

Mesoblast Limited
ACN 109 431 870

Notice of Annual General Meeting and Explanatory Memorandum

For the Annual General Meeting of the Company to be held at:

Time 9:30 am (Melbourne time)
Date 15 November 2013
Place Deloitte
Level 11, 550 Bourke Street
Melbourne
Victoria 3000
Australia

THIS IS AN IMPORTANT DOCUMENT

If you are in doubt as to what to do with this document please immediately see your legal adviser, financial adviser or stockbroker.

Dated: 15 October 2013

Notice of Annual General Meeting

Notice is given that the Annual General Meeting (AGM) of the shareholders of Mesoblast Limited ABN 68 109 431 870 (**the Company or Mesoblast**) will be held at Deloitte, Level 11, 550 Bourke Street, Melbourne, Australia on **15 November 2013 at 9:30 am** (Melbourne time) for the purpose of considering and, if thought fit, passing the following resolutions as stated below.

Please note that additional information concerning the proposed resolutions is contained in the Explanatory Memorandum that accompanies and forms part of this Notice of Annual General Meeting.

ITEMS OF BUSINESS

ORDINARY BUSINESS

1. Receipt and Consideration of Financial Statements and Reports

To receive and consider the Financial Statements of the Company for the year ended 30 June 2013, together with the Directors' Report and the Independent Auditor's Report as set out in the Annual Report.

2. Remuneration Report (Non-Binding Resolution)

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution***:

'That the Remuneration Report (which forms part of the Directors' Report) for the year ended 30 June 2013 be adopted.'

Voting Exclusions and Further Information

For voting exclusions on the resolution in Item 2 (Remuneration Report), please refer to page 4.

**Please note that section 250R(3) of the Corporations Act 2001 (Cth) provides that the vote on this resolution is advisory only and does not bind the Directors or the Company.*

3. Election of Directors

a) Election of Dr Eric Rose as a Director

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

'That pursuant to article 15.1(c) of the Company's Constitution, the members of the Company approve the appointment of Dr. Eric Rose as a Director of the Company, who, having been appointed by the Directors on 15 April 2013 and being eligible, offers himself for election.'

b) Re-election of Mr Brian Jamieson as a Director

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

'That pursuant to article 15.3 of the Company's Constitution, the members of the Company approve the appointment of Brian Jamieson as a Director of the Company, who, pursuant to article 15.3 of the Company's Constitution is retiring by rotation and being eligible, offers himself for re-election.'

c) Re-election of Mr Michael Spooner as a Director

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

'That pursuant to article 15.3 of the Company's Constitution, the members of the Company approve the appointment of Michael Spooner as a Director of the Company, who, pursuant to article 15.3 of the Company's Constitution is retiring by rotation and being eligible, offers himself for re-election.'

SPECIAL BUSINESS

4. Approval of Long Term Incentive Plans for the purpose of Listing Rule 7.2

a) Approval of Employee Share Option Plan

To consider and, if thought fit, to pass the following resolutions as **ordinary resolutions**:

'That, for the purposes of ASX Listing Rule 7.2 Exception 9 and for all other purposes, shareholders approve the grant of options by the Board in its discretion in accordance with the Company's Employee Share Option Plan (a summary of which is set out in the Explanatory Memorandum) as an exception to ASX Listing Rule 7.1.'

b) Approval of Loan Funded Share Plan

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

'That, for the purposes of ASX Listing Rule 7.2 Exception 9, section 259B(2) of the Corporations Act 2001 (Cth), and for all other purposes, shareholders approve the Company's Loan Funded Share Plan (LFSP) on the terms and conditions summarised in the Explanatory Memorandum, and the issue of loan funded shares by the Board in its discretion in accordance with the provisions of that LFSP as an exception to ASX Listing Rule 7.1.'

5. Subsequent approval of issue of securities

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*'That for the purposes of ASX Listing Rule 7.4 and for all other purposes, the shareholders approve and ratify Mesoblast's allotment on **14th March 2013** of **26,970,979** fully paid ordinary shares credited as fully paid at an issue price of **\$6.30** per share and otherwise on the terms and conditions detailed in the Explanatory Memorandum accompanying this Notice of Meeting.'*

6. Increase in Directors' fees pool

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

'That for the purposes of ASX Listing Rule 10.17 and Clause 15.4(a) of the Company's Constitution, approval is sought for an increase in the maximum aggregate amount payable for Directors' fees, to be paid to Non-Executive Directors for their services as Non Executive Directors of the Company, from \$1,000,000 to \$1,250,000 per annum, being an increase of the maximum aggregate of \$250,000 per annum'.

Further Information

For detailed information on the above Agenda Items please refer to the explanatory memorandum on pages 6 to 15.

By Order of the Board:



Jenni Pilcher
Company Secretary

15 October 2013

IMPORTANT NOTES

These notes form part of the Notice of the Annual General Meeting.

Voting Methods

A shareholder may only vote by one of the following methods:

- a) online (in accordance with the instructions on page 2 of the Security-holder Voting Form (**Proxy Form**));
- b) personally attend the meeting; or
- c) by proxy, representative, or attorney, at the meeting which can be appointed using the attached Proxy Form.

Annual Report

The Annual Report (which includes the Financial Report, the Directors' Report, the Auditor's Report and the Remuneration Report) is available for shareholders to access and download from the investor information page on the Company's website (www.mesoblast.com).

Shareholders who have elected to receive a copy of the Annual Report will receive it separately in the mail.

Shareholders Entitled to Vote

The Directors have determined that, for the purpose of voting at the meeting, shareholders are those persons who are the registered holders of shares at **7:00 pm** Melbourne time on **13 November 2013**.

Voting Exclusions

Item 2 Remuneration Report

The *Corporations Act 2011* (Cth) requires that certain persons must not vote, and the Company must disregard any votes cast by such persons, on the resolution detailed at Item 2 of this Notice of Meeting (**Item 2**).

Except to the extent otherwise permitted by law, the following persons may not vote, and the Company will disregard any votes cast by the following persons, on the resolution proposed in **Item 2**:

- a) A member of Key Management Personnel (**KMP**) (at the date of this meeting or whose remuneration details are included in the 2013 Remuneration Report) and their closely-related parties as defined in the *Corporations Act 2001*, (collectively referred to as a '**Prohibited Voter**') unless that person does so as a proxy appointed in writing by someone other than a Prohibited Voter and that proxy form specifies how the proxy is to vote on Item 2; and
- b) A Prohibited Voter that is appointed as a proxy where the proxy appointment does not specify the way the proxy is to vote on Item 2, unless the proxy is the Chairman of the AGM.

If you are not a Prohibited Voter and you have appointed the Chairman as your proxy, unless you direct to the contrary by marking 'abstain' or 'against' on the voting form, by appointing the Chairman as your proxy you expressly authorise the Chairman of the meeting to exercise your proxy in accordance with his stated intention to vote in favour of this resolution, even though this resolution is connected directly or indirectly with the remuneration of a KMP.

The Company will also apply these voting exclusions, on an equivalent basis, to persons appointed as attorney by a shareholder to attend and vote at the AGM under a power of attorney.

Item 3 Election of Directors

There are no voting exclusions for any of the resolutions at item 3.

Item 4 Approval of Long Term Incentive Plans for the purpose of Listing Rule 7.2

Please refer to Explanatory Notes for voting exclusion with respect to the resolutions at item 4.

Item 5 Subsequent approval of issue of securities

Please refer to Explanatory Notes for voting exclusion with respect to the resolutions at item 5.

Item 6 Increase in Directors' fees pool

Please refer to Explanatory Notes for voting exclusion with respect to the resolutions at item 6.

Appointment of Proxies

If you are entitled to vote at the meeting you have the right to appoint a proxy to attend and vote in your place. To appoint a proxy you should use the attached proxy form. The proxy need not be a shareholder of the Company. If you are entitled to cast two or more votes you may appoint up to two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. Please refer to page 2 of the Proxy Form.

If a proxy does not attend the AGM, then the Chairman of the AGM will be taken to have been appointed as the proxy of the relevant shareholder in respect of the AGM. If the Chairman of the AGM is appointed, or taken to be appointed as a proxy, but the appointment does not specify the way to vote on a resolution, then the Chairman of the AGM intends to exercise the relevant shareholder's votes in favour of the resolution (subject to the other provisions of these Notes).

Proxy forms must be received at Mesoblast Limited, C/-Link Market Services Limited, Locked Bag A14, Sydney South, NSW 1235, Australia or by fax on +61 2 9287 0309 no later than **9:30 am** on **13 November 2013**.

Bodies Corporate

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at meetings of the Company's shareholders. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution.

The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

Explanatory Memorandum

These explanatory notes have been prepared to provide shareholders with sufficient information to assess the merits of the resolutions contained in the accompanying Notice of Annual General Meeting (**AGM**) of the Company (**Notice**) concerning the meeting to be held at Deloitte, Level 11, 550 Bourke Street, Melbourne on **15 November 2013 at 9:30 am** (Melbourne time).

ITEMS OF BUSINESS

ORDINARY BUSINESS

1. Receipt and Consideration of Financial Statements and Reports

This agenda item is self-explanatory. It is intended to provide shareholders with the opportunity to raise questions on the Financial Statements and Reports, and in the performance of the Company generally.

Shareholders should note that the Financial Statements and Reports will be received in the form presented. It is not the purpose of the meeting for the Financial Statements and Reports to be accepted, rejected or modified in any way. There is no requirement either in the *Corporations Act* or in the Constitution of the Company for shareholders to approve the Financial Report, the Directors' Report or the Auditor's Report.

2. Remuneration Report (Non-binding Resolution)

The Board submits its Remuneration Report to shareholders for consideration and adoption. The *Corporations Act 2001* (Cth) specifically provides that the vote by shareholders is advisory only and is not binding on the Board or the Company. The Remuneration Report is set out in the Directors' Report of the 2013 Annual Report. The Remuneration Report:

- explains the Board's policies in respect of the nature and level of remuneration paid to Directors and other key management personnel of the Company;
- discusses the link between the Board's policies and the Company's performance;
- if an element of remuneration is performance based, explains why the performance conditions were chosen and how performance is measured against those conditions; and
- sets out the remuneration details for each of the key management personnel for the Mesoblast Group.

It is intended that shareholders will be provided an opportunity to discuss the Remuneration Report at the meeting.

The shareholder vote is advisory only and does not bind the Directors of the Company. However, pursuant to amendments of the *Corporations Act* which took effect from 1 July 2011, if the resolution to adopt the Remuneration Report receives a 'no' vote of at least 25% of the votes cast at two consecutive AGMs, a resolution must then be put to shareholders at the second AGM as to whether another general meeting of the Company should be held within 90 days at which all Directors (other than the Managing Director), who were in office at the time the Board approved the second Remuneration Report, would need to stand for re-election to the Board.

*Please Note: The Company did **NOT** receive "no" votes to the 2012 Remuneration Report resolution, which in aggregate were of at least 25% of the votes cast at the **2012 Annual General Meeting**.*

Board Recommendation

In these circumstances, the Company's Board of Directors (**Board**) abstains from making a recommendation to shareholders with respect to Item 2.

Voting Exclusions

Voting exclusions apply to this resolution as specified in the Important Notes section of the Notice of Annual General Meeting.

The Chairman, in his capacity as proxy holder, intends to vote undirected proxies in favour of approving this resolution at Item 2.

3. Election of Directors

a) Election of Dr Eric Rose as a Director

Clause 15.1(c) of the Constitution of the Company provides that, subject to the provisions of the *Corporations Act 2001*, the Directors may at any time appoint any person to be a Director and that person will hold office until the end of the next following general meeting and is eligible for election at that meeting.

Dr Eric Rose was appointed to the Board by the Directors on 15 April 2013.

In accordance with clause 15.1(c) of the Constitution of the Company, Dr. Eric Rose is eligible for election.

The following details are provided for Dr. Eric Rose who is standing for election:

Eric Rose is a world leader in translational research and cardiovascular medicine. He is currently Chairman and CEO of SIGA Technologies and Executive Vice President, Life Sciences, at MacAndrews & Forbes, Inc., the holding company of Ronald O. Perelman. From 2008 through 2012, Dr Rose served as the Edmond A. Guggenheim Professor and Chairman of the Department of Health Evidence and Policy at the Mount Sinai School of Medicine, which has an extensive portfolio of research focused on evaluation of complex medical technologies in cardiovascular disease, cancer, diabetes mellitus, and neurologic disease. From 1994 through 2007, Dr Rose served as Chairman of the Department of Surgery and Surgeon-in-Chief of the Columbia Presbyterian Center of New York Presbyterian Hospital. From 1982 to 1992, he led the Columbia Presbyterian heart transplantation program, during which time it became the most active program in the United States. Dr Rose pioneered heart transplantation in children, performing the first successful pediatric heart transplant in 1984. He has investigated many alternatives to heart transplantation, including cross species transplantation and man-made heart pumps and is also Chairman of the Board of Circulite, Inc., a developer of advanced left ventricular assist devices. Dr Rose has authored or co-authored more than 300 scientific publications and has received more than USD25 million in National Institutes of Health support for his research.

Other listed company Directorships – past three years

- SIGA Technologies (since 2011)
- ABIOMED (2007 to 2012)

Other Directorships/Appointments

- Circulite Inc (Chairman)

Board Recommendation

The Directors (in the absence of Dr Eric Rose) recommend that shareholders vote in favour of this resolution at Item 3.

The Chairman in his capacity as proxy holder intends to vote undirected proxies in favour of approving this resolution at Item 3(a).

b) Re-election of Mr Brian Jamieson as a Director

Article 15.3(a)(ii) of the Constitution of the Company provides that at every annual general meeting one-third of the previously elected Directors, and if their number is not a multiple of three, then the number nearest to but not exceeding one-third, must retire from office and are eligible for re-election. Accordingly, Mr Brian Jamieson will retire at this AGM and offer himself for re-election. Mr Brian Jamieson was last re-elected to the Board at the Company's 2011 Annual General Meeting.

The following details are provided for Mr Brian Jamieson who is standing for re-election:

Brian Jamieson was Chief Executive of Minter Ellison Melbourne and a partner of the Minter Ellison Revenue Group from 2002 to 2005, when he retired as Chief Executive. Prior to joining Minter Ellison, he was Executive Officer at KPMG Australia from 1998 to 2000, Managing Partner of KPMG Melbourne and Southern Regions from 1993 to 1998 and Chairman of KPMG Melbourne from 2001 to 2002. Mr Jamieson was also a KPMG Board Member in Australia and a member of the United States Management Committee. He has over 30 years of experience providing advice and audit services to a diverse range of public and large private companies and is a fellow of the Institute of Chartered Accountants in Australia.

Other listed company Directorships – past three years

- Tigers Realm Coal Limited (since 2011)
- Sigma Pharmaceuticals Limited (since 2005) – Chair
- Tatts Group Limited (since 2005)
- OZ Minerals Limited (since 2004)

Other Directorships/Appointments

- Sir Robert Menzies Foundation (Director & Treasurer)
- Bionics Institute (Deputy Chairman & Treasurer)

Board Recommendation

The Directors (in the absence of Mr Brian Jamieson) recommend that shareholders vote in favour of this resolution at Item 3(b).

The Chairman, in his capacity as proxy holder, intends to vote undirected proxies in favour of approving this resolution at Item 3(b).

c) Re-election of Mr Michael Spooner as a Director

Article 15.3(a)(ii) of the Constitution of the Company provides that at every annual general meeting one-third of the previously elected Directors, and if their number is not a multiple of three, then the number nearest to but not exceeding one-third, must retire from office and are eligible for re-election. Accordingly, Mr Michael Spooner will retire at this AGM and offer himself for re-election. Mr Michael Spooner was last re-elected to the Board at the Company's 2011 Annual General Meeting.

The following details are provided for Mr Michael Spooner who is standing for re-election:

Michael Spooner is a well-known and respected business leader. He has an extensive network of relationships with investment firms and business communities across the globe, having spent the majority of the past 25 years living and working internationally. Mr Spooner consults for a number of listed and unlisted companies based in Australia and the United States. Most recently, he was a non-executive Director of Hawaii Biotech Inc., a specialty developer of vaccines from 2010 to 2011. In 2009, Mr Spooner was appointed Chairman of BiVACOR, a total artificial heart company. He was also a non-executive Director of Peplin Inc., a dermatology-focused skin cancer company from 2004 until the company was sold in 2009 for over \$300 million. Previously, Mr Spooner was the Chairman of Mesoblast Limited from its initial listing in 2004 until 2007 and Managing Director & CEO of Ventracor Limited where he led the transformation of a small Australia-listed life sciences company into the second highest performing stock on the S&P/ASX 200 Index. He was also a Principal Partner and Director of Consulting Services with PricewaterhouseCoopers (Coopers & Lybrand) in Hong Kong for several years.

Other listed company Directorships – past three years

- Advanced Surgical Design (2010 to 2011)

Other Directorships/Appointments

Not applicable

Board Recommendation

The Directors (in the absence of Mr Michael Spooner) recommend that shareholders vote in favour of this resolution at Item 3(c).

The Chairman, in his capacity as proxy holder, intends to vote undirected proxies in favour of approving this resolution at Item 3(c).

4. Approval of Long Term Incentive Plans for the purpose of Listing Rule 7.2

Background

A key component of remuneration provided to senior employees and executives (excluding the CEO) are long term incentives. Long term incentives ensure employees have part of their remuneration tied to achieving long term value and success for shareholders.

The Group currently operates two long term incentive plans (**Plans**):

- Employee Share Option Plan (**ESOP**) and
- Loan Funded Share Plan (**LFSP**)

Selected employees and consultants of the Company and its subsidiaries (**Group**) are eligible to participate in the Plans at the absolute discretion of the Company's Board of Directors (**Board**).

The ESOP operates as a traditional option plan and is used to issue options to our non-Australian employees. The LFSP was set up and approved by the Board in November 2011 for the purposes of issuing long term incentives to Australian tax residents, due to the unfavourable tax treatment of options in Australia. The LFSP is designed to operate with largely the same effect as if the person received options, with the exception of the tax treatment.

Further information on the Plans can be found in the Remuneration Report section of the Directors' Report.

Shareholder Approval

Listing Rule 7.2 Exception 9 provides that any equity securities issued under an employee incentive scheme that has been approved by shareholders within the last three years are not counted when calculating the maximum number of equity securities a company may issue without shareholder approval under the '15% cap' in ASX Listing Rule 7.1.

The ESOP was last approved by shareholders on 29 November 2010. Under the ESOP, participants are issued options to acquire shares in the Company at a specified exercise price, subject to the satisfaction of certain vesting conditions. Listing Rule 7.2 Exception 9 provides this approval remains in effect for three years only and consequently expires on 29 November 2013. Therefore this ESOP is being put to shareholders for approval at this annual general meeting for the purposes of Listing Rule 7.2 Exception 9 pursuant to the Resolution at item 4(a).

The LFSP was approved by the Board on 7 November 2011 and has not previously been approved by shareholders. Under the LFSP, participants are provided with a limited recourse loan by the Company for the sole purpose of acquiring shares in the Company, and those shares remain subject to the satisfaction of certain vesting conditions. The LFSP is being put to shareholders for approval at this annual general meeting for the purposes of Listing Rule 7.2 Exception 9 pursuant to the Resolution at item 4(b).

Listing Rule 7.2 Exception 9 requires the information detailed below to be provided to members for approval under items 4(a) and 4(b).

Summary of the Terms of the Plans

Maximum number of shares able to be issued

The terms of the ESOP and the LFSP impose limits on the maximum number of shares that may be issued under the Plans. In broad terms, the maximum number of shares that may be issued (including shares issued on the exercise of options) under the Plans to persons in Australia in any 5 year period may not exceed 5% of the number of shares on issue at the beginning of that 5 year period. There are certain exclusions from this limit, including shares issued under a formal disclosure document (such as a prospectus) and shares issued to certain exempt classes of persons provided for in the *Corporations Act 2001* (Cth).

In addition, under the ESOP, there is a maximum of 10,000,000 shares over which US stock options may be issued (this is a nominal value required to be specified by the US Internal Revenue Code).

Ranking of shares

Shares allotted and issued under the Plans must rank equally in all respects with other shares from the date of allotment and issue, subject to the satisfaction of any applicable disposal restrictions.

Vesting conditions, expiry dates, exercise price and share acquisition price

Under the ESOP, the vesting conditions, expiry date and exercise price of options are determined by the Board in its discretion at the time of issue of the options.

Under the LFSP, the vesting conditions and acquisition price of shares is determined by the Board in its discretion at the time of issue of the shares.

The Company typically issues options and loan-funded shares under the Plans on the following basis:

- Options and loan funded shares are issued in three equal tranches, and are subject to vesting conditions such that one tranche will vest on each of the first, second and third anniversary of the issue date.
- Options have an expiry date of five years from date of issue.
- The limited recourse loans advanced under the LFSP must be repaid within five years from the date of issue of shares under the LFSP.
- The exercise price of options and the share acquisition price of loan funded shares, are set by reference to the five day volume weighted average share price at the date of Board approval plus a 10% premium.

Loan terms under the LFSP

The loan advanced by the Company to the participant may be used solely to acquire shares under the LFSP. The loan is limited-recourse. Accordingly, the participant is not required to pay any amount in excess of the value of the shares acquired through provision of the loan. The loan must be repaid prior to the sale of any shares, or arrangements must be entered into with the Company such that the proceeds of any sale are applied in repayment of the loan and, to the extent that there are any excess proceeds of sale after repayment, they are retained by the participant. The after tax benefit of any dividends (based on the top Australian marginal tax rate and the Medicare levy) must be applied in repayment of the loan.

Treatment of options and loan funded shares on cessation of employment

Cessation of employment as a Bad Leaver

If a participant in a Plan ceases employment, and the Board determines that the participant is a “Bad Leaver”, all rights, entitlements and interests in any unexercised Options (whether vested or unvested) held by the participant will lapse immediately and any loan-funded shares (whether vested or unvested) held by the participant will be forfeited immediately.

A “Bad Leaver” is a participant who ceases to be employed by the Company where the Board determines that the participant has:

- committed any serious or persistent breach of any provisions of employment;
- been convicted of any criminal offence which involves fraud or dishonesty;
- engaged in any conduct which brings the Company into substantial disrepute;
- committed any wrongful or negligent act or omission which has caused the Company substantial liability;
- engaged in grave misconduct or recklessness in the discharge of the Participant’s duties;
- become disqualified from managing corporations in accordance with Part 2D.6 of the *Corporations Act 2001* (Cth) or has committed any act that, pursuant to the *Corporations Act 2001* (Cth), may result in the participant being banned from managing a corporation;
- in the case of the LFSP, breached the terms of their loan agreement; or
- left in any other circumstance that the Board, in its discretion, deems to be a Bad Leaver.

Cessation of employment as a Leaver

If a participant in a Plan ceases employment, and the Board determines that the participant is a “Leaver”, then:

- The participant may retain vested options and vested loan funded shares, however, they must be exercised, or in the case of loan-funded shares the loan must be repaid, within 60 days of cessation of employment (or within a longer period if so determined by the Board), after which time the options will lapse and loan funded shares will be forfeited.
- Any unvested options will lapse and any unvested loan funded shares will be forfeited.

A “Leaver” means a participant who ceases employment and who is not a Bad Leaver. A Leaver will include a participant who ceases employment due to resignation or retirement.

Change of control

The Board has discretion to determine at any time that an unvested option or an unvested loan funded share may vest on the occurrence of a Control Event – whether or not any or all applicable vesting conditions have been met.

A “Control Event” means any of the following:

- an offer is made by a person for the whole of the issued ordinary share capital of the Company (or any part as is not at the time owned by the offeror or any person acting in concert with the offeror) and after announcement of the offer the offeror (being a person who did not Control the Company prior to the offer) acquires Control of the Company;
- any other event occurs which causes a change in Control of the Company; or
- any other event which the Board reasonably considers should be regarded as a Control Event.

“Control” of an entity means having the right:

- to vote 50% (or more) of the votes that can be cast at a meeting of shareholders;
- to appoint or remove directors who possess 50% (or more) of the votes exercisable by all directors of the entity; or
- to 50% (or more) of the profits or distributions of the entity or of its net liquidation proceeds.

The number of options and shares issued under the Plans since the date of the last approval

The ESOP was last approved by shareholders on 29 November 2010. Since that approval, the Company has issued 12,145,000 options to acquire fully paid ordinary shares pursuant to this ESOP. Of these, 578,400 were forfeited, 847,000 have been exercised, and 10,719,600 remain issued and outstanding.

The LFSP was set up by the Company and approved by Directors on 7 November 2011, and has not previously been approved by shareholders. Since inception of the LFSP, the Company has issued 4,320,000 loan funded shares. Of these, 155,000 were forfeited, none have been purchased, and 4,165,000 remain issued and outstanding.

Voting Exclusion

Pursuant to ASX Listing Rule 7.2 (exception 9 (b)) Mesoblast will disregard any votes cast on the resolution at items 4(a) and 4(b) by:

- any Director or employee of Mesoblast (except one who is ineligible to participate in any employee incentive scheme in relation to the entity) who are excluded from voting; and
- an associate of that person (or those persons).

However, the entity need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Board recommendation

As the Directors of Mesoblast are excluded from voting pursuant to the Listing Rules, they make no recommendation to the shareholders in respect of the Employee Share Option Plan (Item 4(a)) and the Loan Funded Share Plan (Item 4(b)).

The Chairman in his capacity as proxy holder intends to vote undirected proxies in favour of approving this Resolution.

5. Subsequent approval of issue of securities

5.1 Short explanation

On 14 March 2013, 26,970,979 fully paid ordinary shares (or 9.4% of issued capital), were issued to various sophisticated or wholesale investors (**Subscribers**) at an issue price of \$6.30 per share. The issue of these shares to the Subscribers was within the 15% limitation imposed by ASX Listing Rule 7.1. Under ASX Listing Rule 7.1, Mesoblast may issue up to 15% of its ordinary share capital in any 12-month rolling period without shareholder approval.

Shareholder approval is now being sought for the purposes of ASX Listing Rule 7.4.

ASX Listing Rule 7.4 permits a company to obtain subsequent approval of a prior issue of securities from its shareholders. Such subsequent approval means the prior issue of securities is treated as having been made with shareholder approval for the purposes of ASX Listing Rule 7.1, and thereby refreshes the company's ability in the future to issue up to 15% of its share capital without obtaining prior shareholder approval to the extent of the number of shares being approved under this resolution (namely, 26,970,979).

5.2 Regulatory Requirements

The ASX Listing Rules set out a number of regulatory requirements that must be satisfied in relation to the ratification of the issue of securities under item 5. These are summarised below.

5.3 Information required under ASX Listing Rule 7.5

ASX Listing Rule 7.5 requires that the meeting documents concerning a proposed resolution to approve an issue of securities subsequently, in accordance with ASX Listing Rule 7.4, must include the following information:

ASX Listing Rule	Information
7.5.1 The number of securities issued	26,970,979
7.5.2 The price at which the securities were issued	\$6.30 per share
7.5.3 The terms of the securities	Fully paid ordinary shares
7.5.4 The names of the persons to whom the entity issued the securities or the basis on which those persons were determined	Existing strategic investors and new global funds (Subscribers) introduced by our investment bankers, for all of whom the Company is exempt from disclosure under Chapter 6D of the Corporations Act.
7.5.5 The use (or intended use) of the funds raised	Continued development of Mesoblast's proprietary Mesenchymal Precursor Cell (MPCs) technology platform, specifically: <ul style="list-style-type: none"> • a Phase 3 clinical trial using MPCs for treatment of degenerative disease of the lumbar spine; • new Phase 2 clinical trials to broaden the indications for intravenous delivery of MPCs in the treatment of systemic inflammatory conditions • optimization of MPC manufacturing processes and increased product inventory • supporting staff and overheads.
7.5.6 Voting exclusion	Pursuant to ASX Listing Rule 7.5.6 Mesoblast will disregard any votes cast on resolution 5 by: <ul style="list-style-type: none"> • any person who participated in the issue, namely the Subscribers; and • an associate of that person (or those persons). <p>However, Mesoblast need not disregard a vote if:</p> <ul style="list-style-type: none"> • it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or • it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

5.4 Effect of passing of the resolution at item 5

This Resolution, if passed, will enable Mesoblast to retain the flexibility to issue equity securities within the next 12 months up to the ASX Listing Rule 7.1 15% threshold without the requirement to obtain prior Shareholder approval.

6. Increase in Directors' fees pool

6.1 Background

The Directors consider that the aggregate amount of Directors' fees to be paid out of the funds of the Company by way of remuneration to Non Executive Directors for their services as Non Executive Directors of the Company should be increased from the current aggregate maximum of \$1,000,000 previously approved by shareholders, to an aggregate maximum sum of \$1,250,000, being an increase of \$250,000 or 25%.

Shareholders should note that increasing the limit or cap prescribed in respect of the aggregate Non-Executive Director fees does not mean that shareholders are approving an increase in the fees payable to each current Non-Executive Director. Mesoblast has established a remuneration committee which regularly reviews salaries / fees for all Mesoblast employees (including Non-Executive Directors). Our remuneration policy with respect to Non-Executive Directors' fees is set out in the Remuneration Report of the Annual Report.

The aggregate of Directors' fees was most recently approved by shareholders on 9 February 2011, in response to the appointment of an additional director to the Board.

In April 2013, Mesoblast welcomed Dr. Eric Rose to the Board, who is standing for election by shareholders at this AGM. The appointment of Dr. Rose, has meant the Board of Directors has increased from five members to six. Mesoblast no longer has capacity within its Directors Fee Pool to appoint any further Directors to the Board. Whilst it is not Mesoblast's current intention to expand the Board, Mesoblast is committed to continually reviewing the skills, expertise, location and diversity of Board members to ensure it has the capability to fulfil its obligations to shareholders.

The Board considers that having an increased maximum remuneration pool provides the flexibility to appoint additional Directors should it consider this to be in the best interests of the Company at a future time.

For these reasons, the Board has resolved to seek this increase in Directors' fees.

6.2 Shareholder approval

ASX Listing Rule 10.17 and Clause 15.4(a) of the Company's Constitution require shareholder approval to be obtained to any proposed increase in the total pool of Directors' fees.

6.3 Voting Exclusion Statement

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on Resolution 6 by:

- (a) any of the directors of Mesoblast; and
- (b) any associate of any of the directors of Mesoblast.

However Mesoblast need not disregard a vote if:

- (c) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (d) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Further information

The Directors of the Company are not aware of any other information which is relevant to the consideration by members of the proposed resolutions set out in the notice of general meeting.

The Directors recommend members read these explanatory notes in full and, if desired, seek advice from their own independent financial or legal adviser as to the effect of the proposed resolutions before making any decision in relation to the proposed resolutions.

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By mail: Mesoblast Limited C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



All enquiries to: Telephone: +61 1300 554 474



X99999999999

SECURITYHOLDER VOTING FORM

I/we being a member(s) of Mesoblast Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy. I/we appoint the Chairman of the Meeting as an alternate proxy to the person named.

If no person/body corporate is named, the Chairman of the Meeting, is appointed as my/our proxy and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 9:30am on Friday, 15 November 2013, at Deloitte, Level 11, 550 Bourke Street, Melbourne and at any adjournment or postponement of the meeting. I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.

The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting.

Please read the voting instructions overleaf before marking any boxes with an X

STEP 2

VOTING DIRECTIONS

ORDINARY BUSINESS

Resolutions

2 Adopt the Remuneration report (Non-Binding Resolution)

For Against Abstain* boxes

3a Election of Dr Eric Rose as a Director

For Against Abstain* boxes

3b Re-election of Mr Brian Jamieson as a Director

For Against Abstain* boxes

3c Re-election of Mr Michael Spooner as a Director

For Against Abstain* boxes

SPECIAL BUSINESS

4a Approval of Employee Share Option Plan

For Against Abstain* boxes

4b Approval of Loan Funded Share Plan

For Against Abstain* boxes

5 Subsequent approval of issue of securities

For Against Abstain* boxes

6 Increase in Directors' fees pool

For Against Abstain* boxes

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

IMPORTANT - VOTING EXCLUSIONS

If the Chairman of the Meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of Resolutions 4a, 4b and 6 above, please place a mark in this box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even though he/she has an interest in the outcome of those Resolutions and that votes cast by him/her for those Resolutions, other than as proxyholder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Resolutions 4a, 4b and 6 and your votes will not be counted in calculating the required majority if a poll is called on these Resolutions. The Chairman of the Meeting intends to vote undirected proxies in favour of Resolutions 4a, 4b and 6.

STEP 4

SIGNATURE OF SECURITYHOLDERS - THIS MUST BE COMPLETED

Securityholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Securityholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Securityholder 3 (Individual)

Director

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).



HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the company's security register. If this information is incorrect, please make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your securities using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you appoint someone other than the Chairman of the Meeting as your proxy, you will also be appointing the Chairman of the Meeting as your alternate proxy to act as your proxy in the event the named proxy does not attend the meeting.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's security registry or you may copy this form and return them both together. The appointment of the Chairman of the Meeting as your alternate proxy also applies to the appointment of the second proxy.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either securityholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the company's security registry.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **9:30am on Wednesday, 13 November 2013**, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the proxy form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).



by mail:

Mesoblast Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



by fax:

+61 2 9287 0309



by hand:

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138 or Level 12, 680 George Street, Sydney NSW 2000.

**If you would like to attend and vote at the Annual General Meeting, please bring this form with you.
This will assist in registering your attendance.**