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THE OPPORTUNITIES THAT LIE BEFORE US **Address by Mr Michael Spooner** **Chairman, Mesoblast Limited**

Ladies and Gentlemen,

I'm delighted to welcome you to the third Annual General Meeting of Mesoblast Limited and to declare this meeting open.

The past 12 months have seen Mesoblast and its United States sister company, Angioblast Systems Inc, very much focused on obtaining our key milestone - clinical trial approval in the US and to commence rigorous clinical trial programs of our unique adult stem cell technology.

In addition to these important developments, we have progressed our cartilage programs and are well positioned to seek to undertake additional clinical trial programs in due course.

The markets for these indications are extremely large and are rapidly growing. Furthermore, major international pharmaceutical corporations as well as medical device companies, the medical community and health insurance providers are well versed in the potential benefits that regenerative medicines may deliver.

The door is open and our opportunity is clear - to rapidly deliver these products into market. Our challenge is to remain focused and to insure that you, our shareholders, are well informed of our progress.

Throughout the short history of this company your Board of Directors and management have set very high standards, clearly identifying our goals and in delivering key milestones on, or well ahead, of schedule.

Your company intends to uphold these standards.

Highlights for the Year in Review

At the last Annual General Meeting we announced that Mesoblast had submitted its first application in the US to conduct a Phase II Clinical Trial for spinal fusion. The timing for the submission was several months in advance of our original planning.

We have now obtained permission to commence this Clinical Trial from the US Food and Drug Administration and have begun patient recruitment. This is a key milestone for the Company and will contribute significantly toward gaining approval to sell our product in the world's largest market. It is a testament to how rapidly your company can deliver.

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Significantly, this Trial represents the first time that our technology has been used to harvest cells from a completely unrelated donor, and then expanded or grown in a laboratory to create potentially hundreds of doses to treat many patients for various diseases. These cells are frozen and are made available to patients enrolled in our clinical trials at the time and place of need. Similar to pharmaceuticals, we are focused on delivering low cost, high margin products.

Mesoblast's Chief Scientific Adviser, Professor Silviu Itescu, will shortly lead you through some of the detail associated with the progress that has been made with this important project. However, I do believe that it is important to stress the significant amount of work that has been undertaken including the selection of the first recruiting hospital, obtaining hospital ethics (IRB) approval for the Trial, training hospital staff and the many, many time consuming, very complex and demanding associated tasks. This is a major undertaking for any company, let alone a company that, at the time, had only been in existence for two years, so I certainly highly commend all those that have worked so incredibly hard to achieve this progress.

During the year under review, Mesoblast made significant progress in our cartilage programs. These programs are preclinical in nature (that is large animal studies) and are primarily focused upon osteoarthritis. As set out in announcements to the Australian Stock Exchange during the year, we have undertaken a number of studies with a view to collecting data that will be essential to an application to commence a patient or clinical trial as soon as is possible.

These and our other bone and cartilage programs dramatically extend our product range and business opportunities. Most importantly however, these developments show that our adult stem cell technology platform has real and broad application across many different applications and markets for the regeneration of tissue types.

Intellectual Property

Intellectual Property is the life blood of Mesoblast and Angioblast. The Company continues to pay significant attention to all aspects of our technology and patents that protect our future. Key to our intellectual property philosophy is to build a series of barriers around our key inventions to prevent attack from competitors, whilst creating substantial value through the identification of new applications.

Angioblast Systems Inc

As you may recall, at the last AGM we obtained shareholder approval to extend our investment into Angioblast by a further \$8.5 million, bringing our total investment to approximately \$17.5 million and our shareholding to approximately 39.2% on a fully diluted basis.

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Angioblast and Mesoblast share a platform adult stem cell technology. Where Mesoblast has accomplished many tasks in the orthopaedic field, Angioblast has made similar accomplishments principally for cardiovascular applications.

It is clear that the Mesoblast Board will continue to exercise sound financial controls and corporate governance in dealing with Angioblast. In due course your Board believes that our investment in Angioblast should return significant capital appreciation to our shareholders. This return should be accomplished either by way of a US public listing of the company or through a private transaction.

In any event, Mesoblast's relationship with Angioblast is based first and foremost upon rapid value creation and in the effective sharing of resources.

Financial Position

Our financial results for the year to 30 June 2007 were as follows:

The net loss for the period to 30 June 2007 was \$8.728 million as compared with a loss in 2006 of \$8.3 million. The net result is very much in line with budget estimates and reflects the significant progress made by the Company.

Whilst overall costs have reduced during the year from \$11.12 million in 2006 to \$10.4 million in 2007, income also fell from \$2.822 million in 2006 to \$1.68 million in 2007. In summary, Income and Expense items compared year to year are as follows:

Income:

Total income for the year to 30 June 2007 was approximately \$1.679 million as compared with approximately \$2.822 million for the corresponding period to 30 June 2006. Significant differences between the two periods included a reduction in income from Government grants (\$1.855 million in 2006 as compared with \$719,000 in 2007 representing the final components of a \$2.7 million total Federal Government Commercial Ready Grant for osteoarthritis) and Research and Development tax Offset (\$345,000 in 2006 whilst in 2007 we received zero due to a threshold reached by the Company). Conversely, interest income nearly doubled in 2007 due to higher interest rates and larger average deposits held by the Company (2007: \$940,000 compared to \$557,000 in 2006).

Expenses:

Total expenses incurred by the Company were \$10.407 million in 2007 as compared with \$11.12 million in 2006. The principal difference between the two periods relate to a reduction of approximately \$650,000 in Research and Development costs that went from \$5.358 million in 2006 to \$4.585 million in 2007. These savings were primarily attributable to manufacturing and other set up costs that were incurred in 2006.

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Management and Administration costs rose from \$2.177 million in 2006 to \$2.551 million in 2007. These costs are tightly controlled by management and any increase is reflective of the increasingly complex nature of the Company.

Non-cash based share of losses in Angioblast reduced from \$1.9 million in 2006 to \$1.71 million in 2007 and is generally a reflection of a lower spend for set up costs, as was reflected in Mesoblast costs.

Cash on hand at 30 June 2007 was \$12.055 million (2006: \$7.85 million) whilst cash at 30 September 2007 was \$9.138 million and was line with your Directors' forecasts.

The Board believes that the Company is adequately funded to commence Phase II Clinical Trials for Spinal Fusion in the US and to further progress new indications for our adult stem cell technology. On an ongoing basis the Company and your Board, in line with normal operations, will look toward capital raising events to continue to fund the general and administration costs of the Company for the approaching calendar year. Your Board will also look toward non-dilutive sources of funding through partnership arrangements and Government grants.

Partnerships

Mesoblast, as well as Angioblast, continue to work closely with a number of large multinational organisations in progressing our technology through preclinical and clinical trials.

Importantly, we see these partnerships as providing a solid working foundation that is potentially mutually beneficial, and at the same time providing a platform for longer term commercial relationships. Clearly, we will continue to build on these relationships both in terms of numbers and applications.

Staffing and Contractors

Mesoblast has to date, restricted its recurring overheads and staffing commitments by proactively using best of breed contractors. Our key staff and core skills have delivered outstanding outcomes.

As we take the next and increasingly more complex steps toward commercialising our platform stem cell technology, there will be a growing requirement to increase our own staff numbers and internal core skills. In doing so, we will seek to minimise our risks whilst remaining steadfast in our desire to deliver tasks on or ahead of schedule.

Your Board is committed to maintaining solid cost controls. In particular, we continually seek to ensure that we can match our forward cost commitments with our ability to meet those costs through effective capital management. In other words, we will continue to review our cash position and seek to raise funding at appropriate times and use methods that will preferentially minimise impact on shareholders.

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The Year Ahead

2008 will see a number of important developments for Mesoblast. Our goals and focus however will remain unchanged in that we will seek to substantially complete a number of clinical and preclinical studies, particularly associated with the massive spinal fusion and osteoarthritis markets.

As Mesoblast continues to build its own future, so too will Angioblast. It is in this respect that Angioblast will increasingly seek new means of funding its own goals. Sources for these funds will necessarily be through transactions with third parties or through an Initial Public Offering on a US exchange. In this transition, Mesoblast will seek to ensure at all times that its investment in Angioblast is protected and that shareholder returns are maximised.

The Appointment of a New Non Executive Chairman

As you may be aware, I resigned as an Executive of the Company, effective 8 August 2007. Due to family and business reasons, I indicated that I would further step as Chairman to become an active Non-Executive Director.

I am delighted to announce that a comprehensive search to identify a suitable new Non-Executive Chairman has led to the appointment of Mr Brian Jamieson, effective from 22 November 2007. Unfortunately, he is unable to be with us today due to previous commitments.

Mr Jamieson has accepted this appointment. He has extensive finance experience, strong leadership skills and corporate experience across a range of industries including the life sciences, resources, banking, finance, gaming, management and manufacturing sectors. He is Non Executive Director of Oxiana Limited, Sigma Company Limited and Tattersalls. Mr Jamieson is a member of the Australian Institute of Company Directors and a Fellow of the Institute of Chartered Accountants in Australia.

Conclusion

It is on this note that I would like to thank you, our shareholders, for your support, our staff members who have worked so hard and to my fellow Board members for their active participation in Mesoblast. I would also like to acknowledge our appreciation of the patients who have willingly participated in our groundbreaking trials as well as the highly talented and dedicated physicians and medical support teams that have supported our unique technology. The past three years have been very rewarding and we are confident that Mesoblast will record another outstanding year on our way to building a thriving global business.

Melbourne Australia

21 November 2007