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16 November 2018 AEDT

GI Dynamics Announces Close of Second Tranche of Placement and Grant of Options to CEO

BOSTON and SYDNEY — 16 November 2018 — GI Dynamics®, Inc. (ASX:GID), a medical device company that is developing EndoBarrier® is pleased to announce that, following stockholder approval obtained on 30 October 2018 at the Company's Special Meeting, it has successfully completed the issue of the CHESS Depositary Interests (CDIs), the subject of the second tranche of the Placement that was detailed further in the Company's 20 September 2018 announcement. Under the second tranche of the Placement, GI Dynamics has today issued 197,222,250 CDIs (representing 3,944,445 shares of common stock) to certain sophisticated and professional investors in the United States, Australia and Guernsey at an issue price of AUD$0.02 per CDI raising a total of AUD$3,944,445 (USD$2,840,000).

The CDIs issued under the second tranche of the Placement rank equally in all respects with all other CDIs on issue from the time of their allotment.

The funds raised under the second tranche of the Placement will be used by GI Dynamics to fund the continued development of EndoBarrier, the United States pivotal trial of EndoBarrier (GID 18-1), and for general working capital purposes.

While the funds raised under the second tranche of the Placement will be used for the above purposes, the statements contained in the Form 10-Q lodged on 15 November 2018 with ASX regarding the need for the Company to be able to successfully renegotiate the term of its 2017 Convertible Note with Crystal Amber Fund Limited in order to have sufficient funds to operate beyond 31 December 2018 continue to apply. In addition to these discussions with Crystal Amber Fund Limited, the Company will continue to evaluate and pursue long-term fundraising options.

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”We are pleased to receive the continued support of our investors and are working diligently as we prepare to initiate the pivotal trial of EndoBarrier in the United States: GID 18-1” said Scott Schorer, President & CEO of GI Dynamics.

Grant of Options

The Board of Directors has also granted to the Company’s President & CEO, Scott Schorer, incentive options to purchase 300,000 shares of the Company’s common stock (equivalent to 15,000,000 CDIs). The options have an exercise price of USD$0.72 per share of common stock, which equates to the market price of the Company’s CDIs on the effective date of grant (being AUD$0.02). These options have a 10 year term and vest over 4 years, subject to certain conditions including remaining an employee of the Company. The options were granted under the Company’s 2011 Employee, Director, and Consultant Equity Incentive Plan (**2011 Plan**) as an incentive for performance.

Following this grant, there remain outstanding options to purchase a total of 1,033,678 shares of common stock (equivalent to 51,683,900 CDIs), consisting of 7,116 shares of common stock (equivalent to 355,800 CDIs) under the Company’s 2003 Omnibus Stock Plan and 1,026,562 shares of common stock (equivalent to 51,328,100 CDIs) under the 2011 Plan. In addition, there remain outstanding performance stock units for the issuance of 250,000 shares of common stock (equivalent to 12,500,000 CDIs) under the 2011 Plan, warrants to purchase 1,972,976 shares of common stock (equivalent to 98,648,800 CDIs) and two Convertible Notes with an aggregate face value of USD$6,750,000.

Further details of the options granted to the President & CEO are contained in the Appendix 3B lodged with ASX today.

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Restrictions on Resale of Securities in the United States

The securities offered under the Placement have not been registered under the Securities Act of 1933, as amended (Act), or any state securities laws, and until so registered may not be offered or sold in the United States except pursuant to an

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exemption from the registration requirements of the Act and applicable state securities laws. This announcement is not an offer to sell, nor a solicitation of an offer to buy any securities, nor shall there be any sale of these securities in any state or jurisdiction in which the offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction or an applicable exemption therefrom.

About GI Dynamics

GI Dynamics Inc. (ASX: GID) is the developer of EndoBarrier, an endoscopically delivered device therapy for the treatment of type 2 diabetes and obesity. EndoBarrier is not approved for sale and is limited by federal law to investigative use only. Founded in 2003, GI Dynamics is headquartered in Boston, Massachusetts. For more information, please visit gidynamics.com.

Forward-Looking Statements

This announcement may contain forward-looking statements. These statements are based on GI Dynamics management's current estimates and expectations of future events as of the date of this announcement. Furthermore, the estimates are subject to several risks and uncertainties that could cause actual results to differ materially and adversely from those indicated in or implied by such forward-looking statements.

These risks and uncertainties include, but are not limited to, risks associated with our ability to continue to operate as a going concern; our ability to raise sufficient additional funds to continue operations and to conduct the planned clinical trial of EndoBarrier in the United States (GID 18-1 Trial); our ability to execute the GID 18-1 Trial under FDA IDE; our ability to enlist clinical trial sites and enroll patients in accordance with the GID 18-1 Trial; the risk that the FDA stops the GID 18-1 Trial early as a result of the occurrence of certain safety events or does not approve an expansion of the GID 18-1 Trial; our ability to maintain compliance with our obligations under our existing

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convertible note and warrant agreements executed with Crystal Amber Fund Limited, including our obligations to make payment on the relevant notes that are due in December 2018; obtaining and maintaining regulatory approvals required to market and sell our products; the possibility that future clinical trials will not be successful or confirm earlier results; the timing and costs of clinical trials; the timing of regulatory submissions; the timing, receipt and maintenance of regulatory approvals; the timing and amount of other expenses; the timing and extent of third-party reimbursement; intellectual-property risk; risks related to excess inventory; risks related to assumptions regarding the size of the available market; the benefits of our products; product pricing; timing of product launches; future financial results; and other factors, including those described in our filings with the U.S. Securities and Exchange Commission.

Given these uncertainties, one should not place undue reliance on these forward-looking statements. We do not assume any obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or otherwise, unless we are required to do so by law.

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