



GI Dynamics, Inc. – ASX Announcement

Appendix 3B

Grant and Exercise of Non-Executive Director Stock Options

Lexington, Massachusetts, United States and Sydney, Australia – 17 September 2014 – GI Dynamics, Inc. (ASX: GID) (“GI Dynamics” or the “Company”), a medical device company developing innovative treatments for type 2 diabetes and obesity, announced today that that its Board of Directors has granted 80,000 incentive stock options to purchase 80,000 shares of the Company’s common stock (equivalent to 400,000 CDIs) to a new non-executive director of the Company. The options will have an exercise price of US\$2.34 per share of common stock, which equates to the market price of the Company’s CDIs on the date of grant. These options have a ten-year term and vest over three years, subject to certain conditions, including remaining a director of the Company. The options were issued under the Company’s 2011 Employee, Director, and Consultant Equity Incentive Plan as incentive for performance.

Furthermore, a non-executive director has exercised options to purchase 35,000 shares of common stock (equivalent to 175,000 CDIs). The shares received on exercise of the options which have not vested will be subject to the Company's repurchase right (as set out in the 2011 Employee, Director and Consultant Equity Incentive Plan) at a price of US\$2.34 per share until such time as the options which have been exercised would have originally vested at which point the Company's repurchase right will lapse. These options were granted under the Company’s 2011 Employee, Director, and Consultant Equity Incentive Plan.

Following these activities, there remain outstanding options to purchase a total of 10,173,398 shares of common stock (equivalent to 50,866,990 CDIs), including 3,000,065 shares of common stock (equivalent to 15,000,325 CDIs) under the Company’s 2003 Omnibus Stock Plan and 7,173,333 shares of common stock (equivalent to 35,866,665 CDIs) under the Company’s 2011 Employee, Director, and Consultant Equity Incentive Plan. In addition, there remain outstanding restricted stock units for the issuance of 146,339 shares of common stock (equivalent to 731,695 CDIs) under the Company’s 2011 Employee, Director, and Consultant Equity Incentive Plan and warrants to purchase 500,000 shares of common stock (equivalent to 2,500,000 CDIs).

Details of the grant of options and the stock option exercise are provided in the attached Appendix 3B.

Robert Crane
Chief Financial Officer & Company Secretary

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GI Dynamics, Inc., is a corporation incorporated in Delaware, USA, whose stockholders have limited liability. ARBN 151 239 388

About GI Dynamics

GI Dynamics, Inc. (ASX: GID) is the developer and marketer of EndoBarrier®, a breakthrough device that represents an entirely new class of non-surgical, non-pharmaceutical therapy for the treatment of type 2 diabetes and/or obesity. EndoBarrier is approved and commercially available in multiple countries outside the U.S. EndoBarrier is not approved for sale in the U.S. and is limited by federal law to investigational use only in the United States. GI Dynamics is conducting a pivotal clinical trial of EndoBarrier in the U.S. for the treatment of patients who have uncontrolled type 2 diabetes and are obese. Founded in 2003, GI Dynamics is headquartered in Lexington, Massachusetts. For more information, please visit www.gidynamics.com.

Forward-Looking Statements

This announcement contains forward-looking statements concerning: our development and commercialization plans; our potential revenues and revenue growth, costs, profitability and financial performance; our ability to obtain reimbursement for our products; our clinical trials, and associated regulatory submissions and approvals; the number and location of commercial centres offering the EndoBarrier®; and our intellectual property position. These forward-looking statements are based on the current estimates and expectations of future events by the management of GI Dynamics, Inc. as of the date of this announcement and are subject to a number of 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 the possibility that clinical trials will not be successful or confirm earlier results; risks associated with obtaining funding from third parties; risks relating to 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, and the timing and extent of third-party reimbursement risks associated with commercial product sales, including product performance; competition; risks related to market acceptance of products; intellectual property risks; and assumptions regarding the size of the available market, 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, you 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, future events or otherwise, unless required by law.

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Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

GI Dynamics, Inc.

ARBN

151 239 388

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|--|
| 1 | +Class of +securities issued or to be issued | (a) Options to purchase shares of common stock (unquoted); and
(b) Common stock (unquoted) |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | (a) 80,000 options to purchase shares of common stock; and
(b) 35,000 shares of common stock |
| 3 | Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | (a) 80,000 options are issued to a new director (on the date of his commencement as a director) for no monetary consideration and, upon vesting, entitle the holder to purchase one share of common stock for a price of US\$2.34. Each option is issued in accordance with the Company's 2011 Employee, |

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Director and Consultant Equity Incentive Plan and has a 10-year term. Each option vests over three years with 33% of the award vesting on the first annual anniversary of the date of approval by the board of directors (10 September 2014), and twenty-four substantially equal monthly instalments thereafter. Each option permits the holder to exercise the option prior to the option having vested. However, the shares received on exercise of options which have not vested will be subject to the Company's repurchase right (as set out in the 2011 Employee, Director and Consultant Equity Incentive Plan) at a price of US\$2.34 per share until such time as the options which have been exercised would have originally vested at which point the Company's repurchase right will lapse.

- (b) The 35,000 shares of common stock in GI Dynamics, Inc. will be issued on the same terms as GI Dynamics, Inc.'s existing shares of common stock (save with respect to the repurchase right outlined above).

<p>4 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>(a) Not applicable (options are not quoted on ASX); and</p> <p>(b) Not applicable (shares of common stock of GI Dynamics, Inc. are not quoted on ASX)</p>
<p>5 Issue price or consideration</p>	<p>(a) No monetary consideration is payable for the issue of the options to purchase shares of common stock; and</p> <p>(b) 35,000 shares of common stock issued at US\$2.34 per share of common stock</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>(a) Grant of 80,000 options to purchase shares of common stock as an incentive and inducement for new non-executive director; and</p> <p>(b) Issue of 35,000 shares of common stock upon the exercise of 35,000 options granted to the new non-executive director of the Company which are the subject of this Appendix 3B. As noted above, the shares of common stock are subject to a repurchase right as provided for in the Company's 2011 Employee, Director and Consultant Equity Incentive Plan.</p>

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Appendix 3B
New issue announcement

<p>6a Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i</p>	<p>No</p>
<p>6b The date the security holder resolution under rule 7.1A was passed</p>	<p>Not applicable</p>
<p>6c Number of +securities issued without security holder approval under rule 7.1</p>	<p>Not applicable</p>
<p>6d Number of +securities issued with security holder approval under rule 7.1A</p>	<p>Not applicable</p>
<p>6e Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)</p>	<p>Not applicable</p>
<p>6f Number of +securities issued under an exception in rule 7.2</p>	<p>Not applicable</p>
<p>6g If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.</p>	<p>Not applicable</p>
<p>6h If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements</p>	<p>Not applicable</p>
<p>6i Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements</p>	<p>Not applicable</p>

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7 +Issue dates

Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A.

Cross reference: item 33 of Appendix 3B.

- (a) 10 September 2014 for the grant of non-executive director stock options; and
- (b) 10 September 2014 for the issue of the shares of common stock

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Appendix 3B
New issue announcement

	Number	+Class
8	Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	Actual number of CDIs quoted is 466,631,120 at 15 September 2014 473,977,405 CDIs would be quoted if all shares of common stock were held as CDIs

	Number	+Class
9	Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)	<p>1,469,257 shares of common stock (or 7,346,285 CDIs)</p> <p>3,000,065 options (over 3,000,065 shares of common stock or 15,000,325 CDIs)</p> <p>7,173,333 options (over 7,173,333 shares of common stock or 35,866,665 CDIs)</p> <p>146,339 restricted stock units (over 146,339 shares of common stock or 731,695 CDIs)</p> <p>Eight warrants (over 500,000 shares of common stock or 2,500,000 CDIs)</p>
		<p>Shares of common stock issued as of 15 September 2014</p> <p>Options issued under the 2003 Omnibus Stock Plan</p> <p>Options issued under the 2011 Employee, Director and Consultant Equity Incentive Plan</p> <p>Restricted stock units issued under the 2011 Employee, Director and Consultant Equity Incentive Plan</p> <p>Warrants to purchase shares of common stock issued 1 September 2011</p>

10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Not applicable
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Part 2 - Pro rata issue

11	Is security holder approval required?	Not applicable
12	Is the issue renounceable or non-renounceable?	Not applicable
13	Ratio in which the +securities will be offered	Not applicable
14	+Class of +securities to which the offer relates	Not applicable
15	+Record date to determine entitlements	Not applicable
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	Not applicable
17	Policy for deciding entitlements in relation to fractions	Not applicable
18	Names of countries in which the entity has security holders who will not be sent new offer documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	Not applicable
19	Closing date for receipt of acceptances or renunciations	Not applicable
20	Names of any underwriters	Not applicable
21	Amount of any underwriting fee or commission	Not applicable
22	Names of any brokers to the issue	Not applicable

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23	Fee or commission payable to the broker to the issue	Not applicable
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	Not applicable
25	If the issue is contingent on security holders' approval, the date of the meeting	Not applicable
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	Not applicable
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	Not applicable
28	Date rights trading will begin (if applicable)	Not applicable
29	Date rights trading will end (if applicable)	Not applicable
30	How do security holders sell their entitlements <i>in full</i> through a broker?	Not applicable
31	How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	Not applicable
32	How do security holders dispose of their entitlements (except by sale through a broker)?	Not applicable
33	+Issue date	Not applicable

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Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of +securities
(tick one)

(a) +Securities described in Part 1

(b) All other +securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 A copy of any trust deed for the additional +securities

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Appendix 3B
New issue announcement

Entities that have ticked box 34(b)

<p>38 Number of +securities for which +quotation is sought</p>	<p>Not applicable</p>	
<p>39 +Class of +securities for which quotation is sought</p>	<p>Not applicable</p>	
<p>40 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>Not applicable</p>	
<p>41 Reason for request for quotation now</p> <p>Example: In the case of restricted securities, end of restriction period</p> <p>(if issued upon conversion of another +security, clearly identify that other +security)</p>	<p>Not applicable</p>	
<p>42 Number and +class of all +securities quoted on ASX (including the +securities in clause 38)</p>	<p>Number</p>	<p>+Class</p>
	<p>Not applicable</p>	

+ See chapter 19 for defined terms.

Quotation agreement

- 1 +Quotation of our additional +securities is in ASX’s absolute discretion. ASX may quote the +securities on any conditions it decides.

- 2 We warrant the following to ASX.
 - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.

 - There is no reason why those +securities should not be granted +quotation.

 - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.
Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.

 - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

- 4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here: Date: 17 September 2014
(Director/Company secretary)

Print name: Robert W. Crane

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+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
<i>Step 1: Calculate “A”, the base figure from which the placement capacity is calculated</i>	
<i>Insert</i> number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	
<i>Add</i> the following: <ul style="list-style-type: none"> • Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2 • Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval • Number of partly paid +ordinary securities that became fully paid in that 12 month period <i>Note:</i> <ul style="list-style-type: none"> • <i>Include only ordinary securities here – other classes of equity securities cannot be added</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	
<i>Subtract</i> the number of fully paid +ordinary securities cancelled during that 12 month period	
“A”	

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Step 2: Calculate 15% of “A”	
“B”	0.15
Multiply “A” by 0.15	
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert number of ⁺equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	
“C”	
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
<p>“A” x 0.15</p> <p><i>Note: number must be same as shown in Step 2</i></p>	
<p>Subtract “C”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	
Total [“A” x 0.15] – “C”	

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Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	
Step 2: Calculate 10% of “A”	
“D”	0.10
Multiply “A” by 0.10	
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
<p>Insert number of +equity securities issued or agreed to be issued in that 12 month period under rule 7.1A</p> <p><i>Notes:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	
“E”	

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Step 4: Subtract "E" from ["A" x "D"] to calculate remaining placement capacity under rule 7.1A	
"A" x 0.10 <i>Note: number must be same as shown in Step 2</i>	
Subtract "E" <i>Note: number must be same as shown in Step 3</i>	
Total ["A" x 0.10] – "E"	

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