mesoblast

letter from the chairman

Dear Shareholder

To ensure that you remain well informed of our remarkable progress, as your Chairman, I will be providing you with regular updates outlining Mesoblast's key near-term objectives and major highlights. Following our first quarter results, I thought it opportune to provide you with my first of planned regular communications.

Strong Financial Position

Mesoblast now holds a total of $18.2 million in cash reserves, following successful completion of a $10.8 capital raising during the first quarter.

A total of 15 million shares were issued to existing and new institutional investors at an 8.5% discount to the Company's 30-day volume weighted average trading price.

Melbourne's Herald Sun said Mesoblast's capital raising was "a coup for the sector in an environment where many micro biotechs are being shunned by lenders."

According to the leading weekly biotechnology newsletter, Bioshares, it was a major statement by Mesoblast highlighting the appeal of the technology, the proximity to market, and quality share register.

Other commentary came from BioTechnologyNews who stated that the placement was a sign that there is still money around for quality companies and PriceWaterhouse Coopers who singled out Mesoblast's capital raising as proof that both institutions and venture capitalists are cautiously showing renewed interest in the market.

Financial Strength Enables Increased Activity In Clinical Programs

Our strengthened financial position will facilitate broadening of our clinical program strategy. By proving up the clinical effectiveness of our platform technology across multiple indications we will accelerate our path to commercialisation, and unlock shareholder value.

We are implementing our clinical and commercial strategy to develop a franchise of treatments for spinal disorders. In this regard, we have just received approval to commence a Phase 2 trial for generating bony fusion of the cervical spine, and are continuing our clinical program for spinal fusion of the lumbar spine.

Shortly, we hope to update shareholders on the status of our vertebral disc cartilage regeneration program, which aims to develop a stem cell product to treat the much larger patient population with low back pain before the need for spinal fusion.

Regarding cartilage repair more broadly, our Phase 2 trial for prevention of knee osteoarthritis (OA) after Anterior Cruciate Ligament (ACL) tears is now underway. This represents the beginning of a large, staged clinical program to commercialise a stem cell therapy not just for prevention of OA, but also for the much larger market of established, severe OA of the knee.

We remain committed to rapid progression of our clinical programs towards Phase 3 registration trials, which are the final steps on the road to generating revenues.

Mesoblast Named 2009 Emerging Company in North America

During the first quarter, Frost & Sullivan named Mesoblast as the recipient of its 2009 Emerging Company Award in the United States Soft Tissue Repair market. This prestigious Award is independent collaboration of Mesoblast's position as a leader within the rapidly growing biologics market worldwide in orthopaedics.

The Award citation states that Mesoblast has immense potential to be a significant contributor and promoter of the orthopaedic soft tissue and cartilage repair space, and to establish a strong presence in the United States orthopaedic market.

According to Frost & Sullivan, Mesoblast is perceived to have exhibited outstanding management, superior market growth, exceptional customer service, and the ability to combine technology and successful strategic initiatives. The Award recognises Mesoblast's exceptional know-how to take advantage of market changes through the execution of innovative strategies within the existing competitive landscape.

Angioblast Systems Inc.

Our United States associated company, Angioblast Systems Inc., in which we hold 38.4 percent equity, is simultaneously advancing the platform stem cell technology towards commercialisation of novel treatments for cardio-vascular, eye, and bone marrow conditions.

Angioblast has made considerable progress in its strategic commercialisation of the shared platform stem cell technology. It has three clinical trials underway which have been cleared by the US Food and Drug Administration (FDA), and has received Orphan Drug Designation from the FDA to accelerate product development for bone marrow transplantation in cancer patients.

Interim results from the first cohort of patients in the company's Phase 2 trial for treatment of patients with congestive heart failure are expected shortly, as well as early outcomes from the bone marrow transplant trial.

Similar to Mesoblast, Angioblast is rapidly advancing to Phase 3 registration trials.

Our future

Today I am more convinced than ever of the extraordinary opportunities before us. The Mesoblast team has continued to work tirelessly to progress on the path to commercialisation, together with our associates at Angioblast in the United States. We remain on target to achieve our key milestones.

I continue to be impressed by the scope of the opportunity we have before us and by the compelling nature of our technology position. The exceptional depth of talent that we have assembled within our company remains critical to attaining our goals.

We have much work ahead of us, but I believe that we are in a very strong position to capitalise on our powerful technology as we continue through this exceptional year.

Thank you for your continued solid support, particularly in this very challenging market.

Yours sincerely

Brian Jamieson

CHAIRMAN

5 MAY 2009

mesoblast
the regenerative medicine company

Level 39, 55 Collins Street Melbourne
Victoria 3000 AUSTRALIA
t +61 3 9639 6036
f +61 3 9639 6030
ACN 109 431 870

www.mesoblast.com