common share over the 20- day period preceding the due date. (See also note 18 Subsequent events)

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

Effective May 1, 2015, SDI executed an agreement with another non-related consultant to pay compensation of $3,750 (CAD $5,000) per month. The consultant is to assist with sales initiatives, demos and participate in trade shows. The agreement unless renewed by mutual consent expires December 31, 2015. The consultant is also entitled to a 5% cash commission for all completed direct sales to end users and a 2% cash commission for all completed indirect sales. In addition, as a sales incentive, the company may grant stock options at market prices, being 25,000 stock options for every 5,000 rounds sold, to a maximum of 200,000 options. Either party may terminate the consulting agreement by giving 60 days' written notice. Subsequent to the year this agreement was terminated (refer to Note 18)

11. COMMITMENTS-Cont'd

Effective April 2014, SDI executed an agreement with a non-related consultant to set up its social media sites and optimization of search engines for the Company, at a start- up fee for $2,250 (CAD$3,000) (Phase 1) and payment of $2,250 (CAD$3,000) per month and issued 150,000 stock options at $0.32 (CAD$0.38) when Phase 2 of the project was implemented. Either party can terminate the agreement by giving 30 days' notice.

Effective July 1, 2016, SDI renewed an agreement with a non-related consultant to pay compensation of $5,250 per month. The consultant is to assist with sales initiatives, demos and participate in trade shows. The agreement unless renewed by mutual consent expires December 31, 2016. The consultant is also entitled to a 5% cash commission for all completed direct sales to end users and a 2% cash commission for all completed indirect sales. The Company agreed to grant 25,000 stock options for every 5,000 rounds sold to a maximum of an additional 175,000 options. Either party may terminate the consulting agreement by giving 30 days' written notice. Subsequent to the year this agreement was terminated (note 18)

Effective September 1, 2016, the Company executed an agreement with a non-related consultant to pay compensation of $12,500 per month. The consultant is to assist with sales initiatives, licensing, DOT testing, distributorship set-up and forecast. The agreement expires December 31, 2016, after which the same may continue at Company discretion on a month to month basis.

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

12. EXCLUSIVE SUPPLY AGREEMENT

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

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

(Amounts expressed in US Dollars)

13. SEGMENT DISCLOSURES

The Company is organized on two geographic areas in U.S.A. and Canada respectively. The U.S.A. and Canada operations are our operating segments and reportable segments, and each of those segments are led by our CEO. Performance is assessed and resources are allocated by our CEO, whom we have determined to be our Chief Operating Decision Maker (CODM). Management evaluates the segments based primarily upon revenue and assets. The tables below present segment sales and assets for the fiscal years ended November 30, 2016 and 2015:

Year ended November 30, 2016

	SDI	SDI Canada	Total
Sales	$ 136,230	$ 67,432	$ 203,662

Year ended November 30, 2015

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

	2016	2015
Sales	$ 203,662	$ 217,280
Elimination of intersegment revenue	(49,647)	(66,275)
Consolidated sales	$ 154,015	151,005

Year ended November 30, 2016

	SDI	SDI Canada	Total
Assets	$ 316,461	$ 89,398	$ 405,859

Year ended November 30, 2015

	SDI	SDI Canada	Total (Restated) (See Note 17)
Assets	$ 2,036,932	$ 111,348	$ 2,148,280

14. CONVERTIBLE DEBENTURES AND DEFERRED FINANCING COSTS

$1,153,540 (CAD $1,549,000) Convertible Debentures

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

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

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

Convertible Debentures - Face Value	$ 1,398,342
Proceeds	$ (1,279,773)
Deferred financing costs	(190,876)
Paid in capital (warrants)	33,583
Prepaid expenses	16,681
Accrued expenses	21,793
Convertible debentures	1,398,592

The warrants were valued at $33,583 and were recorded as a component of deferred financing costs. Interest expense related to the debentures amounted to $232,032 and $231,398 for the years ended November 30, 2016 and 2015 respectively. Of the $232,032 (2015: $231,398) $168,292 (2015: $167,832) related to interest and the remaining $63,740 (2015: $63,566) related to the amortization of deferred financing costs. Deferred financing costs as of November 30, 2016, reflects $35,769 outstanding to be amortized for these convertible debentures. Subsequent to the year there were modifications to the terms of these convertible debentures (refer to note 18)

In addition, the Company incurred legal costs for $36,874 during the year ended November 30, 2016, which were costs incurred to raise an additional $1,500,000 of 10% senior secured convertible notes after the year end, and are reflected as deferred financing costs in the balance sheet. (refer to note 18)

15. INVENTORY

Inventory as of November 30, 2016, consist of finished goods of Blunt Impact Projectiles 40mm for $836 (November 30, 2015: $30,329) and 40mm LMT launchers for $6,487 (November 30, 2015: $13,990) which are held at the BIP manufacturer.

16. FINANCIAL INSTRUMENTS

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

i) Currency risk

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

During the year ended November 30, 2016, the US dollar strengthened in relation to the Canadian dollar and upon the translation of the Company's subsidiary's revenue, expenses, assets and liabilities held in Canadian dollars, the Company recorded translation adjustment loss of $10,619 (Prior year- a loss of $15,033), in other comprehensive loss. The Convertible debentures issued by SDI in Canadian currency reflected a currency gain of $18,749 and $179,537 for the years ended November 30, 2016 and 2015 respectively.

The Company's Canadian subsidiary revenue, costs of sales, operating costs and capital expenditures are denominated in Canadian dollar. Consequently, fluctuations in the U.S. dollar exchange rate against the Canadian dollar increases the volatility of sales, cost of sales and operating costs and overall net earnings when translated into U.S. dollars. The Company is not using any forward and option contracts to fix the foreign exchange rates. Using a 10% fluctuations in the US exchange rate, the impact on the loss and stockholders' deficiency is not material except the effect on the foreign exchange conversion of the convertible debt issued in Canadian dollars.

ii) Credit risk and economic dependence

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

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

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

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

17. PRIOR PERIOD RESTATEMENT

The financial statements as of November 30, 2015 and for the year then ended are restated to record foreign currency translations gains net of tax of $179,537 and $39,167 in fiscal years 2015 and 2014, respectively, following further analysis of convertible debt issued by the Company in Canadian dollars. Accumulated Deficit as of December 1, 2015, has been reduced by $218,704, net of income tax effect of $nil, to correct the cumulative errors for years 2015 and 2014 to include foreign currency translation gain in income statements to conform to generally accepted accounting principles. The analysis was conducted during the preparation of annual financial statements for 2016.

The effect of changes in the financial statements is summarized as follows:

	Year ended November 30, 2014		Quarter ended February 28, 2015		Quarter ended May 31, 2015		Quarter ended August 31, 2015		Year ended November 30, 2015	
	Prior to Restatement	Restated	Prior to Restatement	Restated	Prior to Restatement	Restated	Prior to Restatement	Restated	Prior to Restatement	Restated
	$	$	$	$	$	$	$	$	$	$
Consolidated Balance Sheet:										
Deferred financing costs	170,674	165,230	155,000	137,301	138,978	123,770	122,959	103,510	107,108	88,970
Total Assets	1,557,052	1,551,608	1,011,348	993,649	3,056,766	3,041,558	2,545,867	2,526,418	2,166,418	2,148,280
Convertible Debentures	1,398,592	1,353,981	1,398,592	1,238,890	1,398,592	1,245,551	1,398,592	1,177,395	1,398,592	1,161,750
Total Liabilities	1,559,997	1,515,386	1,514,011	1,354,309	1,524,026	1,370,985	1,459,190	1,237,993	1,571,921	1,335,079
Accumulated deficit	(24,042,769)	(24,003,602)	(24,531,262)	(24,389,259)	(25,000,244)	(24,862,410)	(25,467,782)	(25,266,031)	(26,593,207)	(26,374,503)
Consolidated Statement of operations and Comprehensive loss:										
Foreign currency translation (gain) loss	-	(39,167)	-	(102,836)	-	4,169	-	(63,917)	-	(179,537)
Total Operating Expenses	2,670,074	2,630,907	433,120	330,284	424,010	428,179	414,490	350,573	2,354,105	2,174,568
Loss from Operations	(2,654,917)	(2,615,750)	(431,436)	(328,600)	(410,657)	(414,826)	(409,213)	(345,296)	(2,319,040)	(2,139,503)
Loss before Income Taxes	(2,722,412)	(2,683,245)	(488,493)	(385,657)	(468,982)	(473,151)	(467,538)	(403,621)	(2,550,438)	(2,370,901)
Net Loss	(2,722,412)	(2,683,245)	(488,493)	(385,657)	(468,982)	(473,151)	(467,538)	(403,621)	(2,550,438)	(2,370,901)
Comprehensive Loss	(2,754,118)	(2,714,951)	(499,718)	(396,882)	(464,597)	(468,766)	(469,833)	(405,916)	(2,565,471)	(2,385,934)
Loss per share - basic and diluted	(0.06)	(0.06)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.05)	(0.05)
Consolidated Statement of Cash Flows										
Net Loss	(2,722,412)	(2,683,245)	(488,493)	(385,657)	(957,475)	(858,808)	(1,425,013)	(1,262,429)	(2,550,438)	(2,370,901)
Adjustment for: Foreign currency translation (gain) loss		(39,167)		(102,836)		(98,667)		(162,584)		(179,537)
Net cash used in operating activities	(1,940,050)	(1,940,050)	(507,246)	(507,246)	(908,650)	(908,650)	(1,417,684)	(1,417,684)	(1,738,824)	(1,738,824)

18. SUBSEQUENT EVENTS

a) On December 7, 2016, the Company entered a Securities Purchase Agreement (the “Agreement”) with several accredited investors (the “Purchasers”) and Northeast Industrial Partners, LLC as collateral agent for the Purchasers (the “Collateral Agent”) to sell $1,500,000 of 10% senior secured convertible notes (the “Secured Notes”), convertible into shares of the Company’s common stock, in a private placement pursuant to Regulation D under the Securities Act of 1933 (the “Securities Act”). The sale of the Secured Notes was closed on December 7, 2016.

A condition to the sale of the Secured Notes was the exchange of at least 80% in principal amount of the Company’s outstanding 12%

Unsecured Debentures, which mature on August 6, 2017 (the "Unsecured Debentures") for an equal principal amount of Subordinate Secured Debentures. Concurrent with the sale of the Secured Notes, CAD$1,364,000 of the Company's outstanding Unsecured Debentures, which represented approximately 88% of the outstanding Unsecured Debentures, were exchanged for an equal principal amount of the Subordinate Secured Debentures and an additional CAD$37,000 of Subordinated Secured Debentures were issued in satisfaction of a portion of the accrued interest on the Unsecured Debentures.

The outstanding principal amount of the Secured Notes accrues interest at a rate of 10% per annum, provided that, in the event of default on the Secured Notes, the interest rate will be 15.0% during the period of default. The maturity date of the Secured Notes is June 6, 2019, which date is subject to optional extension by each Purchaser if a change of control of the Company is announced prior to such date. Interest on the Secured Notes is payable in arrears on the last day of each May and November while the Secured Notes are outstanding. The Company has the option to redeem the Secured Notes by paying the Purchaser, the Optional Redemption Price as described in the Secured Notes.

Each Secured Note is convertible into common stock, at the option of the Purchaser. Upon such optional conversion, the outstanding principal amount of the Secured Note converts into shares of Common Stock at a conversion price of $0.24 per share, subject to adjustment as set forth in the Secured Notes (the "Note Conversion Price"). The Company is not required to convert any portion of a Secured Note if doing so, results in the Purchaser beneficially owning more than 4.99% of the outstanding Common Stock after giving effect to such conversion, provided that on sixty (60) days' prior written notice from the Purchaser to the Company, that percentage will increase to 19.99% .

The CAD$1,364,000 of Subordinate Secured Debentures were issued pursuant to the Indenture in exchange for the Unsecured Debentures in equal principal amount and CAD$37,000 of Subordinate Secured Debentures were issued pursuant to the Indenture in payment of accrued interest. The Subordinate Secured Debentures mature on June 6, 2019 and bear interest at 12% per annum payable, semiannually. The Subordinate Secured Debentures are convertible into common shares of the Company's Common Stock at the Note Conversion Price so long as any Secured Notes are outstanding, and thereafter, subject to adjustment as set forth in the Indenture.

The Company paid to persons who were instrumental in arranging accepted subscription agreements for the Subordinate Secured Debentures, cash compensation equal to 2% of the principal amount of the Subordinate Secured Debentures arranged by such persons.

b) In January 2017, the Company made the second share issuance to Northeast Industrial Partners under the consulting agreement announced on June 20, 2016. The Company issued 589,414 common shares at a deemed price of $0.1142 per share to satisfy the payment of USD $50,000 due on November 15, 2016. The shares are subject to a four-month hold period expiring on May 14, 2017. The issuance of shares to Northeast Industrial Partners is the second of four such issuances to occur over the period ending May 15, 2017. Northeast Industrial Partners is controlled by Bryan Ganz, who was appointed to the board of directors of SDI after the consulting agreement was entered.

c) Effective January 1, 2017, the Company executed a one-year service agreement with Northeast Industrial Partners, LLC ("NEIP") a Corporation in which Bryan Ganz, Director has an ownership interest to pay compensation of $7,500 per month. The said Corporation will assist the Company with administrative services which will include accounting, production, inventory management and human resources. The agreement is for a period of one year and can be terminated by either party by giving 60 days' notice in writing.

d) Effective January 1, 2017, the Company executed a commercial lease for leasing warehouse space in Perry, Florida. The lease is for an initial three-year term at a monthly lease payment of $3,250. The said lease can be renewed for an additional three-year term with a 10% increase.

e) Effective January 1, 2017, the Company terminated the agreement executed on July 1, 2016 with a non-related consultant to pay compensation of $5,250 per month (refer to Note11)

f) Effective January 27, 2017, the Company terminated the agreement executed on May 1, 2015 with a non-related consultant to pay compensation of $3,750 (CAD $5,000) per month (refer to Note11)

g) In March 2017, the Company made a third share issuance to Northeast Industrial Partners under the consulting agreement announced on June 20, 2016. The Company issued 503,251 common shares at a deemed price of $0.99 per share to satisfy the payment of $50,000 due on February 15, 2017. The shares are subject to a four-month hold period expiring on July 3, 2017. The issuance of shares to Northeast Industrial Partners is the third of four such issuances to occur over the period ending May 15, 2017. Northeast Industrial Partners is controlled by Bryan Ganz, who was appointed to the board of directors of SDI after the consulting agreement was entered.

Exhibit 31.1

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

I, Dean Thrasher, certify that:

1. I have reviewed this Annual Report on Form 10-K of Security Devices International, Inc. (the "registrant") for the year ended November 30, 2016;

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

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

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

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

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

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

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

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

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

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

Date: March 13, 2017

/s/ Dean Thrasher
Dean Thrasher,
Principal Executive Officer
Security Devices International, Inc.

Exhibit 31.2

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

I, Rakesh Malhotra, certify that:

1. I have reviewed this Annual Report on Form 10-K of Security Devices International, Inc. (the “registrant”) for the year ended November 30, 2016;

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

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

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

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

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

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

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

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

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

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

Date: March 13, 2017

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

Exhibit 32.1

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

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

The Annual Report on Form 10-K for the year ended November 30, 2016 (the “Form 10-K”) of the Company fully complies with the requirement of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 13, 2017

/s/ Dean Thrasher
Dean Thrasher,
Principal Executive Officer
Security Devices International, Inc.

Dated: March 13, 2017

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

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