Rule 4.2A.3

Appendix 4D

Half Year Report for the six months to 31 December 2007

Name of entity

MESOBLAST LIMITED

1. Reporting period

Report for the half year ended	31 December 2007
Previous corresponding period is the financial year ended and half year ended	30 June 2007 31 December 2006

2. Results for announcement to the market

				$'000
Revenues from ordinary activities *(item 2.1)*	down	69%	to	343
Loss from ordinary activities after tax attributable to members (*item 2.2*)	up	35%	to	5,397
Net loss for the period attributable to members *(item 2.3)*	up	35%	to	5,397

Brief explanation of any of the figures reported above necessary to enable the figures to be understood *(item 2.6)*:

Please refer to the Directors Report, found on pages 1-4 of the half-year report, for the commentary relating to the above figures reported.

3. Net tangible assets per security *(item 3)*

	December 31, 2007	December 31, 2006
Net tangible asset backing per ordinary security	24.4cents	22.4cents

4. The financial information provided in the Appendix 4D is based on the half-year financial report (attached), which has been prepared in accordance with Australian accounting standards.

5. Independent review of the financial report *(item 9)*

The financial report has been independently reviewed. The financial report is not subject to a qualified independent review statement.

MESOBLAST LIMITED
ACN: 109 431 870

HALF YEAR REPORT

2008

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DIRECTORS' REPORT

The Board of Directors of Mesoblast Limited has resolved to submit the following half-year report of the company for the half-year ended 31 December 2007. In order to comply with the provisions of the Corporations Act 2001, the directors report the following information:

DIRECTORS
The following persons were Directors of Mesoblast Limited during the whole of the half-year and up to the date of this report (unless specified):

Mr Brian Jamieson (Chairman, appointed 22 November 2007)
Professor Silviu Itescu (Founder, Chief Scientific Adviser)
Mr Michael Spooner
Mr Donal O'Dwyer
Mr Byron McAllister

Mr Spooner resigned from his position as Chairman effective 22 November 2007 and became a non-executive Director on this date. During the year Mr Spooner held an executive management role which he resigned from on 8th August 2007.

REVIEW OF OPERATIONS

Mesoblast has made significant strides in the development and commercialisation of its proprietary technology for orthopaedic applications – a franchise of regenerative products for spine disease, long bone fractures and disorders of cartilage, such as osteoarthritis. A whole series of successful trial results have now shown that our patented adult stem cell technology platform has advanced into a mature stage of clinical development.

At 31 December 2007, Mesoblast had $16.8 million in funds available ensuring that it is sufficiently resourced to strategically expand its clinical programs in bone and cartilage repair, and to execute its commercial objectives.

While Mesoblast concentrates on developing stem cell therapies for orthopaedic applications, the Company's 39% equity investment in United States-based sister company, Angioblast Systems Inc., means that Mesoblast shareholders can simultaneously access additional market opportunities in cardiovascular diseases that are at least as large as the orthopaedic markets.

Specific highlights during the reporting period include:

Corporate Activities

Collaborative Agreement with Abbott for Heart Failure Stem Cell Therapy

On February 19 2008, Mesoblast announced that Angioblast had entered into a collaborative agreement with Abbott, a major global broad-based healthcare company, for the development and commercialisation of the company's cell therapy product for heart failure, which is injected into damaged heart muscle by catheter.

Under the terms of the agreement, Abbott will provide funding for the collaborative program which is expected to result in an Investigational New Drug (IND) submission to the United States Food and Drug Administration (FDA) for a Phase 2 clinical trial in heart failure. Importantly, all commercial rights associated with our platform adult stem cell technology have been retained by Mesoblast and Angioblast.

Congestive heart failure presents a tremendous commercial opportunity. The American Heart Association estimates nearly five million people in America alone suffer from heart failure, with 550,000 new cases diagnosed each year. Heart failure results from the progressive deterioration of the pumping function of the heart, leading to its inability to meet the metabolic demands of the body.

In addition to the collaborative agreement, Abbott has made an equity-based investment of USD$5m in Angioblast. As a result, the ascribed asset value of Mesoblast's aggregate AUD$18.1m investment in Angioblast, representing its 39% equity holding, has now appreciated over three-fold.

This relationship with the vascular division of Abbott is indicative of the strategy previously outlined by both Mesoblast and Angioblast to develop close working relationships with leading global pharmaceutical and device companies en route to definitive commercial arrangements.

Mesoblast Investors Support Company In Capital Raising

On 10 December 2007, Mesoblast announced that it had completed a capital raising of $13.44 million from Australian institutional and sophisticated investors.

The capital will be used to commence additional Phase 2 Clinical Trials in the US and Australia in the areas of bone and cartilage repair and regeneration using Mesoblast's proprietary allogeneic stem cells.

Importantly, being able to broaden the strategic clinical applications of Company's stem cell platform will enable accelerated execution of its commercial objectives.

Clinical Trial Activities

Successful Results In Fracture Repair Clinical Trial: Mesoblast's Stem Cells Speed Up Bone Healing

On the 13 February 2008, the **C**ompany made a significant announcement on the non-union fracture repair clinical trial at The Royal Melbourne Hospital where all 10 patients implanted with its proprietary stem cells have shown new bone formation. No cell-related adverse events have been reported in any patient after at least six months of follow-up.

Seven patients have achieved union of their long bone defects within a median time period of 4.9 months, and three continue to show progressive new bone formation. In contrast, none of the 10 had shown any evidence of new bone formation for 5-41 months prior to stem cell implantation.

All patients with successful long bone union have been able to fully weight bear and resume daily activities. Mesoblast's technology eliminated the need in these patients for a second operation to harvest bone from the pelvis, the current standard of clinical practice.

A key result in the study was the observation of a direct relationship between increasing the dose of stem cells implanted and shortening the time to heal the bony defect, indicating that the stem cells worked in a similar way to a pharmaceutical drug. In patients whose fractures united within four months of treatment, the median dose of stem cells implanted was 14% higher than in those uniting later, and 33% higher than those who have not yet achieved union.

The extremely encouraging six-month results, together with earlier preclinical trial results, strongly support Mesoblast's plan to advance the long bone repair program into Phase 2 clinical trials under the umbrella of an IND submission to the US FDA.

Successful Results In Stem Cell Trial For Severe Coronary Artery Disease

On August 10 2007, Mesoblast announced the successful conclusion of the pilot clinical trial at John Hunter Hospital in Newcastle, Australia, in patients with multi-vessel coronary artery disease and heart muscle damage. In this trial, the company's stem cells were injected into damaged heart muscle using the latest generation of myocardial catheters provided by Johnson & Johnson's companies, Cordis Corporation and Biosense Webster.

The primary endpoint of safety was achieved and there were no cell-related adverse events. Importantly, heart muscle recovery was seen in all six patients within three months of stem cell implantation, as defined by either improvement in symptoms of heart failure or heart function.

In addition, all patients demonstrated reduced episodes of chest pain (angina) and reduced need for anti-anginal medications, suggesting that the stem cell therapy had improved blood flow to the damaged heart muscle.

These very exciting results have now encouraged Angioblast to progress its cardiovascular clinical program into Phase 2 trials for patients with chronic coronary artery disease and heart muscle dysfunction.

Phase 2 Clinical Trials

In addition to its long bone repair clinical program, Mesoblast has started an FDA-cleared Phase 2 clinical trial in the US of NeoFuse ™, its allogeneic adult stem cell product for spinal fusion in the treatment of degenerative intervertebral disc disease. The primary objective of this trial is to demonstrate the safety of the allogeneic or "off-the-shelf", adult stem cells. A secondary objective is to determine whether in this clinical indication, Mesoblast's cells can also be used to eliminate the need for a second operation to harvest bone from the pelvis.

Angioblast has started an FDA-cleared Phase 2 clinical trial in the US of Revascor ™, its allogeneic adult stem cell product for treatment of heart attacks. The company's stem cells are injected into damaged heart muscle using the latest generation of myocardial catheters provided by Johnson & Johnson's companies, Cordis Corporation and Biosense Webster. The primary endpoint is to determine the safety of the cells, while the secondary endpoint is to determine whether the treatment improves heart function.

Pre-Clinical Activities

Mesoblast has a number of preclinical trials underway of its patented adult stem cell technology for repair and regeneration of cartilage: knee joint hyaline cartilage and intervertebral disc cartilage. These programs have been facilitated by a $2.7 million Commercial Ready grant awarded to Mesoblast in December 2005 by the Australian Government.

During the reporting period, Mesoblast reported highly successful interim results of our first large joint cartilage repair program in osteoarthritis, conducted at Western Australia's Murdoch University. The results showed that injection of our allogeneic, or "off-the-shelf", stem cells into damaged knee joints resulted in significant protection of the knee cartilage against destruction and improvement in osteoarthritis. After just three months, stem cell treated knee joints had significantly thicker and stronger cartilage compared with control joints.

FINANCIAL RESULTS

Operating results

The net loss for the half-year was $5,396,978 (31 December 2006: $3,995,972).

Income

Revenue during the period was $342,547 (31 December 2006: $1,101,776). The decrease in revenue is due to interest income falling due to the declining cash balance for the period as the capital raise did not occur until December 2007.

Expenditure

In line with the company's policy and to comply with accounting standards, all costs associated with research and development are fully expensed in the period in which they are incurred as the directors do not consider the company can yet demonstrate all the factors required in order to capitalise development expenditure. The research and development expenditure for the period was $3,431,104 (31 December 2006: $3,489,333).

Cash flows

Net cash outflow from operations for the period was $2,991,699 (31 December 2006: $5,975,451). The decrease was primarily due to less spent on pre-clinical trials as the majority have been completed or are nearing completion.

Net cash outflow from investing activities for the period was $5,873,749 (31 December 2006: $2,772,427). The increased outflow was primarily due to the additional investment in Angioblast Systems, Inc. (refer below for further comment).

During the period under review the company issued a further 10,500,000 shares at $1.28, providing approximately $13m in cash which will largely be used to fund the clinical development program.

DIRECTORS' REPORT

Investment in associates

During the period under review, Mesoblast made a further cash investment of $6,419,452 in its associate company, Angioblast Systems, Inc., under the Series B stock purchase agreement. The total investment made as at 31 December 2007 per the Series B agreement by Mesoblast is $8,300,000, leaving a balance of $200,000 yet to be invested by Mesoblast. The company has previously invested a total of $10,500,000 in Angioblast Systems, Inc. under the Series A stock purchase agreement, taking the total investment to date to $18,082,791 (39.1%) before accounting for the appropriate share of losses incurred by Angioblast Systems, Inc. The share of losses for the half-year period is $767,435 (2007:542,849). More information can be found in note 3 to the financial statements.

EVENTS SUBSEQUENT TO BALANCE DATE

There have not been any events subsequent to the balance date, not other wise disclosed in this report, which significantly affected or may significantly affect the operations of the company, the results of its operations or the state of affairs of the company in subsequent financial periods.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's declaration as required under Section 307C of the Corporations Act 2001 is included on page 5 of this report.

This report is made in accordance with a resolution of the directors.

Mr. Brian Jamieson
Chairman

27 February 2008
Melbourne

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Auditor's Independence Declaration

As lead auditor for the review of Mesoblast Limited for the half year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Mesoblast Limited during the period.

SC Bannatyne
Partner
PricewaterhouseCoopers

Melbourne
27 February 2008

INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Half-Year 31 December 2007 $	Half-Year 31 December 2006 $
Revenues from continuing operations		
Government grants	-	596,157
Interest	342,547	490,137
Other	-	15,482
	342,547	1,101,776
Expenses from continuing operations		
Research and development	(3,431,104)	(3,489,333)
Management and administration	(1,540,986)	(1,065,586)
Share of losses of equity accounted associates	(767,435)	(542,829)
	(5,739,525)	(5,097,748)
Loss before income tax expense	(5,396,978)	(3,995,972)
Income tax (expense)/benefit	-	-
Loss after related income tax expense from continuing operations	(5,396,978)	(3,995,972)
Loss attributable to members of the company	(5,396,978)	(3,995,972)

Earnings/(losses) per share – from continuing operations:	**Cents**	**cents**
Basic – cents per share	(4.80)	(3.79)
Diluted – cents per share	(4.80)	(3.79)

The above income statement should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Issued Capital	Share Option Reserve	Accumulated Losses	Total
	$	$	$	$
Balance at 1 July 2006	20,667,608	1,066,393	(9,768,956)	11,965,045
Loss for the period		-	(3,995,972)	(3,995,972)
Total recognised income and expense for the period	**-**	**-**	**(3,995,972)**	**(3,995,972)**
Contributions of equity net of transaction costs	16,710,375	-	-	16,710,375
Fair value of share based payment	-	230,035	-	230,035
Balance at 31 December 2006	**37,377,983**	**1,296,428**	**(13,764,928)**	**24,909,483**
Balance at 1 July 2007	37,422,183	1,614,243	(18,497,087)	20,539,339
Loss for the period	-	-	(5,396,978)	(5,396,978)
Total recognised income and expense for the period	**-**	**-**	**(5,396,978)**	**(5,396,978)**
Contributions of equity net of transaction costs	13,596,900	-	-	13,596,900
Fair value of share based payment	-	712,362	-	712,362
Balance at 31 December 2007	**51,019,083**	**2,326,605**	**(23,894,065)**	**29,451,623**

The above statement of changes in equity should be read in conjunction with the accompanying notes

BALANCE SHEET
AS AT 31 DECEMBER 2007

	31 December 2007 $	30 June 2007 $
CURRENT ASSETS		
Cash and cash equivalents	16,781,857	12,055,040
Trade and other receivables	324,698	538,642
TOTAL CURRENT ASSETS	17,106,555	12,593,682
NON-CURRENT ASSETS		
Property, plant and equipment	193,168	158,235
Investments accounted for using the equity method	13,320,112	7,668,095
Intangible assets	547,873	818,226
TOTAL NON-CURRENT ASSETS	14,061,153	8,644,556
TOTAL ASSETS	31,167,708	21,238,238
CURRENT LIABILITIES		
Trade and other payables	1,716,085	698,899
TOTAL CURRENT LIABILITIES	1,716,085	698,899
TOTAL LIABILITIES	1,716,085	698,899
NET ASSETS	29,451,623	20,539,339
EQUITY		
Issued capital	51,019,083	37,422,183
Reserves	2,326,605	1,614,243
Accumulated losses	(23,894,065)	(18,497,087)
TOTAL EQUITY	29,451,623	20,539,339

The above balance sheet should be read in conjunction with the accompanying notes

CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Half-Year 31 December 2007 $	Half-Year 31 December 2006 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(3,115,240)	(5,975,451)
Government grants and other income received	123,541	-
Net cash used in operating activities	(2,991,699)	(5,975,451)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	342,547	490,137
Investment in fixed assets	(64,522)	(28,272)
Investment in patents & licenses	(25,377)	(21,662)
Investment in equity accounted associate	(6,419,452)	(3,000,000)
Loan repaid/(made) to associate company	293,055	(212,630)
Net cash used in investing activities	(5,873,749)	(2,772,427)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	14,134,500	17,414,166
Payments for share issue costs	(537,600)	(805,091)
Net cash provided by financing activities	13,596,900	16,609,075
Net increase in cash and cash equivalents	4,731,452	7,861,197
Cash and cash equivalents at beginning of half-year	12,055,040	7,854,843
FX gains/(losses) on the translation of foreign bank accounts	(4,635)	-
Cash and cash equivalents at end of half-year	16,781,857	15,716,040

The above cash flow statement should be read in conjunction with the accompanying notes

NOTE 1.

Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2007 has been prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Mesoblast Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

NOTE 2. SEGMENT INFORMATION

(a) Description of segments

Total

The company primarily operates in two business segments, being the development of adult stem cell therapies and investment in research and development companies.

Geographical segments

The company predominantly operates in one geographical area, being Australia.

(b) Primary reporting format – business segments

Half-Year 2007	**Adult stem cell therapy development**	**Investment in research and development companies**	**Corporate**	**Total**
Revenue from continuing operations	**-**	**-**	342,547	342,547
Result				
Segment result	(3,431,104)	(767,435)	(1,198,439)	(5,396,978)
Half-Year 2006				
Revenue from continuing operations	596,157	-	505,619	1,101,776
Result				
Segment result	(2,893,176)	(542,829)	(559,967)	(3,995,972)

NOTE 3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Country of Incorp-oration	Principal Activity	Ownership Interest	
			31 December 2007 %	30 June 2007 %
(a) Carrying amount				
Angioblast Systems, Inc.	USA	Adult stem cell research and development for cardiac applications	39.1	34.3

	31 December 2007 $	30 June 2007 $
Investment in Angioblast Systems, Inc.	18,082,791	11,663,339
Share of equity accounted losses	(4,762,679)	(3,995,244)
	13,320,112	7,668,095
(b) Movement in carrying amount		
Carrying amount at the beginning of the six month period	7,668,095	7,958,844
Additional investment*	6,419,452	880,548
Share of losses (for the six months)	(767,435)	(1,171,297)
Carrying amount at the end of the six month period	13,320,112	7,668,095

*The additional investment for the current period is per the Series B stock purchase agreement, and takes the total investment made to date to $8.3m, leaving a balance of $0.2m remaining under this agreement.

	31 December 2007 $	30 June 2007 $
NOTE 4. INTANGIBLE ASSETS		
Gross carrying amount		
Balance at the beginning of the six month period	904,226	877,101
Additions	-	27,125
Disposals (i)	(214,226)	-
Carrying amount at the end of the six month period	690,000	904,226
Accumulated amortisation		
Balance at the beginning of the six month period	(86,000)	(67,498)
Amortisation expense (i)	(72,171)	(18,502)
Disposals (i)	16,044	-
Carrying amount at the end of the six month period	(142,127)	(86,000)
Net book value	547,873	818,226

(i) Amortisation expense and write-off of patents are included in the line item "management and administration" in the income statement.

NOTE 5. COMMITMENTS FOR EXPENDITURE		
(a) Sponsorships & capital commitments		
Not longer than 1 year	90,357	21,000
Longer than 1 year and not longer than 5 years	180,713	-
	271,070	21,000
(b) Further investment in associate		
Not longer than 1 year	200,000	5,480,000
Longer than 1 year and not longer than 5 years	-	1,139,452
	200,000	6,619,452

NOTE 6. EVENTS SUBSEQUENT TO BALANCE DATE

There have not been any events subsequent to the balance date, not other wise disclosed in this report, which significantly affected or may significantly affect the operations of the company, the results of its operations or the state of affairs of the company in subsequent financial periods.

NOTE 7. ISSUED CAPITAL

	31 December 2007 No.	31 December 2007 $	30 June 2007 No.	30 June 2007 $
(a) Movements in issued capital during the year				
Fully paid ordinary shares				
Balance at the beginning of the six month period	107,716,133	37,422,183	107,648,133	37,377,983
10,500,000 shares issued at $1.28	10,500,000	13,440,000	-	-
Transaction costs arising on issue of shares	-	(537,600)	-	-
Issue of shares under employee share option plan (note 8)	1,040,000	694,500	68,000	44,200
Balance at the end of the six month period	119,256,133	51,019,083	107,716,133	37,422,183

NOTE 8. SHARE OPTIONS

(a) Movement in share options over ordinary shares	31 December 2007 No.	30 June 2007 No.
Balance at the beginning of the six month period	7,956,667	7,694,667
Granted during the half-year	2,480,000	330,000
Exercised during the half-year	(1,040,000)	(68,000)
Lapsed during the half-year	(10,000)	-
Balance at the end of the six month period	9,386,667	7,956,667

NOTE 8. SHARE OPTIONS (continued)

(b) Existing share-based payment arrangements as at 31 December 2007

Series	Grant date	Granted to	Granted No.	Exercised / Lapsed this period	Balance No.	First Vesting date	Expiry date	Exercise price $	Fair value $
1	29/09/04	Seed investors	4,320,000	(200,000)	4,120,000	29/09/05	29/09/09	0.55	0.290
1	26/10/04	Underwriter	400,000	(400,000)	-	16/12/04	30/12/07	0.55	0.290
2(a)	16/12/04	Director(s)	550,000	-	550,000	16/12/05	16/12/08	0.60	0.290
2(b)	16/12/04	Director(s)	75,000	-	75,000	16/12/06	16/12/07	0.60	0.290
2(b)	16/12/04	Director(s)	75,000	-	75,000	01/05/07	16/12/07	0.60	0.290
2(c)	16/12/04	Employee(s)	80,000	-	-	06/09/06	06/09/07	0.60	0.171
2(c)	16/12/04	Employee(s)	80,000	(80,000)	-	16/12/06	16/12/07	0.60	0.229
2(c)	16/12/04	Employee(s)	80,000	-	80,000	04/07/08	04/07/09	0.60	0.251
3	25/08/05	Director(s)	350,000	-	350,000	31/12/05	31/12/08	0.65	0.19
3	25/08/05	Director(s)	350,000	-	350,000	30/06/06	30/06/09	0.65	0.21
4(a)	23/02/06	Consultant(s)	150,000	-	34,000	31/03/06	31/03/09	0.65	0.96
4(a)	23/02/06	Consultant(s)	150,000	-	66,000	01/05/07	01/05/10	0.65	0.96
4(b)	23/02/06	Employee(s)	150,000	(150,000)	-	30/06/06	30/06/09	0.65	0.89
4(b)	23/02/06	Employee(s)	150,000	(150,000)	-	30/06/07	30/06/10	1.20	0.65
4(b)	23/02/06	Employee(s)	150,000	-	150,000	30/06/08	30/06/11	1.20	0.75
4(b)	23/02/06	Consultant(s)	200,000	-	166,667	30/06/06	30/06/09	0.65	0.89
4(b)	23/02/06	Consultant(s)	200,000	-	200,000	30/06/07	30/06/10	1.20	0.65
4(b)	23/02/06	Consultant(s)	200,000	-	200,000	30/06/08	30/06/11	1.20	0.75
4(c)	23/02/06	Employee(s)	90,000	(60,000)	20,000	23/02/06	23/02/09	0.65	0.92
5	23/11/06	Director(s)	50,000	-	50,000	23/11/06	23/11/09	0.65	0.589
5	23/11/06	Director(s)	50,000	-	50,000	23/11/07	23/11/09	0.65	0.678
5	23/11/06	Director(s)	50,000	-	50,000	23/11/08	23/11/09	0.65	0.718
6(a)	17/03/06	Consultant(s)	50,000	-	50,000	17/03/07	17/03/08	2.02	0.554
6(a)	17/03/06	Consultant(s)	50,000	-	50,000	17/03/08	17/03/09	2.02	0.702
6(b)	17/05/06	Consultant(s)	10,000	-	10,000	17/05/07	17/05/08	1.52	0.404
6(b)	17/05/06	Consultant(s)	10,000	-	10,000	17/05/08	17/05/09	1.52	0.521
6(c)	06/06/06	Employee(s)	10,000	(10,000)	-	06/12/06	06/12/07	1.75	0.303
6(c)	06/06/06	Employee(s)	10,000	-	10,000	06/06/07	06/06/08	1.75	0.380
6(d)	01/01/07	Employee(s)	15,000	-	15,000	01/07/07	01/07/08	1.96	0.512
6(d)	01/01/07	Employee(s)	15,000	-	15,000	01/01/08	01/01/09	1.96	0.601
6(d)	01/01/07	Consultant(s)	30,000	-	30,000	01/01/08	01/01/09	1.96	0.601
6(d)	01/01/07	Consultant(s)	30,000	-	30,000	01/01/09	01/01/09	1.96	0.749
6(d)	01/01/07	Consultant(s)	40,000	-	40,000	01/01/10	01/01/09	1.96	0.873
6(d)	01/01/07	Employee(s)	30,000	-	30,000	01/08/07	01/08/08	1.96	0.512
6(d)	01/01/07	Employee(s)	30,000	-	30,000	01/02/08	01/02/09	1.96	0.601
7	27/07/07	Consultant(s)	593,000	-	593,000	01/07/08	30/06/12	2.13	0.740
7	27/07/07	Consultant(s)	593,000	-	593,000	01/07/09	30/06/12	2.13	0.740
7	27/07/07	Consultant(s)	594,000	-	594,000	01/07/10	30/06/12	2.13	0.740
7	27/07/07	Employee(s)	232,000	-	232,000	01/07/08	30/06/12	2.13	0.740
7	27/07/07	Employee(s)	232,000	-	232,000	01/07/09	30/06/12	2.13	0.740
7	27/07/07	Employee(s)	236,000	-	236,000	01/07/10	30/06/12	2.13	0.740
			10,760,000	(1,050,000)	9,386,667				

MESOBLAST LIMITED
ABN 68 109 431 870

DIRECTORS' DECLARATION

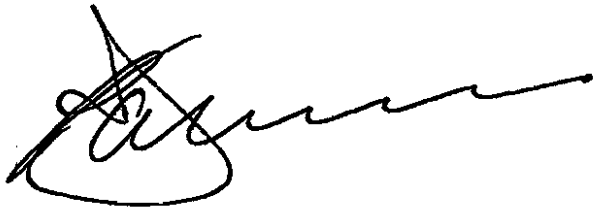
In accordance with a resolution of directors of Mesoblast Limited,

In the opinion of the directors:

(a) the accompanying financial statements and notes are in accordance with Corporations Act 2001 and comply with the accounting standards and give a true and fair view of the company's financial position as at 31 December 2007 and of its performance for the half-year ended on that date.

(b) At the date of this declaration there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors



Mr Brian Jamieson
Director

27th February 2008

Melbourne

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

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2 Southbank Boulevard
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INDEPENDENT AUDITOR'S REVIEW REPORT
to the members of Mesoblast Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Mesoblast Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Mesoblast Limited (the company).

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mesoblast Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

PRICEWATERHOUSECOOPERS

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website http:/www.pwc.com/au/financialstatementaudit.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mesoblast Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the company's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

SC Bannatyne
Partner

Melbourne
27 February 2008