mesoblast
the adult stem cell company

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FINANCIAL YEAR END RESULTS
MESOBLAST ADVANCES INTO PHASE 2 TRIALS

Melbourne, Australia; 30 August 2007: Australian adult stem cell company, Mesoblast Limited (ASX:MSB; USOTC:MBLTY), today reported its results for the year ended 30 June 2007.

The Mesoblast Board of Directors is confident that both Mesoblast and its US-based sister company Angioblast Systems Inc. have sufficient capital to execute each company's commercial milestones in a timely and strategic manner.

At 30 June 2007, the total cash position was $12.5 million. The total funds at hand are sufficient to enable completion of two Phase 2 clinical trials, one in each field of orthopaedic and cardiovascular disease, under the guidelines of the US Food and Drug Administration (FDA).

The Phase 2 trials utilise the company's patented allogeneic or 'off the shelf' adult stem cells. This is in line with our unique business model to produce a low cost stem cell therapy obtained from one donor for use in up to thousands of unrelated recipients. Similarly to a pharmaceutical, this therapy will be available at the time and place of need and is expected to generate a high margin commercial return.

Both companies are advancing the shared platform technology for a variety of common diseases that have unmet medical needs and large market opportunities.

Mesoblast is commercialising the patented adult stem cells for orthopaedic indications such as spinal fusion, long bone fractures, degenerative intervertebral disc disease and arthritic cartilage degeneration in the knee and other joints.

Angioblast is commercialising the shared platform technology to treat diseases of the heart and blood vessels, including heart attacks, congestive heart failure, angina, peripheral vascular disease, and other applications.

The major achievements for both companies during the period to 30 June 2007 include:

- The United States Patent and Trade Mark Office (USPTO) granted a key patent which delivers to both Mesoblast and Angioblast a major commercial advantage and offers long term protection for the platform technology; the patent ensures that only Mesoblast and Angioblast can commercialise our proprietary adult stem cells, termed Mesenchymal Precursor Cells, in the US, the world's largest market for regenerative medicines.

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- Completion of patient enrolment in both pilot clinical trials utilising autologous (or patient's own) stem cells for non-healing, long bone fractures and heart failure accompanying coronary artery disease; no adverse events related to cell implantation were reported in any of the 16 patients implanted across both pilot trials.

- In the pilot clinical trial at The Royal Melbourne Hospital, each of the first five patients suffering from non-healing, long bone fractures who have completed follow-up have demonstrated complete bony union.

- In the pilot heart failure trial at John Hunter Hospital in New South Wales, heart muscle recovery was seen in all six patients within three months of cell implantation, as defined in either symptoms of heart failure or in heart function.

- Two Investigational New Drug (IND) submissions were each cleared by the FDA within 30 days of submission, to begin Phase 2 clinical trials of our allogeneic, or 'off-the-shelf', adult stem cells for spinal fusion and for heart attacks in major US medical centers.

- Preclinical trials have shown that Mesoblast's adult stem cells injected into the knee joints of animals with osteoarthritis resulted in cartilage protection and prevention of disease progression; these results expand the company's commercial opportunities into the treatment of cartilage diseases such as osteoarthritis.

Revenue during the period was $1.7 million (2006:$2.8 million). $0.9 million was received by way of interest from interest bearing deposits (2006:$0.6 million). The company also received a further $0.7 million (2006: $1.9 million) through an Australian Government Commercial Ready grant to develop new treatments for arthritis and other cartilage diseases.

Mesoblast's total operating expenses for the period were $10.4 million (2006:$11.1 million). Operating expenses included $4.6 million in research and development costs associated with clinical and preclinical trials (2006:$5.4 million). All R&D costs are written off in the year in which they are incurred. While there appears to have been a 14% fall in research and development costs, this is principally attributable to lower expenditures in cell manufacturing incurred this

year following significantly greater upfront costs in this area last year; otherwise, research and development costs for clinical and preclinical studies have remained essentially stable.

Additionally, Mesoblast incurred Equity Accounted Losses from its investment in Angioblast of $1.7 million (2006:$1.9 million). This reflects Mesoblast's share of Angioblast's annual losses based on our equity ownership. These figures show a consistent spend on clinical and preclinical research and development activities by Angioblast as it progresses its applications of the shared platform technology.

In line with the above, Mesoblast's net loss for its second full year of operations was $8.7 million to 30 June 2007. This compares with a loss of $8.3 million to 30 June 2006.

Significant cash movements during the period included $3.9 million in milestone-linked payments to Angioblast bringing total investment at 30 June 2007 to $13.9 million. These payments are part of the company's overall $18.5 million investment to acquire a 39.2% interest in Angioblast and to jointly progress the company's adult stem cell technology platform.

About Mesoblast:

Mesoblast Limited (ASX:MSB; USOTC:MBLTY) is an Australian biotechnology company committed to the development of novel treatments for orthopaedic conditions, including the rapid commercialisation of a unique adult stem cell technology aimed at the regeneration and repair of bone and cartilage. Our focus is to progress through clinical trials and international regulatory processes necessary to commercialise the technology in as short a timeframe as possible. Mesoblast Limited has the worldwide exclusive rights for a series of patents and technologies that have been developed over more than 10 years and which relate to the identification, extraction and culture of adult Mesenchymal Precursor Cells (MPCs). The company has also acquired a substantial interest in Angioblast Systems Inc, an American company developing the platform MPC technology for the treatment of cardiovascular diseases, including repair and regeneration of blood vessels and heart muscle. Mesoblast and Angioblast are jointly funding and progressing the core technology. Mesoblast's strategy is to maximise shareholder value through both corporate partnerships and the rapid and successful completion of clinical milestones.

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