



GI Dynamics, Inc. – ASX Announcement

## Appendix 3B

### Grant of Employee Equity Awards and Vesting of Restricted Stock Units

**Lexington, Massachusetts, United States and Sydney, Australia – 30 March 2016** – 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 its Board of Directors has granted 250,000 incentive stock options to purchase 250,000 shares of the Company’s common stock (equivalent to 12,500,000 CDIs) and 250,000 performance stock units, which on vesting entitles the holder to be issued 250,000 shares of the Company’s common stock (equivalent to 12,500,000 CDIs) to a new executive officer of the Company. The options will have an exercise price of US\$0.80 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 four years, subject to certain conditions, including remaining an employee of the Company. The performance stock units vest upon achievement of certain milestones. The options and performance stock units were issued under the Company’s 2011 Employee, Director, and Consultant Equity Incentive Plan as incentive for performance.

In addition, 5,000 shares of common stock (equivalent to 250,000 CDIs) were issued upon the vesting of 5,000 restricted stock units issued to its non-executive directors. These restricted stock units were granted under the Company’s 2011 Employee, Director, and Consultant Equity Incentive Plan.

Furthermore, 210,034 options for the purchase of a total of 210,034 shares of common stock that had been issued to Company employees under the 2003 Omnibus Stock Plan, 373,771 options for the purchase of a total of 373,771 shares of common stock and 201,920 performance and restricted stock units that had been issued to Company employees and non-executive directors under the 2011 Employee, Director, and Consultant Equity Incentive Plan were forfeited during the period September 2015 through March 2016.

Following these activities, there remain outstanding options to purchase a total of 753,442 shares of common stock (equivalent to 37,672,100 CDIs), including 76,196 shares of common stock (equivalent to 3,809,800 CDIs) under the Company’s 2003 Omnibus Stock Plan and 677,246 shares of common stock (equivalent to 33,862,300 CDIs) under the Company’s 2011 Employee, Director, and Consultant Equity Incentive Plan. In addition, there remain outstanding performance stock units for the issuance of 305,206 shares of common stock (equivalent to 15,260,300 CDIs) under the Company’s 2011 Employee, Director, and Consultant Equity Incentive Plan and warrants to purchase 50,000 shares of common stock (equivalent to 2,500,000 CDIs).

[www.gidynamics.com](http://www.gidynamics.com)

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

Details of the grant of options and performance stock units and the vesting of restricted stock units are provided in the attached Appendix 3B.

## **Robert Solomon Vice President of Finance & Company Secretary**

### **About GI Dynamics**

GI Dynamics, Inc. (ASX: GID) is the developer of EndoBarrier<sup>®</sup>, the first endoscopically delivered device therapy approved for the treatment of type 2 diabetes and 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. Founded in 2003, GI Dynamics is headquartered in Lexington, Massachusetts. For more information, please visit [www.gidynamics.com](http://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, excess inventory, 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 centers 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 consequences of terminating the ENDO Trial and the possibility that future 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; risks related to excess inventory; risks related to 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.

### **Investor Enquiries:**

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# 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) Common stock (unquoted);<br>(b) Options to purchase shares of common stock (unquoted); and<br>(c) Performance stock units (unquoted) |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | (a) 5,000 shares of common stock;<br>(b) 250,000 options to purchase shares of common stock; and<br>(c) 250,000 performance stock units  |

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- 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) The 5,000 fully paid shares of common stock in GI Dynamics, Inc. will be issued on the same terms as GI Dynamics, Inc.'s existing common stock;
- (b) 250,000 options are issued to a new executive officer for no monetary consideration and, upon vesting, entitle the holder to purchase one share of common stock for a price of US\$0.80. Each option is issued in accordance with the Company's 2011 Employee, Director and Consultant Equity Incentive Plan and has a 10-year term. Each option vests over four years with 25% of the award vesting on the first annual anniversary of the vesting start date, which is the date that person first began their employment with the Company, and 6.25% of the award vesting on each quarterly anniversary thereafter; and
- (c) 250,000 performance stock units are issued to a new executive officer for no monetary consideration and on vesting each performance stock unit entitles the holder to be issued one share of common stock for no monetary consideration. Each performance stock unit is issued in accordance with the Company's 2011 Employee, Director and Consultant Equity Incentive Plan. Each performance stock unit has a 10-year term. With respect to the performance stock units vesting of (i) 100% of the performance stock units shall occur upon achievement of pre-market approval by the U.S. FDA of the Company's EndoBarrier Therapy on or prior to 30 June, 2019; (ii) 75% of the performance stock units upon achievement of pre-

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market approval by the U.S. FDA of the Company's EndoBarrier Therapy after 30 June 2019 and on or prior to 30 June, 2020; and (iii) 50% of the performance stock units upon achievement of pre-market approval by the U.S. FDA of the Company's EndoBarrier Therapy after 30 June 2020 and on or prior to 30 June, 2021.

- 4 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?

If the additional +securities do not rank equally, please state:

- 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

- (a) Not applicable (shares of common stock of GI Dynamics, Inc. are not quoted on ASX);
- (b) Not applicable (options are not quoted on ASX); and
- (c) Not applicable (performance stock units are not quoted on ASX)

- 5 Issue price or consideration

- (a) 5,000 shares of common stock issued on vesting of 5,000 restricted stock units;
- (b) No monetary consideration is payable for the issue of the options to purchase shares of common stock; and
- (c) No monetary consideration is payable for the issue of the performance stock units

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6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	<p>(a) Issue of 5,000 shares of common stock upon the vesting of 5,000 restricted stock units;</p> <p>(b) Grant of 250,000 options to purchase shares of common stock as an incentive and inducement for a new executive officer; and</p> <p>(c) Grant of 250,000 performance stock units as an incentive and inducement for a new executive officer</p>
6a	Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?  If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i	No
6b	The date the security holder resolution under rule 7.1A was passed	Not applicable
6c	Number of +securities issued without security holder approval under rule 7.1	Not applicable
6d	Number of +securities issued with security holder approval under rule 7.1A	Not applicable
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	Not applicable
6f	Number of +securities issued under an exception in rule 7.2	Not applicable
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.	Not applicable

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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	Not applicable
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	Not applicable
7	<p>+Issue dates</p> <p>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.</p> <p>Cross reference: item 33 of Appendix 3B.</p>	<p>(a) 23 March 2016 for the issuance of common stock;</p> <p>(b) 23 March 2016 for the grant of executive officer stock options; and</p> <p>(c) 23 March 2016 for the grant of executive officer performance stock units</p>

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8	Number and <sup>+</sup> class of all <sup>+</sup> securities quoted on ASX (including the <sup>+</sup> securities in section 2 if applicable)	<table border="1"> <thead> <tr> <th data-bbox="649 279 927 317">Number</th> <th data-bbox="927 279 1205 317"><sup>+</sup>Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="649 317 927 443">Actual number of CDIs quoted is 470,637,380 at 29 March 2016</td> <td data-bbox="927 317 1205 443">CDIs</td> </tr> <tr> <td data-bbox="649 443 927 653">475,527,850 CDIs would be quoted if all shares of common stock were held as CDIs</td> <td data-bbox="927 443 1205 653"></td> </tr> </tbody> </table>	Number	<sup>+</sup> Class	Actual number of CDIs quoted is 470,637,380 at 29 March 2016	CDIs	475,527,850 CDIs would be quoted if all shares of common stock were held as CDIs								
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9	Number and <sup>+</sup> class of all <sup>+</sup> securities not quoted on ASX (including the <sup>+</sup> securities in section 2 if applicable)	<table border="1"> <thead> <tr> <th data-bbox="649 688 927 726">Number</th> <th data-bbox="927 688 1205 726"><sup>+</sup>Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="649 726 927 827">97,809 shares of common stock (or 4,890,450 CDIs)</td> <td data-bbox="927 726 1205 827">Shares of common stock issued as of 29 March 2016</td> </tr> <tr> <td data-bbox="649 827 927 995">76,196 options (over 76,196 shares of common stock or 3,809,800 CDIs)</td> <td data-bbox="927 827 1205 995">Options issued under the 2003 Omnibus Stock Plan</td> </tr> <tr> <td data-bbox="649 995 927 1163">677,246 options (over 677,246 shares of common stock or 33,862,300 CDIs)</td> <td data-bbox="927 995 1205 1163">Options issued under the 2011 Employee, Director and Consultant Equity Incentive Plan</td> </tr> <tr> <td data-bbox="649 1163 927 1457">305,206 performance stock units (over 305,206 shares of common stock or 15,260,300 CDIs)</td> <td data-bbox="927 1163 1205 1457">Performance stock units issued under the 2011 Employee, Director and Consultant Equity Incentive Plan</td> </tr> <tr> <td data-bbox="649 1457 927 1661">Eight warrants (over 50,000 shares of common stock or 2,500,000 CDIs)</td> <td data-bbox="927 1457 1205 1661">Warrants to purchase shares of common stock issued 1 September 2011</td> </tr> </tbody> </table>	Number	<sup>+</sup> Class	97,809 shares of common stock (or 4,890,450 CDIs)	Shares of common stock issued as of 29 March 2016	76,196 options (over 76,196 shares of common stock or 3,809,800 CDIs)	Options issued under the 2003 Omnibus Stock Plan	677,246 options (over 677,246 shares of common stock or 33,862,300 CDIs)	Options issued under the 2011 Employee, Director and Consultant Equity Incentive Plan	305,206 performance stock units (over 305,206 shares of common stock or 15,260,300 CDIs)	Performance stock units issued under the 2011 Employee, Director and Consultant Equity Incentive Plan	Eight warrants (over 50,000 shares of common stock or 2,500,000 CDIs)	Warrants to purchase shares of common stock issued 1 September 2011	
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Eight warrants (over 50,000 shares of common stock or 2,500,000 CDIs)	Warrants to purchase shares of common stock issued 1 September 2011														
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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+ See chapter 19 for defined terms.

### 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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**Entities that have ticked box 34(b)**

38 Number of +securities for which +quotation is sought 

Not applicable
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39 +Class of +securities for which quotation is sought 

Not applicable
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40 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?

If the additional +securities do not rank equally, please state:

- 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

Not applicable
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41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another +security, clearly identify that other +security)

Not applicable
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	Number	+Class
42 Number and +class of all +securities quoted on ASX (including the +securities in clause 38)	Not applicable	

+ 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

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

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

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Part 2

<b>Rule 7.1A – Additional placement capacity for eligible entities</b>	
<b>Step 1: Calculate “A”, the base figure from which the placement capacity is calculated</b>	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	
<b>Step 2: Calculate 10% of “A”</b>	
“D”	0.10
<b>Multiply</b> “A” by 0.10	
<b>Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used</b>	
<p><b>Insert</b> 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"> <li>• <i>This applies to equity securities – not just ordinary securities</i></li> <li>• <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i></li> <li>• <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></li> <li>• <i>It may be useful to set out issues of securities on different dates as separate line items</i></li> </ul>	
“E”	

+ See chapter 19 for defined terms.

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

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