

Mesoblast Limited
ABN 68 109 431 870

Notice of Annual General Meeting and Explanatory Memorandum

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

Time 3.30pm (Melbourne time)
Date Tuesday, 25 November 2014
Place Deloitte
Level 11, 550 Bourke Street
Melbourne, Victoria
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.

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, Victoria, Australia on 25 November 2014 at 3.30pm (Melbourne time) for the purpose of considering and, if thought fit, passing the resolutions set out 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

1. Receipt and Consideration of Financial Statements and Reports

To receive and consider the Financial Statements of the Company and the reports of the Directors and Auditor for the year ended 30 June 2014, as set out in the Company's 2014 Annual Report.

2. Election and Re-election of Directors

a) Election of Mr William M. Burns as a Director

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

'That Mr William M. Burns, a Director retiring from office in accordance with rule 15.1(c) of the Constitution, being eligible, is elected as a Director of the Company.'

b) Re-election of Mr Donal O'Dwyer as a Director

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

'That Mr Donal O'Dwyer, a Director retiring from office in accordance with rule 15.3(a) of the Constitution, being eligible, is re-elected as a Director of the Company.'

c) Re-election of Dr Ben-Zion Weiner as a Director

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

'That Dr Ben-Zion Weiner, a Director retiring from office in accordance with rule 15.3(a) of the Constitution, being eligible, is re-elected as a Director of the Company.'

For information about the candidates for election and re-election, see the Explanatory Memorandum (see pages 7 to 8).

3. Adoption of the Remuneration Report

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 financial year ended 30 June 2014 be adopted.'

Voting Exclusions: The Company will disregard any votes cast on this resolution by or on behalf of certain shareholders. Details of the voting exclusions applicable to this resolution are set out in the 'Voting Exclusions' section of the Notes below (see pages 4 to 5).

For information on the Remuneration Report, see the Explanatory Memorandum (see pages 8 to 9).

4. Approval of Proposed Issue of Options to Non-Executive Directors

a) Approval of Proposed Issue of Options to Mr William M. Burns

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

'That the Company hereby approves, for the purposes of ASX Listing Rule 10.14 and for all other purposes:

- (i) the grant to Mr William M. Burns (being a Non-Executive Director of the Company as at the date this resolution is passed) of 80,000 Options under, and in accordance with, the Company's Employee Share Option Plan and on the basis described in the Explanatory Memorandum accompanying the notice convening this meeting; and*
- (ii) any issue of fully paid ordinary shares in the Company to Mr William M. Burns upon the exercise of any such Options.'*

b) Approval of Proposed Issue of Options to Dr Eric Rose

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

'That the Company hereby approves, for the purposes of ASX Listing Rule 10.14 and for all other purposes:

- (i) the grant to Dr Eric Rose (being a Non-Executive Director of the Company as at the date this resolution is passed) of 80,000 Options under, and in accordance with, the Company's Employee Share Option Plan and on the basis described in the Explanatory Memorandum accompanying the notice convening this meeting; and*
- (ii) any issue of fully paid ordinary shares in the Company to Dr Eric Rose upon the exercise of any such Options.'*

c) Approval of Proposed Issue of Options to Dr Ben-Zion Weiner

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

'That the Company hereby approves, for the purposes of ASX Listing Rule 10.14 and for all other purposes:

- (i) the grant to Dr Ben-Zion Weiner (being a Non-Executive Director of the Company as at the date this resolution is passed) of 80,000 Options under, and in accordance with, the Company's Employee Share Option Plan and on the basis described in the Explanatory Memorandum accompanying the notice convening this meeting; and*
- (ii) any issue of fully paid ordinary shares in the Company to Dr Ben-Zion Weiner upon the exercise of any such Options.'*

Voting Exclusions: The Company will disregard any votes cast on these resolutions by or on behalf of certain shareholders. Details of the voting exclusions applicable to these resolutions are set out in the 'Voting Exclusions' section of the Notes below (see pages 4 to 5).

For information on the Proposed Issue of Options to Non-Executive Directors, see the Explanatory Memorandum (see pages 9 to 11).

By Order of the Board:



Charlie Harrison
Company Secretary

23 October 2014

NOTES:

Eligibility to Vote

For the purpose of voting at the AGM, the Directors have determined that all shares in the Company are taken to be held by the persons who are registered as holding them at 7.00 pm (Melbourne time) on 23 November 2014. The entitlement of shareholders to vote at the AGM will be determined by reference to that time.

Voting Exclusions

Items 2(a), 2(b) and 2(c) – Election and Re-election of Directors

There are no voting exclusions for these items.

Item 3 – Adoption of the Remuneration Report

The following persons may not vote, and the Company will disregard any votes cast by or on behalf of the following persons, on the resolution proposed in item 3 (**Resolution 3**):

- any member of the key management personnel for the Mesoblast consolidated group (each, a **KMP**) whose remuneration details are included in the Remuneration Report, and any closely related party of such a KMP;
- any other person to the extent that they are voting on behalf of such a KMP or closely related party; and
- any person who is a KMP as at the time Resolution 3 is voted on at the AGM, and any closely related party of such a KMP, to the extent in either case that they are acting as a proxy,

unless the person votes as a proxy for someone who is entitled to vote and:

- the person is appointed as a proxy by writing that specifies how the proxy is to vote on Resolution 3; or
- the person is the Chair of the AGM and the proxy appointment expressly authorises the Chair to exercise the proxy even if Resolution 3 is connected directly or indirectly with the remuneration of the KMP.

Items 4(a), 4(b) and 4(c) – Approval of Proposed Issue of Options to Non-Executive Directors

The following persons may not vote, and the Company will disregard any votes cast by the following persons, on the resolutions proposed in each of items 4(a), 4(b) and 4(c) (**Resolutions 4(a), 4(b) and 4(c)**):

- any Director who is eligible to participate in the Company's Employee Share Option Plan or any associate of such a Director; and
- any person who is a KMP as at the time Resolutions 4(a), 4(b) and 4(c) are voted on at the AGM, and any closely related party of such a KMP, to the extent in either case that they are acting as a proxy,

unless the person votes as a proxy for someone who is entitled to vote and:

- the person is appointed as a proxy by writing that specifies how the proxy is to vote on any of Resolutions 4(a), 4(b) or 4(c), and the vote is cast in accordance with that direction; or
- the person is the Chair of the AGM and:
 - the proxy appointment expressly authorises the Chair to exercise the proxy even if any of Resolutions 4(a), 4(b) or 4(c) is connected directly or indirectly with the remuneration of a KMP; and
 - if the Chair is a Director who is eligible to participate in the Company's Employee Share Option Plan, the vote is cast in accordance with a direction in the proxy appointment to vote as the proxy decides.

Defined terms used in the voting exclusions

For the purposes of the above voting exclusions:

- The '**key management personnel for the Mesoblast consolidated group**' (or **KMPs**) are those persons having authority and responsibility for planning, directing and controlling the activities of the Mesoblast consolidated group either directly or indirectly. It includes all Directors (Executive and Non Executive). The KMPs during the year ended 30 June 2014 are listed in the Remuneration Report contained in the Directors' Report for the year ended 30 June 2014.

- A '**closely related party**' of a KMP means:
 - a spouse or child of the KMP; or
 - a child of the KMP's spouse; or
 - a dependant of the KMP or of the KMP's spouse; or
 - anyone else who is one of the KMP's family and may be expected to influence the KMP, or be influenced by the KMP, in the KMP's dealings with the Mesoblast consolidated group; or
 - a company the KMP controls.

Application of voting exclusions to attorneys

The Company will also apply these voting exclusions to persons appointed as attorney by a shareholder to attend and vote at the AGM under a power of attorney, as if they were appointed as a proxy.

Information On Proxies, Corporate Representatives and Attorneys

Voting by Proxy

Please note that:

- a shareholder of the Company entitled to attend and vote at the AGM is entitled to appoint a proxy. A shareholder who is entitled to cast two or more votes may appoint not more than two proxies;
- a proxy may be either an individual or a corporation, and need not be a shareholder of the Company;
- a single proxy exercises all voting rights of the relevant shareholder;
- where two proxies are appointed, the shareholder may specify the proportion or number of that shareholder's votes that each proxy is appointed to exercise. If a shareholder appoints two proxies and does not specify each proxy's voting rights, each proxy may exercise half the votes. Fractions of votes are to be disregarded;
- a proxy need not vote in that capacity on a show of hands on any resolution nor (unless the proxy is the Chair of the AGM) on a poll. However, if the proxy's appointment specifies the way to vote on a resolution, and the proxy decides to vote in that capacity on that resolution, the proxy must vote the way specified (subject to the other provisions of these Notes, including the voting exclusions noted above);
- if a proxy does not attend the AGM then the Chair of the AGM will be taken to have been appointed as the proxy of the relevant shareholder in respect of the AGM; and
- if the Chair 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 Chair intends to exercise the relevant shareholder's votes in favour of the relevant resolution (subject to the other provisions of these Notes, including the voting exclusions noted above).

To be valid, the appointment of a proxy must be received **at least 48 hours prior to the AGM** using one of the following methods:

- faxing the proxy appointment form, along with the power of attorney or other authority (if any) under which the form is signed, to +61 2 9287 0309; OR
- lodging the proxy appointment form (online, by mail or in person) along with the power of attorney or other authority (if any) under which the form is signed (or a certified copy thereof), as follows:
 - ONLINE:** by logging into the following website address – www.linkmarketservices.com.au – using the holding details as shown on your enclosed proxy form and select 'Voting' and follow the prompts to lodge your vote
 - BY MAIL:** c/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
 - BY HAND:** c/- Link Market Services Limited
Level 1, 333 Collins Street
Melbourne VIC 3000

A proxy appointment form accompanies this Notice of AGM.

Voting by Corporate Representatives

A shareholder, or proxy, that is a corporation and entitled to attend and vote at the AGM may appoint an individual to act as its corporate representative. Evidence of the appointment of a corporate representative must be in accordance with the *Corporations Act* and must be lodged with the Company before the AGM or at the registration desk on the day of the AGM.

Voting by Attorney

A shareholder entitled to attend and vote at the AGM is entitled to appoint an attorney to attend and vote at the AGM on the shareholder's behalf. An attorney need not be a shareholder of the Company.

The power of attorney appointing the attorney must be duly executed and specify the name of each of the shareholder, the Company and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.

To be effective, the power of attorney must also be returned in the same manner, and by the same time, as outlined above for proxy appointment forms.

Evidence of execution

If any instrument (including a proxy appointment form or appointment of corporate representative) returned to the Company is completed by an individual or a corporation under power of attorney, the power of attorney under which the instrument is signed, or a certified copy of that power of attorney, must accompany the instrument unless the power of attorney has previously been noted by the Company or the Company's share registry.

Explanatory Memorandum (to the 2014 Notice of Annual General Meeting)

ITEMS OF 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 on 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. Election of Directors

a) Election of Mr William M. Burns as a Director

Mr William M. Burns was appointed to the Board by the Directors on 6 March 2014. In accordance with clause 15.1(c) of the Company's Constitution, Mr Burns holds office only until the end of the AGM and, being eligible, offers himself for election at the AGM.

William (Bill) M. Burns has spent his entire career to date in two companies, the Beecham Group and F. Hoffmann-La Roche Ltd. He was Chief Executive Officer of Roche Pharmaceuticals from 2001 to 2009, when he joined the Board of F. Hoffmann-La Roche until he retired in 2014. His responsibilities spanned from research to commercialization. Mr Burns has also served on the Board of Directors of Genentech, and as a Director of Chugai Pharmaceutical Co. Additional roles have included as Chairman of biologic companies Okairos, acquired in 2013 by GlaxoSmithKline, and Crucell, acquired in 2011 by Johnson & Johnson. He chaired the Swiss Research Trade Association for several years and represented the company on the European and International Trade Associations Management Boards. He also supports the Wellcome Trust New Technologies group and is a member of the Oncology Advisory Board of the Universities of Cologne/Bonn.

The Board has determined that Mr Burns is an independent Director.

Additional Current Directorships

- Chairman, Masters Speciality Pharma (UK)
- Vice Chairman, Biotie Therapeutics (Finland)
- Vice Chairman, Vestergaard- Frandsen (Switzerland)
- Non-Executive Director, Shire (UK)

b) Re-election of Mr Donal O'Dwyer as a Director

Mr Donal O'Dwyer was appointed to the Board on 29 September 2004 and last elected by shareholders at the Company's 2012 annual general meeting. In accordance with clause 15.3(a) of the Company's Constitution, Mr O'Dwyer retires by rotation at the end of the AGM and, being eligible, offers himself for re-election at the AGM.

Donal O'Dwyer has over 30 years of experience as a senior executive in the global cardiovascular and medical devices industries. From 1996 to 2003, he worked for Cordis Cardiology, the cardiology division of Johnson & Johnson's Cordis Corporation, initially as its President (Europe) and as its worldwide President from 2000. In his role, Mr O'Dwyer led Cordis through the launch of the revolutionary Cypher drug eluting coronary stent technology, and saw the company take over number one market share of coronary stents worldwide. Prior to joining Cordis, he worked for 12 years with Baxter Healthcare, rising from plant manager in Ireland to President of the Cardiovascular Group, Europe (now Edwards Lifesciences). Mr O'Dwyer is a qualified civil engineer and has an MBA.

The Board has determined that Mr O'Dwyer is an independent Director.

Additional Current Directorships

- Non-Executive Director, Cochlear Limited
- Chairman and Non-Executive Director, Atcor Medical Holdings Ltd
- Non-Executive Director, Fisher & Paykel Healthcare

c) Re-election of Dr Ben-Zion Weiner as a Director

Dr Ben-Zion Weiner was appointed to the Board on 9 May 2012 and last elected by shareholders at the Company's 2012 annual general meeting. In accordance with clause 15.3(a) of the Company's Constitution, Dr Weiner retires by rotation at the end of the AGM and, being eligible, offers himself for re-election at the AGM.

Ben-Zion Weiner was head of global research and development at Teva Pharmaceutical Industries Ltd for over three decades, including as Chief R&D Officer and a member of the Teva Executive Committee. He directly oversaw all pharmaceutical R&D and innovative branded product pipeline development. Dr Weiner has been responsible for the development of hundreds of generic products for the United States, European and other markets. In parallel, he has been responsible for the development and regulatory approval of Teva's innovative product portfolio. Dr Weiner has twice been the recipient of the Rothschild prize for innovation, including for the commercialization of Copaxone in the treatment of multiple sclerosis. He retired from Teva at the end of 2012. Dr Weiner is no longer affiliated with Teva.

The Board has determined that Dr Weiner is an independent Director.

Additional Current Directorships

- Chairman, Novaremed

Recommendation

The Directors (in each case excluding the relevant candidate) recommend that shareholders vote in favour of the re-election of each of the above candidates.

3. Adoption of the Remuneration Report

Under the Corporations Act, the Company is required to include, in the Directors' Report, a detailed Remuneration Report setting out certain prescribed information relating to Directors' and Executives' remuneration, and submit this for adoption by resolution of shareholders at the AGM.

The Directors' Report for the year ended 30 June 2014 contains the Remuneration Report, which is set out on pages 38 to 52 of the 2014 Annual Report. A copy of the report of the 2014 Annual Report can be found on the Mesoblast website at www.mesoblast.com.au or by contacting the Company's share registrar, Link Market Services.

The Remuneration Report includes:

- an explanation of the Company's policies in relation to the nature and amount of the remuneration of the key management personnel (KMP);
- a description of the relationship between such policies and Mesoblast's performance;
- if an element of remuneration is performance based, an explanation why the performance conditions were chosen and how performance is measured against those conditions; and
- remuneration details for KMP.

During this item, there will be an opportunity for shareholders at the meeting to comment on and ask questions about the Remuneration Report, and shareholders are asked to adopt the Remuneration Report.

The vote on the resolution in this item is advisory only and will not bind the Directors of Mesoblast. The Board will take the outcome of the vote into consideration when reviewing remuneration practices and policies of the Company.

Recommendation

Noting that each Director has a personal interest in their own remuneration from the Company (as such interests are described in the Remuneration Report) and, as described above in the voting exclusions, that each Director (or any closely related party of a Director) is excluded from voting their shares on this resolution, the Directors recommend that shareholders vote in favour of Resolution 3 to adopt the Remuneration Report.

4. Approval of Proposed Issue of Options to Non-Executive Directors

a) Background

Shareholders are asked to approve the issue of the following Options under the Company's Employee Share Option Plan:

- 80,000 Options to Mr William M. Burns;
- 80,000 Options to Dr Eric Rose; and
- 80,000 Options to Dr Ben-Zion Weiner,

each of whom is a Non-Executive Director of the Company.

The Board considers that it is important to ensure that the Company remains globally competitive in terms of the benefits made available to non-executives – to ensure that the Company can attract and retain non-executive directors of high calibre and experience. The Board considers that the grant of Options to non-executive directors is an important component of providing competitive benefits, in particular for non-executive directors in the international biotechnology sector. All of the Directors to whom it is proposed to issue Options at this AGM are based outside Australia, with Mr Burns living in Switzerland, Dr Rose living in the United States and Dr Weiner living in Israel.

The Board considers that the aggregate value of the Options to be granted to each Non-Executive Director named above, based on a Black-Scholes option valuation methodology, will be equal to approximately the current annual amount payable by the Company to a Non-Executive Director in director's fees. The Directors (excluding the Non-Executive Directors named above) believe that the quantum of Options to be issued to the Non-Executive Directors named above, subject to approval by the Company's shareholders, is reasonable and in line with market practice given a benchmarking exercise that was undertaken by the Remuneration Committee to compare Mesoblast with several of its peers in the Australian and international biotechnology sector.

Mesoblast is in an important stage of development with significant opportunities and challenges in both the near and long-term, and the proposed issue seeks to align the efforts of the Non-Executive Directors named above in seeking to achieve growth of the share price and in the creation of shareholder value.

In addition, the Directors (excluding the Non-Executive Directors named above) also believe that incentivisation with Options is a prudent means of conserving the Company's available cash as is customary in the biotechnology industry.

The Directors do not intend the issue of Options to be an annual or regular event for the Non-Executive Directors.

b) The Company's Employee Share Option Plan

The Company's Employee Share Option Plan was approved by the Company's shareholders at the 2013 AGM and operates as a traditional option plan for the issuance of Options to non-Australian eligible participants. The key terms and conditions attaching the Company's Employee Share Option Plan were described in the Explanatory Memorandum that accompanied the Notice of Meeting for the 2013 AGM, and further information on the Company's Employee Share Option Plan can be found in the Remuneration Report.

The key terms applying to the Options to be issued to the Non-Executive Directors named above are summarised below:

- i) The Company will issue the Options in three equal tranches, with vesting dates on the first, second and third anniversary of grant date, and an expiry date of five years from the grant date.
- ii) Each Option will entitle the holder to acquire one ordinary share in Mesoblast at the exercise price applicable to that Option. The Options will not be subject to any performance conditions or hurdles.

- iii) Shares acquired on the exercise of Options will rank equally in all respects with other shares from the date of issue, subject to the satisfaction of any applicable disposal restrictions.
- iv) The Options will be subject to lapsing where the holder is a 'Bad Leaver'. Unless the Board determines otherwise in accordance with the rules of the Company's Employee Share Option Plan:
 - Where a holder is a 'Bad Leaver', all rights, entitlements and interests in any unexercised Options (including those that are vested Options) held by the holder will be forfeited and will lapse immediately. In broad terms, a holder will be a 'Bad Leaver' where they cease to be a director of the Company in circumstances where they have engaged in conduct adverse to the Company or breach the terms of their appointment.
 - Where a holder is a 'Leaver', the holder will retain all vested and unvested Options and they will remain subject to vesting (if unvested) and expiry as noted in (i) above. A holder will be a 'Leaver' where they cease to be a director of the Company in circumstances where they are not a 'Bad Leaver' (and a 'Leaver' will include someone who resigns or retires).
- v) The Board may determine at any time that an unvested Option may vest on the occurrence of a 'Control Event' – whether or not any or all applicable vesting conditions have been met.

c) The need for shareholder approval

ASX Listing Rule 10.14 provides that an entity must not permit any director of the Company to acquire securities under an employee incentive scheme without the prior approval of ordinary shareholders.

Accordingly, under ASX Listing Rule 10.14, the Company must seek shareholder approval to grant Options to each of the Non-Executive Directors named above.

d) Information required by the ASX Listing Rules

ASX Listing Rule 10.15 requires that the meeting documents concerning a proposed resolution to approve an issue of securities, in accordance with ASX Listing Rule 10.14, must include the following information:

If the person is not a director, a statement of the relationship between the person and the director that requires the approval to be obtained.	Each of the Non-Executive Directors named above is a director of the Company.
The maximum number of securities that may be acquired by all persons for whom approval is required, including the formula (if one is used) for calculating the number of securities to be issued.	<p>The maximum number of Options that may be acquired by each of the Non-Executive Directors named above is as follows:</p> <ul style="list-style-type: none"> • 80,000 Options by Mr William M. Burns; • 80,000 Options by Dr Eric Rose; and • 80,000 Options by Dr Ben-Zion Weiner. <p>The Board considers that the aggregate value of the Options to be granted to each Non-Executive Director named above, based on a Black-Scholes option valuation methodology, will be equal to approximately the current annual amount payable by the Company to a Non-Executive Director in director's fees (\$128,250).</p>
The price (including a statement whether the price will be, or be based on, the volume weighted average market price or closing market price), or the formula for calculating the price, for each security to be acquired under the scheme.	<p>Each Option will be granted for no consideration.</p> <p>Each Option will have an exercise price equal to the five day volume weighted average share price for the five ASX trading days ending on, and including, the date of the AGM.</p>
The names of all persons referred to in ASX Listing Rule 10.14 who received securities under the scheme since the last approval, the number of the securities received, and acquisition price for each security.	No person referred to in ASX Listing Rule 10.14 has been issued Options under the Company's Employee Share Option Plan since the last approval under the Listing Rules.
The names of all persons referred to in ASX Listing Rule 10.14 entitled to participate in the scheme.	All Directors of the Company are entitled, under the terms of the Company's Employee Share Option Plan, to participate in that plan. However, the decision to offer Options under the Plan is subject to Board approval and shareholder approval in accordance with ASX Listing Rule 10.14.
A voting exclusion statement.	Details of the voting exclusions applicable to this resolution are set out in the 'Voting Exclusions' section of the Notes (see pages 4 to 5).
The date by which the entity will issue the securities, which must be no later than 12 months after the meeting.	If approved by shareholders, the Options will be issued by 31 December 2014.

e) Directors' recommendation

The Directors (excluding the Non-Executive Directors named above to whom it is proposed that Options be issued) recommend that shareholders vote in favour of each of Resolutions 4(a), 4(b) and 4(c) to approve the proposed issue of Options to the Non-Executive Directors named above.

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