mesoblast

Leading the world in regenerative medicine

Annual Report **2010**

Contents

Message from the Chairman

On behalf of Mesoblast Limited's Board of Directors, I am pleased to present this Annual Report for the year ended 30 June 2010.

Mesoblast is now firmly entrenched as a world leader in the commercialisation of biologic products.

2010 saw Mesoblast achieving considerable progress in the commercialisation of our off-the-shelf allogeneic and our patient-specific autologous suite of products, producing a strong and positive news flow.

There was overwhelming support for the strategic acquisition of our United States associate company, Angioblast Systems Inc., which will deliver the full potential of our shared platform technology under one umbrella. With 100 per cent of the intellectual property covering the commercial use of the unique and potent Mesenchymal Precursor Cells, Mesoblast has broadened its product pipeline to include major clinical opportunities such as heart disease, oncology, diabetes and eye diseases.

In a year of notable achievements, the approval by the Australian Therapeutic Goods Administration for Mesoblast to manufacture and distribute our first generation patient-specific adult stem products was a highpoint. We are very proud that this is the first culture-expanded adult stem cell product that has received manufacturing approval anywhere in the world.

Mesoblast is achieving global recognition as it continues to meet key milestones, gaining support from major new international investors. We continue to appreciate the ongoing loyalty and support of all our retail, institutional and sophisticated investors.

We acknowledge the valuable contributions of the Mesoblast staff and consultants who continue to deliver excellent outcomes and to constantly demonstrate their robust commitment to rapidly delivering a suite of adult stem cell for an increasing number of applications with unmet clinical needs.

We expect 2011 to be another dynamic year for Mesoblast and we look forward to sharing our future achievements with you as we continue to make profound differences to the quality and extension of lives for millions of people worldwide.

Mr Brian Jamieson

Mesoblast is now firmly entrenched as a world leader in the commercialisation of biologic products… through increasing recognition of the Company's steady progress towards commercialisation of its platform adult stem cell technology.

Executive Director's Report

The year 2010 has been pivotal to Mesoblast's maturation as the world's leading regenerative medicine company.

To facilitate our continued growth and expansion of commercial opportunities we have ensured that the entire intellectual property for the Mesenchymal Precursor Cell (MPC) technology platform has been brought together under one umbrella within Mesoblast. This will enable all shareholders to participate in 100 per cent of the commercial benefit from all applications of the MPC technology.

The acquisition of Angioblast Systems by Mesoblast provides the enlarged Mesoblast Group with at least five strategic advantages:

- A larger market capitalization and liquidity which will increase domestic and international investor interest and facilitate greater access to capital for our clinical and other requirements
- The ability to now rationally allocate resources to those clinical applications that have the highest inherent commercial value
- By fully controlling the intellectual property to the platform technology, the Company has enhanced its ability to negotiate transactions for all potential applications with key strategic partners without limitation
- Full control of the intellectual property means that the Company can now roll out a manufacturing strategy for our commercial products and for a sustainable pipeline of next generation products
- A robust manufacturing capability ensures that the Company can maintain clear delineation for each product, including through formulation changes, to protect key market advantages such as price premiums.

The enlarged Mesoblast Group now has the commercial imperative to create a clear portfolio of products with an appropriately balanced near-term, medium-term and long-term strategy.

In the near-term Mesoblast will focus on providing high-end patient's own, or autologous, therapies approved by the Australian Therapeutic Goods Administration (TGA) to individuals with severe fractures and degenerative conditions. These will be premium priced products filling an interim need until the Company's allogeneic, or "off-the-shelf", products receive regulatory approvals.

Clearly, maximal value creation will result from successful execution of a medium-term strategy for commercialisation of "off-the-shelf" products for a wide range of clinical conditions with unmet medical needs.

Our allogeneic products reflect our core business strategy to deliver effective products with low manufacturing cost of goods and high margins. The allogeneic business model leverages off technical advantages associated with Mesoblast's stem cell platform technology – the ability of the cells to be greatly expanded and their lack of immunogenicity when used from one donor to treat thousands of unrelated people.

Each of our lead "off-the-shelf" products, seen in the figure on page 4, has its own intellectual property portfolio, delineated path to regulatory approval, pricing strategy, and distinct plan for market launch and penetration. While some products, such as the bone marrow transplantation, congestive heart failure, and spinal fusion products, are in late stages of clinical development, other products such as those for heart attacks, arthritis, diabetes, eye diseases and degenerative disc disease are at mid- or early stage.

This makes Mesoblast a company with a robust, multi-pronged clinical product pipeline which will serve to underpin the company's intrinsic growth potential and protect against the risks sometimes associated with one-product companies.

Finally, the Company is building a long-term strategy which will facilitate sustainable future product development to maintain a global leadership position in regenerative medicine. This strategy is predicated on a robust manufacturing strategy which will enable new product concepts to be generated and optimised, and cutting-edge R&D working with best-of-breed scientific groups and leveraging on Mesoblast's own intellectual property advantages.

This long-term strategy has been significantly enhanced through the recently enacted United States Patient Protection and Affordable Care Act. Under the Act, a biologic innovator may receive a further 12 years of market exclusivity from the date of approval of any subsequent biologic product which has a structure that has been modified to result in a change in safety, purity, or potency of the reference biologic. Consequently, this Act will serve to facilitate exclusive United States market protection to Mesoblast's next-generation biologic products developed under a successful long-term R&D strategy.

Major Clinical Highlights

TGA Approval…A World-First for Commercialization of Stem Cell Products

A major achievement during the past year was obtaining approval from the Therapeutic Goods Administration (TGA) to manufacture and distribute our patient-specific adult stem products throughout Australia. This represents the first regulatory approval anywhere in the world for a culture-expanded adult stem cell product.

Early adoption of our stem cell products manufactured under TGA approval will facilitate accrual of clinical outcome data for use by Mesoblast in subsequent international filings for product registrations, and establish a clear path for our allogeneic cell products that are derived from an unrelated universal donor.

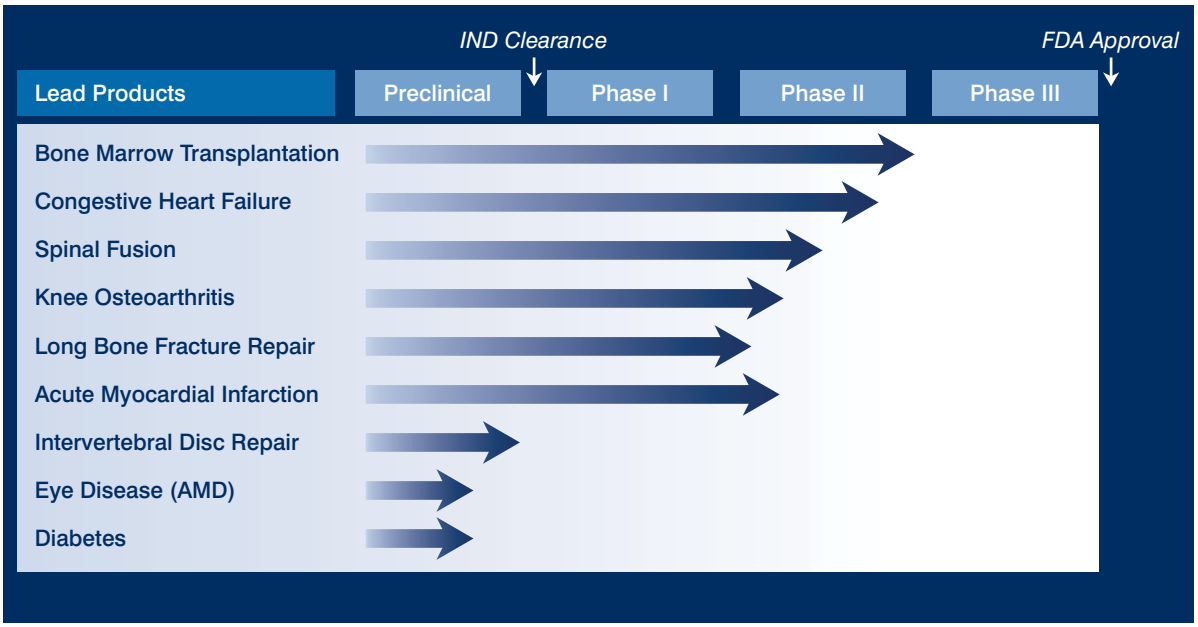
The company will initially target major bone repair markets, including long bone fractures after trauma, stress fractures following sporting injury, and vertebral fractures due to osteoporosis. As many of the fractures suffered by elite athletes can have a significant impact on loss of playing time or may even be career threatening, Mesoblast will initially seek to provide its stem cell products and services to professional sporting clubs.

"Off-the-Shelf" Product Pipeline

Bone Marrow Transplantation

Over 60,000 patients annually receive a bone marrow transplant following high dose chemotherapy for blood cancers. The Company's lead product in this field has the potential to significantly improve transplant survival, expand the pool of donors, and consequently increase the number of transplants currently being performed for patients with life-threatening conditions. These important outcomes mean that the product has the potential to receive fast-track marketing approval in the United States, and consequently to generate early and significant revenues for the Company.

In July, the Company reported that in the first 25 patients transplanted with MPC-expanded hematopoietic progenitors from cord blood, 80 per cent successfully achieved the key composite endpoint at 100 days of survival with sustained engraftment of both neutrophils and platelets. This is significantly higher than the rate of 38 per cent for this composite endpoint achieved after transplantation with non-expanded cord blood in the United States registry of 300 patients collected by the Center for International Blood and Marrow Transplant Research. To date, only four patients (16 per cent) receiving expanded cord blood have developed severe graft-versus-host disease. On the basis of these results, Mesoblast has had discussions with the FDA regarding progressing this application into Phase 3.



Building on the clinical success of Mesoblast's proprietary cell product for expansion of cord blood, the Company will now address new markets where expansion of hematopoietic stem cells can make a meaningful impact on clinical outcomes, including diseases such as multiple myeloma. The new uses of Mesoblast's proprietary "off-the-shelf" cell product for bone marrow transplantation will continue to be developed under the existing FDA orphan drug designation for expanding hematopoietic stem and progenitor cell numbers in patients with hematologic malignancies, such as multiple myeloma.

Congestive Heart Failure

This represents a massive commercial market opportunity for Mesoblast, with over 6 million people affected with the disease and 600,000 new patients annually in the United States alone. This disease is the number one cause of repeat hospitalisations and mortality in the Western world.

Mesoblast's lead product for congestive heart failure, Revascor™, continues to produce positive results in the Phase 2 trial conducted at multiple centers across the United States.

All 60 patients in the trial have been recruited, and there have been no cell-related safety issues. Interim analyses have demonstrated significant improvement in heart muscle function, as measured by ejection fraction, in patients receiving the lowest dose of MPCs and this improvement was sustained for at least six months. Further results are expected shortly, particularly with respect to quality of life parameters, hospitalization episodes, and survival endpoints.

Spinal Fusion

The Company is currently evaluating the effectiveness and safety of NeoFuse™ for minimally invasive spinal fusion surgery of the cervical and lumbar spine in 60 patients randomized to receive either NeoFuse™ or standard therapy across two international Phase 2 trials cleared by the United States Food and Drug Administration (FDA). Over 500,000 patients annually undergo spinal fusion surgery in the United States alone.

Interim results from the first seventeen patients enrolled in Mesoblast's posterior lumbar interbody fusion trial revealed no cell-related safety issues, and in particular there was no evidence of ectopic bone formation or nerve root compression as have been reported to occur with alternative biologic therapies. At three months of follow-up, CT scans showed that approximately 90 per cent of patients implanted with NeoFuse™ had achieved successful bone bridging. Mean pain reduction scores of more than 20 per cent compared with baseline were achieved.

If the end-points of pain reduction and successful fusion are maintained throughout this trial, Mesoblast would proceed with plans for a Phase 3/pivotal trial since these are the outcome improvements expected by a regulatory body for registration of a minimally invasive lumbar fusion product.

Diabetes

Diabetes afflicts 230 million people in the western world. In December 2009, we announced positive preclinical results using the platform stem cell technology for the treatment of diabetes.

In the study, a single dose of the patented human MPCs injected into mice with diabetes resulted in a significant increase in blood insulin levels and sustained reduction in blood glucose levels for the entire three week period of follow-up. This was due to restoration in the damaged pancreas of the balance between insulin-producing beta cells, which reduce blood glucose, and glucagon-producing alpha cells, which increase blood glucose.

These data clearly demonstrated the potential of using our unique adult stem cells in the treatment of patients with diabetes. The Company is now completing safety and efficacy data in diabetic monkeys in order to progress its development of an intravenous formulation of allogeneic MPCs for the treatment of diabetes. Results of the primate studies are expected shortly, and we anticipate that these will form the basis for progression to Phase 2 human clinical trials for this modern epidemic disease.

Funding

In early 2010, Mesoblast completed a capital raising of up to AUD 37 million to fund the acquisition of Angioblast and advance operations, and earlier in the financial year Angioblast raised AUD 10 million through an equity-based transaction.

The Year Ahead

Mesoblast will continue to progress the late-stage commercialization of our lead products for bone marrow transplantation, congestive heart failure, and spinal fusion, as well as the diabetes, eye disease, disc disease, and arthritis clinical programs.

We expect that 2011 will see Mesoblast products entering Phase 3/pivotal trials, with a number of other products showing strong clinical promise in Phase 2 trials.

Our clinical results will underpin partnering activities and investor support.

Through clinical, corporate, and strategic developments, Mesoblast will seek to maintain its leadership position in commercializing and creating novel regenerative medicine therapies that impact on survival and quality of life.

Directors' Report

The Board of Directors of Mesoblast Limited has resolved to submit the following annual financial report of the Company for the financial year ended 30 June 2010. In order to comply with the provisions of the *Corporations Act 2001,* the directors report the following information:

Directors

Directors of the Company in office at any time during or since the end of the year (unless specified) were:

Name	Position
Brian Jamieson	Non-executive Chairman
Byron McAllister	Non-executive Director
Donal O'Dwyer	Non-executive Director
Michael Spooner	Non-executive Director
Silviu Itescu	Executive Director

Details of directors' qualifications, experience and special responsibilities, together with meetings attended, can be found on pages 14 to 16 of this report.

Principal Activities & Strategy

Overview

During 2010 significant progress was made in a number of clinical applications of the proprietary Mesenchymal Precursor Cell (MPC) technology platform which Mesoblast is developing for a range of bone, cartilage and musculoskeletal conditions. At present, the Company holds a 38.4% interest, on an undiluted basis, in Angioblast Systems, Inc. (Angioblast), an American company also commercializing the same platform technology for the treatment of cardiovascular and other diseases.

Key Achievements

Australian Regulatory Approval for Stem Cell Commercial Manufacture

In July 2010 Mesoblast was successful in obtaining a license from the Therapeutic Goods Administration (TGA) to commercially manufacture its range of first generation autologous, or patient's own, stem cell products. This represents the first culture-expanded adult stem cell therapy that has received manufacturing approval anywhere in the world and is a strong validation of the Company's science, manufacturing, preclinical and clinical strategies and results.

The Company will focus its Australian commercial activities using the first generation product on those areas in critical need of novel therapies where the current standard of care is not effective and where there is potential for early revenue generation from a premium-priced product.

Specifically, Mesoblast's first generation products may have unique applicability to long bone fractures after trauma, stress fractures following sporting injury, and vertebral fractures due to osteoporosis. The growing need for treatments of musculoskeletal injuries suffered by elite sportspeople may represent a particular opportunity for the Company.

Early adoption of our first generation products will underscore our position as a world leader in the commercialisation of adult stem cell therapies. It will also establish a clear path for our second generation allogeneic, or "off-the-shelf", products that are derived from a universal or unrelated donor.

Spinal Fusion

Spinal fusion for end-stage vertebral disc disease is a major global market opportunity for Mesoblast, with over 500,000 patients expected to undergo this procedure in the United States alone in the next year. These are approximately distributed evenly between the lumbar and cervical spine.

Mesoblast is developing an allogeneic or "off-the-shelf" cell product, called NeoFuse™, to generate bony spinal fusion. It aims to eliminate the need for an additional autograft surgical procedure (using patient's own hipbone), which is the current standard of care in these patients, but is not effective in certain patient groups and is often complicated by pain and infection.

(a) Lumbar Fusion

Mesoblast's current Phase 2 trial for minimally-invasive posterior lumbar interbody fusion is nearing recruitment completion. The results from this second trial will form the basis for pivotal trial design in support of Mesoblast's activities to commercialise a lumbar spinal fusion product.

This trial will build on the safety and efficacy results generated to date in Mesoblast's first spinal fusion trial at New York's Hospital for Special Surgery which employed a more invasive surgical approach. In that trial, unilateral use of Mesoblast's NeoFuse™ generated safe and robust fusion over a 12-month period. The initial results from this study support prior preclinical data which have shown that Mesoblast's allogeneic cells generate faster fusion in the lumbar and cervical spine than the autograft standard-of-care.

(b) Cervical Fusion

In May 2010 Mesoblast received clearance from the United States FDA to begin Phase 2 clinical trials of its "off-the-shelf" or allogeneic stem cell product NeoFuse™ for fusion of the cervical spine in the neck. As with all of Mesoblast's previous Investigational New Drug (IND) submissions, FDA clearance was obtained within the minimum 30-day period.

Mesoblast's Phase 2 cervical fusion clinical program will compare two doses of NeoFuse™ versus standard-of-care in 36 patients requiring bony fusion at two or more levels in the cervical spine. The broader trial is an extension into the United States of the Australian study already underway. The trial objectives are to show the safety and effectiveness of the cells in this application over a 12-month period.

Cartilage Repair and Regeneration

Mesoblast is developing a range of cartilage repair products, including one for regeneration of intervertebral disc and a second for restoration of knee joint lining cartilage. Both of the lead cartilage products have completed successful preclinical trials, and a clinical trial in Australia is currently ongoing for prevention of generalised cartilage loss after an acute knee injury.

For patients with early stage intervertebral disc disease, Mesoblast is developing an allogeneic product which can be injected by a minimally invasive approach into degenerating discs in the spine of unrelated recipients in order to repair and regenerate disc cartilage. This is likely to be a significantly larger market than spinal fusion. Based on positive results of preclinical trials showing radiographic and pathologic disc regeneration, Mesoblast is in the process of completing an IND submission to the United States FDA to commence Phase 2 clinical trials in patients with low back pain due to disc degenerative disease.

Knee osteoarthritis affects as many as 15 million people in the United States alone, and no approved therapies currently have any effect on joint cartilage repair or regeneration. Traumatic knee injuries in healthy active people are a significant contributor to development of early knee osteoarthritis.

Our current Phase 2 trial in patients who have undergone reconstruction of a ruptured Anterior Cruciate Ligament (ACL) has completed recruitment in the first group of patients receiving a single injection of either the Company's "off-the-shelf" allogeneic stem cells or control, and an update on interim results will be presented shortly. Results from this trial are expected to support the company's progression to a clinical program in the United States in patients with established osteoarthritis.

Bone Marrow Transplantation

A groundbreaking Phase I/II trial is being conducted by Angioblast at the University of Texas M. D. Anderson Cancer Center, Department of Stem Cell Transplantation and Cellular Therapy on patients undergoing bone marrow transplants. Angioblast's proprietary allogeneic adult stem cells are being used to expand haematopoietic stem and progenitor cells from cord blood, for use in repair/regeneration of bone marrow of cancer patients after high-dose chemotherapy.

In the first 25 patients transplanted with MPC-expanded haematopoietic progenitors from cord blood, 80 per cent successfully achieved the key composite endpoint at 100 days of survival with sustained engraftment of both neutrophils and platelets. This is significantly higher than the rate of 38 per cent for this composite endpoint achieved after transplantation with non-expanded cord blood in the United States registry of 300 patients collected by the Center for International Blood and Marrow Transplant Research.

On the basis of these results, the Company held a successful meeting with the FDA to discuss plans for moving into a Phase 3 trial. Based on this meeting, and in line with previous guidance, Angioblast remains on track to file an Investigational New Drug (IND) submission to the FDA to commence a Phase 3 trial for its bone marrow transplant product by the end of this year.

Congestive Heart Failure

Angioblast is making strong progress with its proprietary allogeneic, or "off-the-shelf", adult stem cell product Revascor™, aimed at redefining the treatment paradigm for patients with chronic heart failure. The company has completed recruitment of its 60-patient multicenter trial in the United States, with 6 and 12 month results from all patients expected shortly.

Results from the first group of patients receiving the lowest dose of Revascor™ were presented to the American Heart Association in November 2009. Patients who received a single injection of Revascor™ into damaged heart muscle had significantly improved cardiac function at both three and six months compared with baseline. At six months, a single dose of Revascor™ was accompanied by a 22% mean increase in ejection fraction, whereas controls had an 18% mean decrease in ejection fraction over the same time period. There were no cell-related adverse events. The observed improvement between treated and controlled patients on top of medical standard of care was over two-fold higher than previously reported with existing device therapies.

This condition affects an estimated 5 million people in the United States alone, with 550,000 new cases each year. Progressive loss of heart muscle function in these patients is the number one cause of recurrent hospitalisations in the Western world, and a major cause of mortality. Approval by the FDA of Angioblast's new heart failure therapy for commercialisation is likely to require demonstration in pivotal trials that the technology significantly reduces both heart failure hospitalization and mortality.

Diabetes

In December 2009 Angioblast announced that a single dose of the patented human MPCs injected into mice with diabetes resulted in a significant increase in blood insulin levels and sustained reduction in blood glucose levels for the entire three week period of follow-up. This was due to restoration in the damaged pancreas of the balance between insulin-producing beta cells, which reduce blood glucose, and glucagon-producing alpha cells, which increase blood glucose.

Diabetes affects 230 million people in the western world, and its prevalence is increasing at an alarming rate. Complications from diabetes include heart disease, chronic kidney failure, blindness, nerve damage, and lower extremity amputations. Angioblast is in the process of completing appropriate studies in preparation for commencement of human trials.

Proposed Acquisition of Angioblast

In order to maximize shareholder benefit across the entire technology platform, the Board of Directors has recommended to shareholders to consider a strategic acquisition of Angioblast. This proposed acquisition would enable Mesoblast to significantly broaden its product portfolio based on 100 per cent ownership of the intellectual property rights underpinning the entire MPC technology platform. Fundamentally, it would transform Mesoblast from a biologics company focused on orthopaedic applications to a global leader in the regenerative medicine industry. Mesoblast shareholders would gain full commercial benefits from the breadth of applications, including cardiac, eye, diabetes and oncology. An Extraordinary General Meeting of Mesoblast shareholders to vote on the proposed acquisition is scheduled to be held on 22 September 2010.

It should be noted that the most advanced clinical programs using the proprietary "off-the-shelf" MPC

adult stem cells are those conducted by Angioblast in the United States for congestive heart failure and bone marrow regeneration. The products for these conditions are therefore closest to United States Food and Drug Administration (FDA) regulatory approvals and represent the nearest term and greatest revenue generating opportunities.

Bringing the technology platform and assets into one company would enable us to streamline corporate operations, strengthen the global leadership team, rationally allocate resources based on maximal return, and facilitate commercial partnering discussions. In particular, a single company with access to 100 per cent ownership of the technology platform would be greatly strengthened in its ability to establish strategic partnerships across a range of product indications.

Intellectual Property

Mesoblast continues to exploit and expand its patent and intellectual property portfolio. Key patents have been granted in the United States, the world's largest market for commercialisation of our products. The expanding patent portfolio will continue to deliver major commercial advantages, ensuring exclusive commercialisation of our stem cell platform globally.

Funding

In May this year, Mesoblast Limited successfully completed a capital raising of up to $37 million from Australian and international institutional and sophisticated investors. Of this capital raising, $23.8 million was received in May 2010, with the remainder subject to shareholder approval at the forthcoming Extraordinary General Meeting of shareholders to be held on 22nd September 2010. The capital is being used for ongoing clinical trial activities, expansion of preclinical opportunities, and general administrative operations, and will facilitate the contemplated acquisition of Angioblast Systems, Inc. (associate). At 30 June 2010, Mesoblast had cash reserves of $32 million.

Financial Summary

Operating results

The net loss for the year was $14,780,895 (2009: $12,285,459) and is in line with expectations. The result reflects full year operations for the Company and the continued development of our platform technology.

Income

Revenue earned during the year was $745,286 (2009 $890,708) and is made up of:

	30 June 2010 $	30 June 2009 $
Revenue from continuing operations		
Government grants	5,500	186,295
Interest revenue	739,786	704,413
	745,286	890,708

Expenditure

In line with the Company's policy and to comply with accounting standards, all costs associated with research and development are fully expensed in the period in which they are incurred as the directors do not consider the Company can yet demonstrate all the factors required in order to capitalise development expenditure.

Total operating expenses for the year were $15,526,181 (2009: $13,176,167) and consist of:

	30 June 2010 $	30 June 2009 $
Research and development	7,566,050	7,145,623
Management and administration	3,566,084	3,174,079
Share of losses of equity accounted associates	4,394,047	2,856,465
	15,526,181	13,176,167

Statement of cash flows

Net cash outflow from operations increased marginally from prior year to $9,657,662 in 2010 (2009: $9,237,576).

During the year under review the Company issued a further 14,020,353 shares at $1.70 (2009: 15,018,069 shares at $0.72) to sophisticated investors, providing approximately $22.6m (net of costs) in cash, and a further $3m was raised from the exercise of options. The Company intends to use the funds to support its phase 2 clinical trials and help facilitate the acquisition of Angioblast Systems, Inc. which is currently being proposed to shareholders.

Balance sheet

At 30 June 2010 the Company's cash position was $32,049,327 (2009: $16,526,278). This increase is due to the placement of 14m shares to sophisticated investors in May 2010.

The Company's policy is to hold its cash and cash equivalent deposits in "A" rated or better deposits, spread across multiple institutions.

The Company's strategy is to outsource manufacturing, continuing research, and clinical trials to specialist, best of breed partner organisations. As a consequence the Company has not incurred any major capital expenditure for the period and does not intend to incur substantial commitments for capital expenditure in the immediate future.

Mesoblast currently owns 38.4% (undiluted) of Angioblast as at 30 June 2010 (2009: 38.4%). This investment is made up of the following:

	30 June 2010 $	30 June 2009 $
Investment in Angioblast Systems, Inc.		
Cash invested (AUD denominated)	18,282,792	18,282,792
Mesoblast share of Angioblast net losses after tax (USD denominated, converted at applicable FX rates throughout the year)	(12,948,551)	(8,956,364)
Net Book Value	5,334,241	9,326,468

Mesoblast has currently put to shareholders to vote on the proposed acquisition of the remaining 61.6% (undiluted) of Angioblast. Refer to the section titled "matters subsequent to the end of the financial year" on page 12 of this report for further commentary on the proposed acquisition.

Earnings per share

	2010 Cents	2009 Cents
Basic losses per share	(10.51)	(9.89)
Diluted losses per share	(10.51)	(9.89)

Dividends

No dividends were paid or declared during the course of the financial year and no dividends are recommended in respect to the financial year ended 30 June 2010 (2009: nil).

Investment in Angioblast Systems, Inc.

Mesoblast owns 38.4% (undiluted) of Angioblast (refer above).

Angioblast Systems, Inc. is a non-listed biotechnology company based in New York, incorporated on 27 April 2001 in Delaware, United States of America.

Angioblast's principal focus is to commercialise cardiovascular and other non-orthopaedic applications of our adult stem cell technology which was acquired from the Hanson Institute/Institute of Medical and Veterinary Science in South Australia.

Mesoblast has currently put to shareholders to vote on the proposed acquisition of the remaining 61.6% (undiluted) of Angioblast. Refer to the section titled "matters subsequent to the end of the financial year" on page 12 of this report for further commentary on the proposed acquisition.

Share Options

Shares under option

Unissued ordinary shares of Mesoblast Limited under option at the date of this directors' report are as follows:

Option series issued	Issue date	Number of shares under option	Exercise price of options	Expiry date of options
4(b)	23 February 2006	200,000	$1.20	30 June 2011
6(d)	1 January 2007	15,000	$1.96	1 January 2011
7	27 July 2007	2,130,000	$2.13	30 June 2012
8	7 July 2008	2,308,000	$1.00	30 June 2013
9	19 January 2009	240,000	$0.96	18 January 2014
10	30 November 2009	300,000	$1.73	30 November 2014
11	30 November 2009	1,680,000	$1.58	30 November 2014
12	26 February 2010	90,000	$2.00	26 February 2015
		6,963,000		

No option holder has any right under the options to participate in any other share issue of the Company. Further details of the options series can be found in Note 18 to the financial statements.

Shares issued on exercise of options

Detail of shares or interests issued as a result of the exercise of options during or since the end of the financial year are:

Option series	Grant date	Number of shares issued	Amount paid per share	Amount unpaid per share
1	29 September 2004	3,920,000	$0.55	Nil
4(a)	23 February 2006	66,000	$0.65	Nil
4(b)	23 February 2006	350,000	$1.20	Nil
5	23 November 2006	150,000	$0.65	Nil
8	7 July 2008	199,334	$1.00	Nil
		4,685,334		

Significant Changes in the State of Affairs

No significant changes occurred in the state of affairs of the Company during the financial year other than those disclosed in the principal activities and strategy section on pages 7–9 of this report.

Matters Subsequent to the End of the Financial Year

On 23rd August 2010, the Company announced to its shareholders that it will convene an Extraordinary General Meeting (EGM) for shareholders to be held on 22nd September 2010. The purpose of the EGM is for the shareholders to consider, and if thought fit to pass, the following resolutions:

a) Approval for the issue of Mesoblast shares to facilitate the proposed acquisition of Angioblast Systems, Inc.;

b) Approval for the issue of Mesoblast shares to purchase Angioblast convertible notes;

c) Ratification of the prior placement of 14m Mesoblast shares issued and allotted to sophisticated investors on 19th May 2010; and

d) Approval of the issue and allotment of approximately 7m Mesoblast shares to Sophisticated Investors

Each of these resolutions and its impact on the financial position of the Company is described below:

a) Approval for the proposed acquisition of Angioblast Systems, Inc.

On 5th May 2010, Mesoblast signed an non-binding implementation agreement with Angioblast Systems, Inc. under which both parties would make all best and reasonable attempts to negotiate in good faith, complete due diligence, convene necessary shareholders meetings and ultimately enter into a merger agreement that would allow for Mesoblast to acquire the remaining shares in Angioblast that it did not already own. Under the terms of the implementation agreement, Mesoblast and Angioblast have agreed that Mesoblast would issue a total of 94,590,000 Mesoblast securities (comprising shares and options on a like for like basis) to acquire the remaining 67% (on a fully diluted basis) of Angioblast, including the convertible notes, subject to a number of other terms and conditions that remain to be agreed.

Additionally, Angioblast security holders who hold common stock immediately prior to the acquisition may elect to receive up to 15% of their share entitlement in cash. This part cash offer has been made available to Angioblast stock holders so that they may settle any United States capital gains tax liability incurred as a result of the transaction. The total cash required to fund this cash component is not yet known, however should all available stock holders elect the full 15% entitlement, and convertible notes be acquired prior to the acquisition per resolution c) above, at a share price of $1.85 the total cash required is approximately $20.4m. Correspondingly, at a share price of $2 the cash required would be $22.0m. If the convertible notes are not acquired by Mesoblast per resolution c) above and they therefore convert to Angioblast common stock holders as a result of the acquisition, an additional $2.2m (at $1.85 per share) to $2.4m (at $2 per share) may be required if these shareholders also elect the 15% cash option in full.

Upon both Mesoblast and Angioblast shareholders approving the acquisition, a merger agreement will then be negotiated and completed, with the shares and cash expected to be allotted prior to the end of the year.

Should the acquisition be completed, the Meoblast Group will then own the entire platform to the MPC technology, and will have a combined intellectual property value on its balance sheet of $450m. Other assets and liabilities acquired include working capital of approximately $3.8m, a deferred tax liability of $157.5m and a deferred tax asset of approximately $11.4m. The existing investment in Angioblast is required to be revalued immediately prior to acquisition in accordance with IFRS, which will result in a gain on revaluation in the Meoblast Group accounts of approximately $129.8m. The total value paid for this acquisition, using a Mesoblast share price of $1.85, is approximately $171.4m. After accounting for all of the above, together with the original $18.2m investment paid for Angioblast, the Group will record a goodwill amount of approximately $11.7m on acquisition.

b) Approval for the issue of Mesoblast shares to purchase Angioblast convertible notes;

In August 2009, Angioblast raised $10.05m by issuing convertible notes to Australian sophisticated investors These convertible notes (notes) will convert to common stock of Angioblast in accordance with the terms and conditions of the convertible notes if Mesoblast completes the acquisition mentioned above.

As an alternative and subject to the note holder's consent, Mesoblast has agreed to assume the responsibilities of Angioblast under the notes, and will therefore issue the note holder with Mesoblast shares upon conversion of the note. Conversion of the note will automatically occur upon the Mesoblast shareholders approving this resolution and the note holder signing a Restriction Agreement, restricting the disposal or dealing of the Mesoblast shares for a period of three months after issue.

The number of Mesoblast shares to be issued to each holder upon conversion of the note will be the calculated using the same ratio as per the Angioblast acquisition. The exact number of Mesoblast shares to be issued will depend on the foreign exchange rate prevailing at the date of conversion, however if all note holders consent, it is estimated that 8.05m – 8.45m Mesoblast shares will be issued to note holders.

As consideration for Mesoblast entering into this agreement, Mesoblast willreceive the same amount of Angioblast stock that would otherwise have been issued by Angioblast to the note holders on conversion of the notes. This agreement has been made irrespective of whether the acquisition of Angioblast is completed but is subject to Mesoblast shareholder approval at the EGM.

c) Ratification of the prior placement of 14m Mesoblast shares issued and allotted to sophisticated investors on 19th May 2010

This resolution does not impact the financial position of the Company, other than to give it greater capacity to raise capital in the future.

d) Approval of the issue and allotment of approximately 7m Mesoblast shares to Sophisticated Investors

As part of the share placement completed in May of this year (per item c) above), Mesoblast received contractual commitments from sophisticated investors for the purchase of approximately 7m shares on the same terms and conditions as the placement completed on 19th May. Mesoblast was unable to issue and allot the shares to these investors at the time of the placement in May 2010 due to ASX Listing Rule restrictions, without first receiving shareholder approval. This resolution now seeks the approval from shareholders to issue these shares resulting in a significant further cash injection into the Company to be used for its clinical programs and operations.

Other than those subsequent events described above, there are no other subsequent events that the directors consider would have a material impact on the results of the Company for the year ending 30 June 2010.

Business Strategy Prospects for Future Years

Our ongoing strategy is to maximise shareholder wealth through commercialisation of our unique and patented adult stem cell platform technology. Successful commercialisation will require rapid completion of existing and new clinical trial programs, meeting clinically relevant endpoints, and obtaining regulatory product approvals. Mesoblast will continue to actively engage commercial partner organisations as a key part of our ongoing strategy. The objective of engaging with commercial partners is to enhance execution outcome through increased funding and established clinical and distribution expertise. An integral element in facilitating our strategic objectives is the proposed acquisition of Angioblast. Successful integration of the entire intellectual property into Mesoblast, together with clinical outcomes that result in regulatory approvals, and appropriate commercial partnerships, should result in significant shareholder returns.

Environmental Regulations

Mesoblast's operations are not subject to any significant environmental regulation under either Commonwealth or State legislation. The Board, however, considers that adequate systems are in place to manage the Company's obligations and is not aware of any breach of environmental requirements as they relate to the Company.

Indemnification of Officers

During the financial year, the Company paid premiums in respect of a contract insuring the directors and company secretary of the Company, and all executive officers of the Company. The liabilities insured are to the extent permitted by the *Corporations Act 2001*. Further disclosure required under section 300(9) of the *Corporations Act 2001* is prohibited under the terms of the insurance contract.

Proceedings on Behalf of the Company

The *Corporations Act 2001* allows specified persons to bring, or intervene in, proceedings on behalf of the Company. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience are relevant and considered to be important.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of the non-audit services as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* because the services are not deemed to undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	30 June 2010 $	30 June 2009 $
Taxation services		
Corporate tax compliance	25,000	10,000
Employment tax and withholding advice	-	2,000
Tax structuring advice	71,397	-
Total taxation services	96,397	12,000

Auditor's Independence Declaration

A copy of the auditor's independence declaration under Section 307C in relation to the audit for the year ended 30 June 2010 is included on page 25 of the annual report.

Information on Directors

Brian Jamieson, Non-executive Chairman FCA

Shares held: 235,000
Options held: 300,000

Mr Jamieson has over 30 years experience in providing advice and audit services to a diverse range of public and large private companies. He was chief executive of Minter Ellison, Melbourne, from 2002-2005. Prior to that he was chief executive officer of KPMG Australia from 1998-2000, managing partner of KPMG Melbourne and Southern Regions from 1993-1998, and chairman of KPMG Melbourne from 2001-2002. He was also a KPMG board member in Australia and a member of the USA management committee.

Mr Jamieson was recently appointed to the position of non-executive Chairman of Sigma Pharmaceuticals Limited, having been a non-executive director since December 2005. Mr Jamieson is also a non-executive director of Tatts Group Limited (since May 2005), and Oz Minerals Limited (since August 2004), all of which are ASX listed companies. He is also a non-executive director of the Bank of Western Australia Ltd, a subsidiary of Commonwealth Bank of Australia Ltd, a director and treasurer of the Bionic Ear Institute, and a director of The Sir Robert Menzies Foundation. He is also Chairman of the George Adams Tattersalls Foundation.

Silviu Itescu, Executive Director MBBS (Hons), FRACP, FACP, FACR

Shares held: 37,125,000
Options held: -

A medically trained physician scientist, Professor Itescu has established an outstanding international reputation in the fields of stem cell biology, autoimmune diseases, organ transplantation, and heart failure. He has been a faculty member of Columbia University in New York and of the University of Melbourne. His pioneering work in the use of adult stem cells for heart disease has laid the groundwork for a potential paradigm shift in the treatment of cardiovascular disorders. Professor Itescu has consulted for various international pharmaceutical companies, has been an adviser to biotechnology and health care investor groups, and has served on the Board of Directors of several publicly-listed Australian life sciences companies. In addition, he is the founder and a member of the Board of Directors of Angioblast Systems Inc.

Donal O'Dwyer, Non-executive Director BE, MBA

Shares held: 300,000
Options held: -

Mr O'Dwyer has over 20 years experience as a senior executive in the global cardiovascular and medical devices industries. From 1996 to 2003, Mr O'Dwyer worked for Cordis Cardiology, the cardiology division of Johnson & Johnson's Cordis Corporation, initially as its president (Europe) and from 2000 as its worldwide president. Cordis is the world's largest manufacturer of innovative products for interventional medicine, minimally invasive computer-based imaging, and electrophysiology. 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. He directly supervised an increase in sales from $US500 million in 2000 to $US2 billion in 2003. Prior to joining Cordis, Mr O'Dwyer 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, has an MBA and is on the board of a number of companies including Cochlear Limited, Atcor Medical Holdings Ltd and Sunshine Heart Inc.

Mr O'Dwyer is currently Mesoblast's representative on the Board of Directors for Angioblast Systems, Inc.

Byron McAllister, Non-executive Director BS M.Agr

Shares held: 41,315
Options held: -

Mr McAllister has extensive expertise in product development, production, quality control and assurance, and obtaining U.S. FDA and other county product regulatory approvals within the healthcare industry. Mr. McAllister has been an independent management consultant to industry for the past 25 years, providing interim management solutions and management advice in product, registration, and licensing matters. Most recently, Mr McAllister served as Vice President, Worldwide Quality Assurance, for the Ares-Serono Group (now Merck Serono) based in Geneva and Boston, overseeing operations in over a dozen countries. Mr McAllister has held senior management positions in manufacturing and quality assurance with Abbott Laboratories' Ross Laboratories and Diagnostics Divisions, Amersham Corporation, and Coulter Electronics Corporation. He is a member of the PDA (Parenteral Drug Association), American Society for Quality (ASQ), and the Regulatory Affairs Professionals Society (RAPS).

Michael Spooner, Non-executive Director Bcom, ACA, MAICD

Shares held: 1,100,000
Options held: -

Mr 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 to a number of listed and unlisted companies based in Australia and the US. In 2009 Mr Spooner was appointed Chairman of BiVACOR a total artificial heart company. He is also a non-executive director of Hawaii Biotech Inc. a specialty developer of vaccines. Most recently, Mr Spooner was a non-executive director of Peplin Inc., a dermatology focused skin cancer company from 2004 until the company was sold in 2009 for over $300m. Mr Spooner was Executive Chairman of Hunter Immunology Limited a respiratory medicine company from 2007 to 2008. 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 Australian listed life sciences company into the second highest performing stock on the S&P/ASX 200 index. He was a Principal Partner and Director of Consulting Services with PricewaterhouseCoopers (Coopers & Lybrand) in Hong Kong for several years.

Kevin Hollingsworth, Company Secretary FCPA, FCMA

Shares held: -
Options held: 200,000

Mr Hollingsworth is a Fellow of CPA Australia, and a past chairman of both the National and Victorian Industry and Commerce Accountants Committees. He is also a Fellow of the Chartered Management Accountants and a Past National President of CIMA Australia. Mr Hollingsworth has most recently been non-executive director and company secretary for Alpha Technologies Corporation Ltd, a global company with operations in the US, Mexico, Europe and China, designing and manufacturing temperature sensors for disposable medical devices, as well as precision thermometry and instrumentation for the biotechnical and life science industry.

Meetings of Directors

The number of meetings of the Company's directors (including committee meetings of directors) held during the year ended 30 June 2010 and the numbers of meetings attended by each director were:

	Board of directors		Audit & Risk committee		Nomination & remuneration committee	
Director	Held	Attended	Held	Attended	Held	Attended
Brian Jamieson	15	15	2	2	1	1
Silviu Itescu	15	15	2	2	1	1
Byron McAllistair	15	13	2	2	1	1
Donal O'Dwyer	15	14	2	2	1	1
Michael Spooner	15	15	2	2	1	1

Remuneration Report

The directors of the Company present the following remuneration report, which forms part of the directors' report and has been prepared in accordance with s300A of the *Corporations Act 2001*. The remuneration report has been audited as required by s308(3C) of the *Corporations Act 2001*.

The remuneration report is set out under the following main headings:

A. Remuneration principles and policies

B. Remuneration of key management personnel

C. Service agreements

D. Share-based compensation

A. Remuneration Principles and Policies

Board policy for determining remuneration

The Company's goal is to engage and promote excellence at Board level, in staff members and in partner organisations. The Company looks to engage the services of individuals and organisations with the experience necessary to assist the Company in meeting its strategic objectives.

The Board ensures that executive reward complies with good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage
- Transparency
- Capital management

The Company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

The Company's remuneration framework is aligned to shareholders interests and in particular aligned to the rapid commercialisation of the Company's intellectual property and in achieving its milestones in a highly ethical and professional manner.

The executive remuneration framework provides a mix of fixed and variable pay and performance incentive rewards.

The Board has established a remuneration committee which provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive directors, non-executive directors and executives of the Company

Remuneration structure

(a) Non-executive directors fees

The current base fees were reviewed and approved effective 1 July 2008 and exist for the current year:

Position	Base Salary
Chair	$120,000
Non-executive directors	$60,000
Company Secretary	$40,000

Components of the above remuneration package include a cash element together with unquoted medium term options in some cases.

(b) Executive pay

The executive pay and reward framework has three components, which in combination comprises the executives' total remuneration:

- Base pay and benefits (i)
- Short term performance incentives (ii)
- Long term performance incentives (iii)

(i) Base pay and benefits

A total employment cost package may include a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. The base pay for executives is reviewed annually to ensure the executives pay is competitive with the market. An executive's pay is also reviewed on promotion.

There is no guaranteed base pay increases included in any executive contracts.

(ii) Short term performance incentives

Bonuses are payable to executives based upon the attainment of agreed corporate and individual milestones, which are reviewed annually and approved by the Board of Directors.

(iii) Long term performance incentives

Performance conditions have been attached to options awarded to a director during the year. These conditions are described on page 23. There have not been any long term performance incentives attached to any other options granted in the current or the previous financial year.

Relationship between remuneration policy and company performance

	30 June 2006	30 June 2007	30 June 2008	30 June 2009	30 June 2010
Closing share price	$1.52	$2.02	$0.91	$0.83	$1.85
Price increase/(decrease) $	$1.09	$0.50	$(1.11)	$(0.08)	$1.02
Price increase/(decrease) %	255%	33%	(55%)	(8.8%)	123%
Total key management personnel remuneration	1,368,039	1,189,907	1,802,804	1,971,389	2,340,036
Remuneration increase/ (decrease) %	172%	(13%)	52%	10%	19%

The Company's remuneration policies seek to reward staff members for their contribution to achieving significant clinical and regulatory milestones. These milestones build sustainable and long term shareholder value. The increase in remuneration from IPO (16 December 2004: share price $0.50) to 30 June 2010 reflects an increase in resources required whilst we continue to build and expand the clinical program of the Company.

The directors note the stock market fell significantly between 2007 and 2009 as a result of the global financial crisis. The Company's share price also fell significantly during this time despite the Company continuing its clinical progress, hence there is no corresponding fall in remuneration levels. The Company is pleased to note it has continued to raise capital through-out these times allowing it to keep progressing with the commercialisation of its technology.

B. Remuneration of Key Management Personnel

Details of the remuneration of key management personnel are set out in this section of the remuneration report. Key management personnel includes all directors (as disclosed on page 6), and certain executives of the Company, who all belong to the Senior Executive Management Group and they have authority and responsibility for planning, directing and controlling the activities of the Company together with the Board of Directors.

In addition to the directors of the Company, key management personnel, as described above, also includes the following people and positions held during the reporting periods:

Name	Position
Kevin Hollingsworth	Company Secretary
Roger Brown	Vice President of Regulatory Affairs
Suzanne Lipe	Vice President of Operations
Jenni Pilcher	Chief Financial Officer
Paul Rennie	Special Projects Consultant
Jim Ryaby	Vice President of Research and Clinical Affairs

Details of the remuneration of each director of Mesoblast Limited and the other key management personnel (including the five highest paid executives) of the Company are set out below:

	Short term employee benefits			Post-employment benefits
Name	Salary & fees $	Cash bonus $	Non-monetary benefits $	Superannuation $
Directors 2010				
Executive directors				
Silviu Itescu	250,000	100,000	-	14,461
Non-executive directors				
Brian Jamieson	110,092	-	-	9,908
Byron McAllister	60,000	-	-	-
Donal O'Dwyer	55,046	-	-	4,954
Michael Spooner	55,046	-	-	4,954
	530,184	100,000	-	34,277
2009				
Executive directors				
Silviu Itescu	275,229	-	-	14,231
Non-executive directors				
Brian Jamieson	110,092	-	-	9,908
Byron McAllister	60,000	-	-	-
Donal O'Dwyer	55,046	-	-	4,954
Michael Spooner	55,046	-	-	4,954
	555,413	-	-	34,047
Other Key Management Personnel* 2010				
Roger Brown	249,873	47,200	39,909	-
Suzanne Lipe	190,000	15,000	-	18,450
Jenni Pilcher	153,125	30,000	-	16,481
Paul Rennie	221,600	25,000	-	-
James Ryaby	177,182	-	22,078	-
Kevin Hollingsworth	40,000	-	-	-
	1,031,780	117,200	61,987	34,931
2009				
Roger Brown*	140,336	-	19,417	-
Suzanne Lipe	190,000	-	-	17,100
Jenni Pilcher	150,000	-	-	13,500
Paul Rennie	160,000	29,583	-	4,750
James Ryaby	211,339	-	22,271	-
Kevin Hollingsworth	40,000	-	-	-
	891,675	29,583	41,688	35,350
Total 2010	1,561,964	217,200	61,987	69,208
Total 2009	1,447,088	29,583	41,688	69,397

Sharebased payments	Other			
Options & rights $	Termination benefits $	Total $	Remuneration consisting of options %	Performance based remuneration (ii) %
-	-	364,461	-	27%
106,130	-	226,130	47%	-
-	-	60,000	-	-
-	-	60,000	-	-
-	-	60,000	-	-
106,130	-	770,591	14%	13%
				-
-	-	289,460	-	-
-	-	120,000	-	-
-	-	60,000	-	-
5,983	-	65,983	9%	-
-	-	60,000	-	-
5,983	-	595,443	1%	-
87,149	-	424,131	21%	11%
23,800	-	247,250	10%	6%
111,263	-	310,869	36%	10%
53,379	-	299,979	18%	8%
31,733	-	230,993	14%	-
16,223	-	56,223	29%	-
323,547	-	1,569,445	21%	7%
29,333	-	189,086	16%	-
52,360	-	259,460	20%	-
90,337	-	253,837	36%	-
94,882	-	289,215	33%	10%
69,813	-	303,423	23%	-
40,925	-	80,925	52%	-
377,650	-	1,375,946	27%	2%
429,677	-	2,340,036	18%	9%
383,633	-	1,971,389	20%	2%

* Commenced with the company on 19 January 2009.

(i) All bonuses reported in the above table are 100% of the bonus entitlement for each relevant executive. Bonuses forfeited during the year as a result of performance targets not being met were nil (2009: nil).

(ii) Performance-based remuneration includes all bonuses paid.

C. Service Agreements

The non-executive directors and the company secretary are engaged through a letter of appointment. Non-executive directors are appointed by shareholders on the basis that one third of all non-executive directors retire annually and are eligible for re-election at the Company's Annual General Meeting.

Remuneration and other terms of employment for the Executive Director and other key management personnel are formalised in employment and consulting agreements. These agreements may provide for the provision of performance related cash bonuses and the award of options. Provisions of the agreements relating to remuneration are set out below:

Silviu Itescu, Executive Director

- Term of agreement: commencing 1 March 2008
- Salary: $250,000 per annum
- Superannuation: $14,461 per annum
- Termination: no terms have been agreed
- Bonus: eligible to participate in the Company's bonus scheme

Roger Brown, Vice President of Regulatory Affairs

- Term of agreement: commencing 19 January 2009
- Salary: US$220,000 per annum
- Other benefits: Dental and health fully covered
- Termination: Three months
- Bonus: eligible to participate in the Company's bonus scheme

Suzanne Lipe, Vice President of Operations

- Term of agreement: commencing 18 March 2008
- Salary: $190,000 per annum
- Superannuation: 9% of $190,000 per annum
- Termination: Three months
- Bonus: eligible to participate in the Company's bonus scheme

Jenni Pilcher, Chief Financial Officer

- Term of agreement: commencing 22 November 2007
- Salary: $150,000 per annum
- Superannuation: 9% of $150,000 per annum
- Termination: Three months
- Bonus: eligible to participate in the Company's bonus scheme

Paul Rennie, Special Projects Consultant

- Term of agreement: commencing 12 May 2008
- Consulting fees: $1,200 per day
- Termination: 30 days
- Bonus: eligible to participate in the Company's bonus scheme

Jim Ryaby, Vice President of Research and Clinical Affairs

- Term of agreement: commencing 3 March 2008
- Salary: US$156,000 per annum, 3 days per week
- Other benefits: Dental and health fully covered
- Termination: Without notice
- Bonus: eligible to participate in the Company's bonus scheme

D. Share-Based Compensation

Options to purchase fully paid shares of the Company were granted as remuneration during the year as follows:

	Grant Date	Granted No.	Vesting date(i)	Expiry date	Exercise price $	Fair value (per option) $	Total value of options granted at grant date(ii)
2010							
Brian Jamieson	30/11/2009	300,000	Various^	30/11/2014	1.73	0.70	210,000
Roger Brown	30/11/2009	150,000	30/11/2010	30/11/2014	1.58	0.73	109,500
Jenni Pilcher	30/11/2009	240,000	30/11/2010	30/11/2014	1.58	0.73	175,200
Paul Rennie	30/11/2009	180,000	30/11/2010	30/11/2014	1.58	0.73	131,400
2009							
Roger Brown	19/01/2009	240,000	01/07/2009	18/01/2014	0.96	0.40	96,000
Suzanne Lipe	07/07/2008	180,000	01/07/2009	30/06/2013	1.00	0.48	86,400
Jenni Pilcher	07/07/2008	240,000	01/07/2009	30/06/2013	1.00	0.48	115,200
Paul Rennie	07/07/2008	150,000	01/07/2009	30/06/2013	1.00	0.48	72,000
Jim Ryaby	07/07/2008	240,000	01/07/2009	30/06/2013	1.00	0.48	115,200

(i) Each grant of options is divided into three equal tranches (except for Brian Jamieson's, refer ^ below). Tranche A has a vesting date which is shown in the above table. Tranches B and C have vesting dates one and two years respectively after Tranche A. All tranches have the same expiry date, exercise price and fair value which are as shown in the above table.

(ii) The value of options granted during the year is recognised as compensation over the vesting period (from grant date to vesting date) in accordance with International Financial Reporting Standards.

^ Vesting occurs on the date the following milestones are reached:
- 75,000 options vest on signing of a commercial partnering contract, eg a commercial licence to one of its products;
- 75,000 options vest on receiving IND clearance from the FDA for its first clinical trial for Intervertebral Disc Repair;
- 75,000 options vest on completing patient enrolment for its first clinical trial under IND for Intervertebral Disc Repair;
- 75,000 options vest upon obtaining a licence from the Therapeutics Goods Administration (TGA) for the manufacture of (this milestone was reached on 21 July 2010).

All share options issued to key management personnel were made in accordance with the provisions of the executive share option plan and have been approved by the Board. Options issued to directors have been approved by shareholders. All options issued were issued without monetary consideration, therefore there are no amounts unpaid with respect to these options. There are no performance criteria attached to any of the options granted during the year (2009: nil).

Modifications to terms and conditions of options granted

There has been no modification to any terms and conditions of options during the current and previous financial years.

Options held by key management personnel that vested and were exercised during the year:

	Options exercised during the current year				Number of options vested during the year	
	Exercise Price	Exercise Date	Exercise #	Value $ (i)	2010	2009
Donal O'Dwyer	$0.65	23/11/09	150,000	211,500	-	50,000
Kevin Hollingsworth	-	-	-	-	67,000	67,000
Roger Brown	-	-	-	-	80,000	-
Suzanne Lipe	-	-	-	-	60,000	-
Jenni Pilcher	-	-	-	-	113,000	33,000
Paul Rennie	-	-	-	-	133,000	163,000
Jim Ryaby	-	-	-	-	80,000	-
			150,000	211,500	533,000	313,000

(i) The value of options exercised as at exercise date with reference to the market share price on the date of sale of the shares (if sold) or with reference to the 5 day Volume Weighted Average Price (VWAP) if the shares are held (not sold).

Value of options issued to directors and key management personnel

There were no options lapsed during the year as a result of performance milestones not being met. There may have been options that expired (and therefore were not exercised) however these are not required to be disclosed.

Value of options yet to vest after the end of the current financial year

	Year of Grant	Vested during the year %	Forfeited during the year %	Subsequent financial years in which options vest	Maximum total value of grant not yet expensed $
Brian Jamieson	2010	-	-	2011-13	101,918
Kevin Hollingsworth	2008	33%	-	2011	-
Roger Brown	2010	-	-	2011-13	64,702
	2009	-		2011-12	24,000
Suzanne Lipe	2009	33%	-	2011-12	9,520
Jenni Pilcher	2010	-	-	2011-13	103,524
	2009	33%	-	2011-12	12,693
	2008	34%	-	2011	-
Paul Rennie	2010	-	-	2011-13	77,643
	2009	33%	-	2011-12	7,933
	2008	34%	-	2011	-
Jim Ryaby	2009	33%	-	2011-12	12,693

The maximum total value of the grant not yet expense also represents the maximum total value of the grant yet to vest. The minimum value of the grant yet to vest is nil on the assumption that if the vesting conditions were not satisfied the options would not vest.

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

Mr Brian Jamieson
Chairman
26 August 2010, Melbourne

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the audit of Mesoblast Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Anton Linschoten
Partner
PricewaterhouseCoopers

Melbourne
26 August 2010

Corporate Governance

Mesoblast Limited (the Company) and its Board of Directors (the board) are committed to implementing and achieving the highest standards of corporate governance.

The Board will continue to ensure that the corporate governance framework is relevant, efficient and cost effective to the Company and its shareholders.

A description of the Company's corporate governance practices is set out below. All of these practices, unless otherwise stated, were in practice for the entire year. They comply with the August 2007 ASX Principles of Good Corporate Governance and the Best Practice Recommendations. The following report has been laid out according to those recommendations.

Principle 1. Lay solid foundations for management and oversight

The Board is responsible for, and has authority to determine, all matters relating to the policies, practices, management and operations of the Company.

Specifically the Board's functions include:

- contributing to, and approving, corporate strategies, objectives and plans for the Company to assist the company with the achievement of its goals;
- reporting to shareholders on the Company's strategic direction and performance including constructive engagement in the development, execution and modification of the Company's strategies;
- ensuring risks to the business are identified, and approving systems and controls to manage these risks and monitor compliance;
- review, ratifying and monitoring systems of risk management and internal control, and legal compliance.
- approving the Company's major human resources (HR) policies, including the code of conduct, and overseeing the development strategies for senior and high performing executives;
- monitoring executive management and business performance in the implementation and achievement of strategic and business objectives;
- ratifying and approving the appointment and removal of senior executives;
- approving and reviewing financial plans, financial results and annual budgets;
- determining that satisfactory arrangements are in place for auditing the Company's financial affairs;
- reviewing and approving key management recommendations (such as major capital expenditure, acquisitions, divestments, restructuring and funding); and
- ensuring appropriate resources are available to senior management.

Day to day management of the Company's operations and the implementation of the corporate strategy and policy initiatives are delegated by the board to the Managing Executive Director and senior executives.

A performance assessment for the Managing Executive Director was completed in September 2010. Performance assessments for other members of Senior Management will be completed as part of the organisational review on completion of the acquisition of Angioblast Systems, Inc later this year. The performance assessment policy is in the process of being reviewed in the context of the acquisition, and will be made available on the Company's website in due course.

Principle 2. Structure the Board to add value

The board operates in accordance with the broad principles set out in its charter which is available from the corporate governance information section of the company website at www.mesoblast.com. The charter sets out the board's composition and responsibilities.

2.1 Independence of directors

Board composition

During the 2010 year, the Board of Directors comprised five Directors, being one executive and four non-executives (including the Chair).

The term in office held by each Director in office as at 30 June 2010 is as follows:

Name	Term as director	Position held at 30 June 2010
Brian Jamieson	2 yrs 7 mths	Independent Chairman
Silviu Itescu	6 yrs 1 mths	Executive Director
Byron McAllister	5 yrs 9 mths	Independent Director
Donal O'Dwyer	5 yrs 9 mths	Independent Director
Michael Spooner	5 yrs 9 mths	Director

Directors are appointed to the Board based on the specific governance skills required by the Company and on the independence of their decision making and judgement. The skills, experience and expertise relevant to the position of director held by each Director in office at the date of the annual report is included in the Director's Report. Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

Board independence

The Board considers that an independent director is a non-executive director who:

- is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company
- within the last three years has not been employed in an executive capacity by the company, or been a director after ceasing to hold any such employment
- is not a material supplier to the company, or an officer of or otherwise associated directly or indirectly with, a material supplier
- has no material contractual relationship with the company other than as a director of the company
- are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the Company's and an individual director's perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 2% of the Company's gross revenue or expenditure (whichever is the greater). In accordance with the definition of independence above, and the materiality thresholds set by the Board, the following Directors of Mesoblast were considered to be independent:

- Brian Jamieson (Chairman of the board and Chairman of the Nomination and Remuneration Committee)
- Donal O'Dwyer (Deputy Chairman and Chairman of the Audit & Risk Committee)
- Byron McAllister

Michael Spooner has held an executive role within the last three years, and Silviu Itescu is currently an executive director, consequently neither of these director's are considered by the Board to be independent.

Independent Professional Advice

In order to facilitate director independence, there are procedures in place to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense (subject to Board approval).

2.2 Independent Chairman

The Chair is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board's relationship with the company's senior executives. In accepting the position, the Chair has acknowledged that it will require a significant time commitment and has confirmed that other positions will not hinder their effective performance in the role of Chair. The Chair is an independent director.

2.3 Role of the chair and CEO (or equivalent)

At the date of this annual report, the equivalent role to that of CEO (executive director) for the Company is not held by the Chairman, which is in accordance with the ASXCGC recommendations. The Executive Director is responsible for implementing company strategies and policies.

2.4 Board Committees

The following committees have been established to assist the Board in the effective discharge of its duties:

- Nomination and Remuneration Committee
- Audit and Risk Committee

Each committee is comprised of entirely non-executive directors. The committee structure and membership is reviewed on an annual basis. All matters determined by committees are submitted to the full board as recommendations for board decisions.

Each committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All of these charters are reviewed on an annual basis and are available on the company website.

Remuneration and Nomination Committee

The Board has established a remuneration and nomination committee comprising four directors as follows:

Name	Position held during the year
Brian Jamieson	Independent Chairman
Michael Spooner	Member
Byron McAllister	Independent member
Donal O'Dwyer	Independent member

Details of meetings attended are found in the Directors' Report.

The remuneration and nomination committee provides an efficient mechanism for examination of the selection, appointment, and remuneration practices and policies of the company. The main responsibilities of the nomination committee are to:

- conduct an annual review of the membership of the board having regard to present and future needs of the company and to make recommendations on board composition and appointments
- conduct an annual review of and conclude on the independence of each director
- propose candidates for board vacancies
- oversee the annual performance assessment program
- assess and make recommendations annually on remuneration levels for the board and senior executives
- oversee the review of board succession plans
- assess the effectiveness of the induction process

Commitments of directors

The commitments of non-executive directors are considered by the nomination committee prior to the directors' appointment to the board of the company and are reviewed each year.

Prior to appointment or being submitted for re-election, each non-executive director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the company.

2.5 Performance of the directors

Board appointments

Directors receive a formal letter of appointment setting out the key terms, conditions and expectations of their appointment.

The induction provided to new directors and senior executives enables them to actively participate in board decision-making as soon as possible. The induction includes being presented with key strategic, financial and relevant operational documents, and the facilitation of meetings with existing directors and senior executives to ensure all relevant and material information is explained thoroughly. The induction also includes an explanation of the existing human resources structure of the company, and roles and responsibilities of key senior executives are explained.

Access to information

The board is given board papers, prepared by senior management, for every board meeting held. These papers include, but are not limited to, an operational update, financial reporting package, report of operations from associate, investor relations update, market activity report, and other topical strategic document relevant to the company's operations and performance.

Directors are entitled to request any additional information from management where they consider such information necessary to make informed decisions.

Performance evaluation

A description of the process for performance evaluation for the board and senior executives has been finalized and is available on the company website.

The Board has completed a formal review of its members this financial year.

2.6 Website disclosures

The following information relating to the Boards structure can be found on the company's website at www.mesoblast.com

- Description of the procedure for the selection and appointment of new directors and the re-election of incumbent directors
- Board's policy for the nomination and appointment of directors
- Charter of the remuneration and nomination committee

Principle 3. Promote ethical and responsible decision-making

3.1 Code of conduct

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a code of conduct to guide all employees, particularly Directors, the Chief Financial Officer and other senior executives in respect of ethical behaviour expected by the Company.

The code of conduct covers conflicts of interest, confidentiality, fair dealing, protection of assets, compliance with laws and regulations, whistle blowing, security trading and commitments to stakeholders. In summary, the code requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

3.2 Trading policy applied to directors, officers and employees

The directors, employees and key consultants are permitted to trade in the Company's securities at any time subject to the following approval procedures:

- a request to trade is submitted to the Chief Financial Officer who circulates this request to the Chairman, any executive Directors and the Company Secretary;
- the Board have 7 business days to respond and either approve or deny the request; and
- at the end of this 7 day period, if there is no objection, then that person has a trading window of 7 business days from the deemed approval date, provided they do not hold any price sensitive information.

The Company Secretary is committed to reviewing regularly the contents of the share register, which is currently maintained by Link Market Services Limited. Any significant share trading by officers of the Company is duly noted and shall be reported to the Board in a timely manner.

3.3 Website disclosures

A copy of the code and conduct and the share trading policy can be found on the company's website.

Principle 4. Safeguard integrity in financial reporting

4.1 Audit and risk committee establishment

The Board has established an audit and risk committee, to which it has delegated the responsibility for ensuring that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

4.2 Audit and risk committee structure

The Board has established an audit and risk committee comprising four directors, the majority of whom are independent, and are as follows:

Name	Position held during the year
Donal O'Dwyer	Independent Chairman
Brian Jamieson	Independent member
Byron McAllister	Independent member
Michael Spooner	Member

The chairperson of the committee is not the chairperson of the Board. All of the directors are financially literate and two of the members, Brian Jamieson and Michael Spooner, have accounting qualifications and have worked in the top four chartered accounting firms. Both the chair of the committee, Donal O'Dwyer, and two committee members, Michael Spooner and Byron McAllister, have valuable industry experience having served in the industry in senior positions for a number of years. Further details on the members of the audit and risk committee and their qualifications, together with meetings attended, can be found in the Directors' Report.

4.3 Formal charter

The audit and risk committee operates under a formal charter approved by the Board.

The main responsibilities of the audit and risk committee are to:

- review, assess and approve the annual full and concise reports, the half-year financial report and all other financial information published by the company or released to the market
- review, and report to the board, on the effectiveness of management processes supporting external reporting
- assist the board in reviewing the effectiveness of the organisation's management internal control environment covering:
  - effectiveness and efficiency of operations
  - reliability of financial reporting
  - compliance with applicable laws and regulations
- determine whether an internal audit function is deemed necessary, and if so, determine its scope, assess its performance and independence, and ensure that its resources are adequate and used effectively
- oversee the effective operation of the risk management framework
- recommend to the board the appointment, removal and remuneration of the external auditors, and implement and enforce procedures governing the rotation of the external audit engagement partner
- review the terms of the external audit engagement, the scope and quality of the audit and assess performance
- consider the independence and competence of the external auditor on an ongoing basis
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence
- review and monitor related party transactions and assess their propriety
- report to the board on all matters relevant to the committee's role and responsibilities

4.4 Website disclosure

The charter of the audit and risk committee can be found on the company's website. Also disclosed is the process for the appointment of the external auditor.

Principle 5. Make timely and balanced disclosure

The Board has established a policy governing continuous disclosure and has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules, the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Upon confirmation of receipt from the ASX, the Company posts all information disclosed in accordance with this policy on the Company's website at www.mesoblast.com.

Principle 6. Respect the rights of shareholders

6.1 Communications strategy

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via the ASX, the Company's website, information mailed and emailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company.

The Company also makes available a telephone number and e-mail address (info@mesoblast.com) for shareholders to make enquiries of the Company.

Principle 7. Recognise and manage risk

7.1 Establish policies on risk oversight and management and internal control

The Board, through its audit and risk committee, is responsible for reviewing the company's policies in relation to risk oversight and management, compliance and internal control systems. These policies are available on the company's website.

7.2 Establish policies on risk oversight and management

The operation of the company's risk management and compliance system is managed by the risk management group which consists of senior executives and is chaired by the CFO. This group is newly established and is committed to providing six monthly reports, or more frequent if deemed necessary at the time, regarding the status and management of relevant material business risks to the audit and risk committee for review.

7.3 Corporate reporting

The Executive Director and the Chief Financial Officer have made the following certifications to the board:

- that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and are in accordance with relevant accounting standards
- that the above statement is founded on a sound system of risk management and internal compliance and control, which implement the policies adopted by the Board, and the Company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects in relation to financial reporting risks.

Principle 8. Remunerate fairly and responsibly

8.1 Remuneration committee

Composition and charter

The Board has established a remuneration committee. Details of its structure and members can be found in section 2.4 of this report. The committee operates in accordance with a charter which can be found on the company's website.

Responsibilities

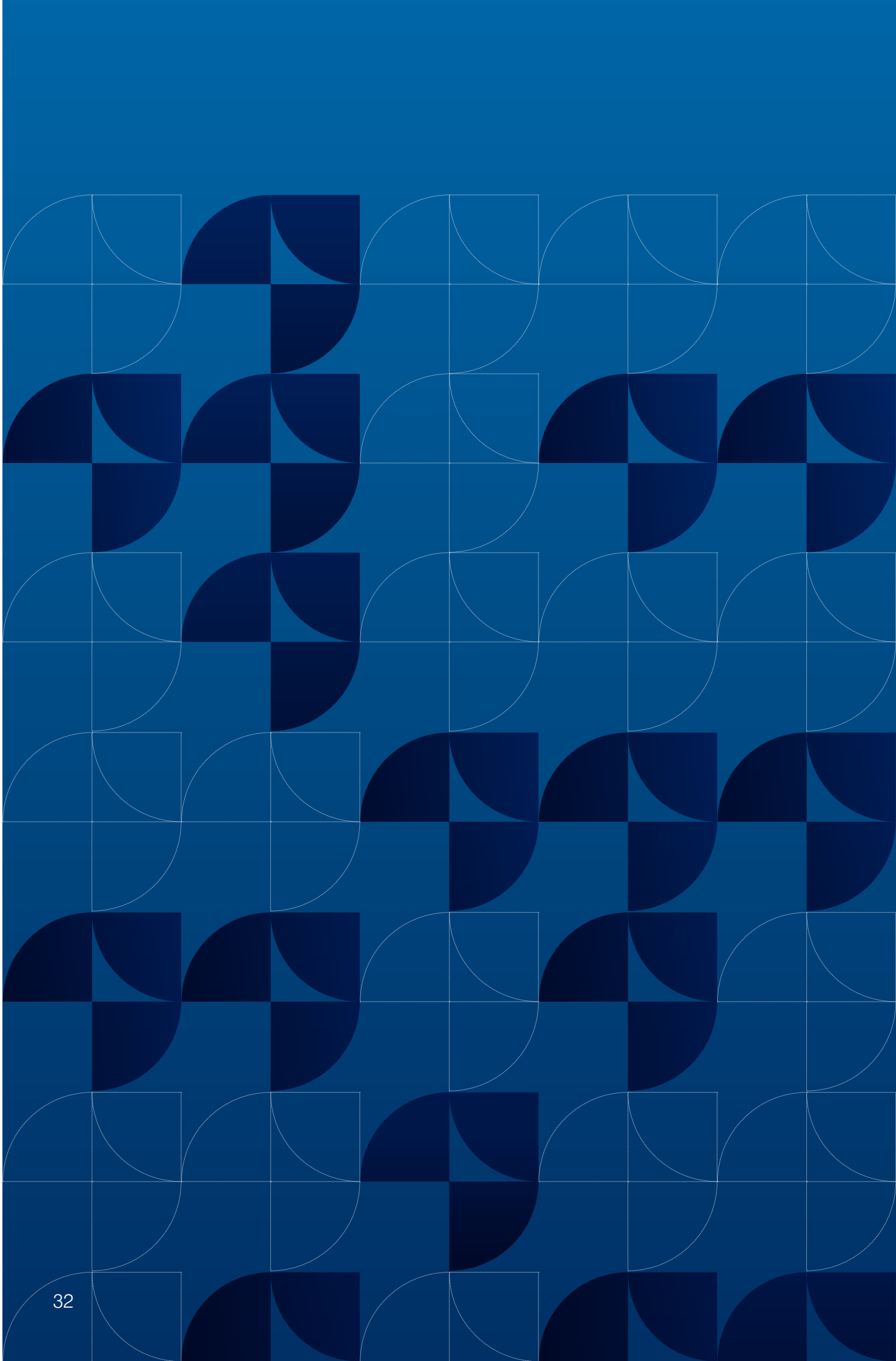
The responsibilities of the remuneration committee include providing a review and recommendation to the Board of:

- senior executive remuneration and incentive policies
- specifics for remuneration packages of senior executives and non-executive directors
- the Company's recruitment, retention and termination policies and procedures for senior executives
- superannuation arrangements

The committee is also responsible for overseeing management succession planning, including the implementation of appropriate executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.

Remuneration policies

Details of the nature and amount of each element of remuneration, including principles of remuneration, for each director and the Company's highest-paid executives during the year can be found in the remuneration report section of the Directors' Report.



Financial Statements
for the year ended 30 June 2010

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	30 June 2010 $	30 June 2009 $
Revenues from continuing operations			
Government grants		5,500	186,295
Interest revenue		739,786	704,413
	2(a)	745,286	890,708
Expenses from continuing operations			
Research and development		(7,566,050)	(7,145,623)
Management and administration		(3,566,084)	(3,174,079)
Share of losses of equity accounted associates		(4,394,047)	(2,856,465)
		(15,526,181)	(13,176,167)
Loss before income tax expense		(14,780,895)	(12,285,459)
Income tax	4	-	-
Loss after related income tax from continuing operations		(14,780,895)	(12,285,459)
Other comprehensive income			
Exchange differences on translation of foreign operations		401,860	(778,354)
Income tax relating to components of other comprehensive income		-	-
Other comprehensive income/(loss) for the period, net of tax		401,860	(778,354)
Total comprehensive loss for the period		(14,379,035)	(13,063,813)
Losses per share from continuing operations attributable to the ordinary equity holders of the company:		**Cents**	**Cents**
Basic – cents per share		(10.51)	(9.89)
Diluted – cents per share		(10.51)	(9.89)

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

Statement of Changes in Equity
for the year ended 30 June 2010

	Note	Issued Capital $	Share Option Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2008		51,019,083	2,960,017	796,498	(28,559,466)	26,216,132
Total comprehensive loss for the period		**-**	**-**	**(778,354)**	**(12,285,459)**	**(13,063,813)**
Contributions of equity net of transaction costs	13	11,441,153	-	-	-	11,441,153
Fair value of share based payment		-	1,196,490	-	-	1,196,490
Balance at 30 June 2009		62,460,236	4,156,507	18,144	(40,844,925)	25,789,962
Balance at 1 July 2009		62,460,236	4,156,507	18,144	(40,844,925)	25,789,962
Total comprehensive loss for the period		**-**	**-**	**401,860**	**(14,780,895)**	**(14,379,035)**
Contributions of equity net of transaction costs	13	25,489,080	-	-	-	25,489,080
Fair value of share based payment		-	1,019,253	-	-	1,019,253
Balance at 30 June 2010		87,949,316	5,175,760	420,004	(55,625,820)	37,919,260

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

Balance Sheet
as at 30 June 2010

	Note	30 June 2010 $	30 June 2009 $
Current Assets			
Cash and cash equivalents	7	32,049,327	16,526,278
Trade and other receivables	8	1,375,679	305,361
Prepayments		93,284	88,533
Total Current Assets		33,518,290	16,920,172
Non-Current Assets			
Property, plant and equipment	9	223,695	246,137
Investments accounted for using the equity method	10	5,334,241	9,326,428
Intangible assets	11	438,544	482,275
Total Non-Current Assets		5,996,480	10,054,840
Total Assets		39,514,770	26,975,012
Current Liabilities			
Trade and other payables	12	1,595,510	1,185,050
Total Current Liabilities		1,595,510	1,185,050
Total Liabilities		1,595,510	1,185,050
Net Assets		37,919,260	25,789,962
Equity			
Issued capital	13	87,949,316	62,460,236
Reserves	14	5,595,764	4,174,651
Accumulated losses		(55,625,820)	(40,844,925)
Total Equity		37,919,260	25,789,962

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

Statement of Cash Flows
for the year ended 30 June 2010

	Note	30 June 2010 $	30 June 2009 $
Cash Flows from Operating Activities			
Payments to suppliers and employees (inclusive of goods and services tax)		(9,663,162)	(9,423,871)
Government grants and other income received		5,500	186,295
Net cash used in operating activities	15 (b)	(9,657,662)	(9,237,576)
Cash Flows from Investing Activities			
Interest received		707,689	650,778
Investment in fixed assets		(87,113)	(170,020)
Investment in equity accounted associate		-	(200,000)
Loan repaid/(advanced) to associate company		(964,024)	(13,871)
Net cash (used)/provided in investing activities		(343,448)	266,887
Cash Flows from Financing Activities			
Proceeds from issue of shares		26,798,338	11,941,443
Payments for share issue costs		(1,261,256)	(548,290)
Net cash provided by financing activities		25,537,082	11,393,153
Net increase in cash and cash equivalents		15,535,972	2,422,464
Cash and cash equivalents at beginning of year		16,526,278	14,094,219
FX gains/(losses) on the translation of foreign bank accounts		(12,923)	9,595
Cash and cash equivalents at end of year	15 (a)	32,049,327	16,526,278

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements
for the year ended 30 June 2010

INTRODUCTION

The financial report covers Mesoblast Limited ("Mesoblast"), a company limited by shares whose shares are publicly traded on the Australian stock exchange. Mesoblast is incorporated and domiciled in Australia and has its registered office and principal place of business as follows:

Registered office	Principal place of business
Level 2 517 Flinders Lane Melbourne	Level 39 55 Collins Street Melbourne

The principal activity of the economic entity during the financial year was the commercialisation of unique intellectual property associated with the isolation, culture and scale-up of adult stem cells referred to as Mesenchymal Precursor Cells ("MPC").

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Urgent Issue Group Interpretations, and complies with other authoritative pronouncements of the Australian Accounting Standards Board. The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the Board of Directors of Mesoblast on the date shown on the Directors' Declaration attached to the Financial Statements.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted.

The accounting policies have been consistently applied and, except where there is a change in accounting policy, are consistent with those of the previous year.

Going concern

For the year ended 30 June 2010, the company incurred an operating loss of $14,780,895 (2009 loss: $12,285,459) as it continued to further its investment in research and development initiatives. As at year end, the company's net assets stood at $37,919,260 (2009: $25,789,962), with available cash of $32,049,327 (2009: $16,526,278).

During the forthcoming financial year ending 30 June 2011, the company will continue to work to further advance both the development and commercialisation of its core technologies. Based on the forecast cash flows approved by the Board of Directors, the Directors believe that sufficient cash will be available to fund the company's operations over the 12 month period subsequent to the date of signing the financial statements.

In making this assessment, the Directors have not only considered the cashflows of Mesoblast on a stand-alone basis, but have also specifically considered the proposed acquisition of Angioblast, which is subject to shareholder approval at the forthcoming Extraordinary General Meeting of shareholders to be held on 22nd September 2010, and the impact that acquisition may have on the cashflows of the Company. In particular the following items have been considered:

- cash required to complete the acquisition of Angioblast (approximately $20m and subject to shareholder approval);
- net proceeds of approximately $10.7m from the issue and allotment of shares to sophisticated investors (subject to shareholder approval);
- costs pursuant to contracts which may become due and payable upon completion of the acquisition of Angioblast up to a maximum of approximately US$6.0m;
- cash requirements to fund operations of Angioblast for the period up to 31 August 2011;

In addition, a government grant application has recently been made by Angioblast, which if successful could result in a cash injection of up to US$5m.

Further information relating to the proposed acquisition of Angioblast is disclosed in note 22 to these financial statements.

In view of the directors' assessment that sufficient cash will be available to fund the company's operations both on a stand-alone basis and after consideration of the above, the financial statements have been prepared on a going concern basis. The financial statements do not include any adjustments to the carrying values or classification of assets or liabilities that would be necessary in the event that the company, were unable to continue as a going concern.

Financial statement presentation

The company has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the company had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

Critical accounting judgements and key assumptions

In the application of the Company's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There have been no significant judgements made in applying accounting policies that the Directors consider would have a significant effect on the amounts recognised in the financial statements.

There have been no key assumptions made concerning the future, and there are no other key sources of estimation uncertainty at the balance date, that the Directors consider have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term deposits with an insignificant risk of change in value.

Bank overdrafts, if applicable, are shown within borrowing in current liabilities in the balance sheet. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts (if any).

(b) Contributed equity

Ordinary shares are classified as equity.

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(c) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit /(loss) attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earning per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(d) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave.

Liabilities recognised in respect of employee benefits which are expected to be settled within 12 months, are measured at their nominal values using the remuneration rates expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months, are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

(e) Foreign currency

Foreign currency transactions are translated to Australian currency, which is the Company's functional currency, at the rates of exchange ruling at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the statement of comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at balance date. Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities at year end exchange rates are recognised in the statement of comprehensive income.

Exchange differences arising from the translation of any investment in foreign entities are taken to the foreign currency translation reserve in shareholders equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of comprehensive income, as part of the gain or loss on sale where applicable.

(f) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

(g) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them on a systematic basis with the costs that they are intended to compensate.

Government grants whose primary condition is for the Company to purchase property, plant and equipment are included in non-current liabilities as deferred income and are credited to the statement of comprehensive income on a straight line basis over the expected lives of the related assets.

(h) Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

An impairment loss would be recognised if the amount by which the assets carrying amount exceeds its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment of goodwill is not subsequently reversed.

(i) Intangible assets

Patents and Licences

Patents and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of the asset over its remaining useful life, which equates to the remaining life of the underlying patent.

(j) Income taxes

Income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for Australia, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements. Deferred income tax is not provided if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time affects neither accounting, nor taxable, profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted by the reporting date and are expected to apply when the related deferred income tax assets is realised or the deferred liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Current and deferred tax balances attributable to amounts recognised directly in other comprehensive income or equity are also recognised directly in other comprehensive income or equity, respectively.

(k) Investments accounted for using the equity method

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The financial statements of the associate are used by the Company to apply the equity method. The reporting dates of the associate and the Company are identical and both use consistent accounting policies.

The investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the associate, less any impairment in value. The statement of comprehensive income reflects the Company's share of the results of operations of the associate.

Where there has been a change recognised directly in the associate's equity, the Company recognised its share of any change and disclosed this, when applicable, in the statement of changes in equity.

The carrying amount of an investment accounted for using the equity method is assessed annually to determine whether there is any indication that the asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

(l) Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Property, plant and equipment, other than freehold land, are depreciated over their estimated useful lives using the straight line method. The expected useful lives are between two and nine years, with the majority being depreciated over four years.

Gains and losses on disposal of plant and equipment are taken into account in determining the profit for the year.

(m) Provisions

Provisions are recognised when the Company has a present obligation (legal and constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(n) Research and development costs

Research and development expenditure is expensed as incurred except to the extent that its future recoverability can reasonably be regarded as assured, in which case it is deferred and amortised on a straight line basis over the period in which the related benefits are expected to be realised.

The carrying value of development cost is reviewed for impairment annually when the asset is not yet in use or when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Company recognises revenue when the amount of revenue can be reliably measured, it is probably that future economic benefits will flow to the entity, and specific criteria have been met for each of the Company's activities.

Interest revenue

Interest revenue is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(p) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Senior Management Executive Group and the Board of Directors, both of which make strategic decisions for the company.

Change in accounting policy

The company has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. There have been no changes in the operating segments identified by the company as a result of the adoption of AASB 8 Operating Segments, so there is no impact on the number of segments reported or the basis of organisation of segments for the current or prior year.

(q) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 18.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

The above policy is applied to all equity-settled share-based payments that were granted since the date of incorporation and that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of the other equity-settled share-based payments.

(r) Trade and other receivables

Trade receivables and other receivables represent the principal amounts due at balance date less, where applicable, any provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable and there is objective evidence of impairment. Debts which are known to be uncollectible are written off in the statement of comprehensive income. All trade receivables and other receivables are recognised at the value of the amounts receivable, as they are due for settlement within 60 days and therefore do not require re-measurement.

(s) Trade and other payables

Payables represent the principal amounts outstanding at balance date plus, where applicable, any accrued interest. Liabilities for payables and other amounts are carried at cost which approximates fair value of the consideration to be paid in the future for goods and services received, whether or not billed. The amounts are unsecured and are usually paid within 30 days of recognition.

(t) Changes in accounting policies

There have been no significant changes in accounting policies during the reporting period.

(u) Comparative figures

Comparatives have been reclassified where necessary so as to be consistent with the figures presented in the current year.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(v) New and revised accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below:

(i) AASB Interpretation 19 *Extinguishing financial liabilities with equity instruments and AASB2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective 1 July 2010)*. AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit and loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The company will apply the interpretation from 1 July 2010. It is not expected to have any impact on the company's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the company has not entered into any debt for equity swaps since that date.

	30 June 2010 $	30 June 2009 $
2. REVENUE AND EXPENSES FROM CONTINUING OPERATIONS		
(a) Revenue from continuing operations		
Commercial Ready government grant	5,500	186,295
Interest revenue	739,786	704,413
	745,286	890,708
(a) Expenses		
Employee benefits		
Salaries and employee benefits	2,990,232	2,414,426
Defined contribution superannuation expenses	106,656	100,907
Share based payments – employees & directors	640,655	573,308
	3,737,543	3,088,641
Depreciation and amortisation of non-current assets		
Plant and equipment depreciation	109,554	76,098
Intellectual property amortisation	43,731	43,731
	153,285	119,829
Other		
Research & development – external	2,634,338	2,777,798
Intellectual property costs (excluding amortisation as shown above)	389,079	267,328
Share based payments – consultants	378,599	623,182
Finance costs	-	-
Foreign exchange (gains)/losses	(19,629)	111,312
Loss on disposal of plant and equipment	-	45,783

3. SEGMENT INFORMATION

(a) Description of segments

Management has determined the operating segments presented here are those that are internally reported on a regular basis to the board of directors, who are ultimately responsible for the allocation of resources to those segments and for making strategic decisions for the Company.

Two reportable operating segments have been identified, the orthopaedic segment and the cardiovascular segment, both having two distinct markets for which the MPC platform technology is currently being developed. The orthopaedic segment operates in Australia, and the cardiovascular segment operates in the United States of America through our investment in Angioblast Systems, Inc.

(b) Segment information

	Orthopaedic	Cardiovascular & non-orthopaedic	Total
	$	$	$
2010			
Revenue from external parties	5,500	-	5,500
Total segment revenue	5,500	-	5,500
Net loss after tax	6,827,114	4,394,047	11,221,161
Net loss after tax includes the following items:			
Research and development	6,788,883	-	6,788,833
Equity accounted losses	-	4,394,047	4,394,047
Amortisation of intellectual property purchased	43,731	-	43,731
Total segment assets	455,015	6,347,914	6,802,929
Total segment assets include:			
Carrying value of investments accounted for using the equity method	-	5,334,241	5,334,241
Total segment liabilities	1,133,773	-	1,133,773
2009			
Revenue from external parties	186,295	-	186,295
Total segment revenue	186,295	-	186,295
Net loss after tax	6,054,560	2,856,465	8,911,025
Net loss after tax includes the following items:			
Research and development	6,197,124	-	6,197,124
Equity accounted losses	-	2,856,465	2,856,465
Amortisation of intellectual property purchased	43,731	-	43,731
Total segment assets	493,609	9,371,220	9,864,829
Total segment assets include:			
Carrying value of investments accounted for using the equity method	-	9,326,428	9,326,428
Total segment liabilities	575,510	-	575,510

3. SEGMENT INFORMATION CONTINUED

(c) Segment reconciliations

The following table reconciles each of the segment totals to the totals reported for the Company in the statement of comprehensive income and balance sheet. These reconciling items are not considered by the Company to be an operating segment as defined in AASB 8 *Operating Segments* and therefore are not disclosed as such. They are administrative in nature and relate largely to the running of the Mesoblast head office.

	30 June 2010 $	30 June 2009 $
Total segment revenue	**5,500**	**186,295**
Interest revenue	739,786	704,413
Total revenue from continuing operations	745,286	890,708
Total segment net loss after tax	**11,221,161**	**8,911,025**
Interest revenue	(739,786)	(704,413)
Administration expenses	3,280,266	2,882,357
Share-based payments	1,019,254	1,196,490
Total net loss after tax	14,780,895	12,285,459
Total segment assets	**6,802,929**	**9,864,829**
Property, plant and equipment	223,695	246,137
Interest receivable	153,814	121,718
Other receivables	772	48,945
GST receivable	207,420	89,905
Prepayments – administration	76,813	77,200
Cash	32,049,327	16,526,278
Total assets	39,514,770	26,975,012
Total segment liabilities	**1,133,773**	**575,510**
Trade payables and accruals – administration	340,046	570,837
Employee entitlements – administration	121,691	37,014
Payable to Angioblast	-	1,689
Total liabilities	1,595,510	1,185,050

(d) Other segment information

Transactions between segments are carried out at arm's length.

	30 June 2010 $	30 June 2009 $
4. INCOME TAX EXPENSE		
(a) Reconciliation of income tax to prima facie tax payable		
Loss from continuing operations before income tax	14,780,895	12,285,459
Prima facie tax benefit on operating loss before income tax at 30%	4,434,269	3,685,638
Tax effect of amounts which are (not deductible)/taxable in calculating taxable income:		
Share based payments expense	(305,776)	(358,947)
Equity accounting loss	(1,318,214)	(856,940)
R&D Tax Concessions	262,500	250,000
FX unrealised gains/(losses)	(3,877)	2,879
Amortisation of intangibles	-	(13,119)
Other sundry items	(32,024)	(1,500)
Current year tax benefit/(expense)	3,036,878	2,708,011
Adjustments for current tax of prior periods	(10,091)	-
Tax benefit not recognised	(3,026,787)	(2,708,011)
Income tax expense attributable to loss before income tax	-	-
(b) Amounts that would be recognised directly in equity if bought to account		
Share issue expenses for the year	378,376	164,487
(c) Deferred tax asset not bought to account*		
Tax losses	11,906,956	8,742,479
Share issue expenses	521,233	268,279
Other temporary differences	226,494	122,057
	12,654,683	9,132,815

** Deferred tax assets for tax losses carried forward, share issue expenses and other temporary differences have not been brought to account at 30 June 2010 because the Directors do not consider it probable at this stage of the Company's program that sufficient taxable income will become available against which deferred tax assets can be applied to. Any realisation of the benefit of tax losses would also be subject to the Company satisfying the conditions for utilising bought forward tax losses imposed by existing tax legislation.*

5. REMUNERATION OF AUDITORS		
(a) PricewaterhouseCoopers – Australia		
(i) Audit and other assurance services		
Audit and review of financial reports	93,000	90,000
(ii) Taxation services		
Tax structuring advice	71,397	-
Corporate tax compliance	25,000	10,000
Employment tax and withholding advice	-	2,000
Total taxation services	96,397	12,000
Total remuneration of PricewaterhouseCoopers Australia	189,397	102,000
(b) Non-PricewaterhouseCoopers audit firms		
(i) Audit and other assurance services		
Audit of Commercial Ready Grant reporting	-	4,850
Total remuneration of Non-PricewaterhouseCoopers audit firms	-	4,850

	30 June 2010 $	30 June 2009 $
6. EARNINGS PER SHARE		
Net loss used in calculating basic earnings per share	14,780,895	12,285,459
Net loss used in calculating diluted earnings per share	14,780,895	12,285,459
Weighted average number of ordinary shares used in calculating basic earnings per share	140,571,174	124,217,494
Dilutive potential ordinary shares	-	-
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	140,571,174	124,217,494
7. CASH AND CASH EQUIVALENTS		
Cash at bank	140,371	257,352
Deposit at call	6,507,246	1,023,906
Term deposits	25,401,710	15,245,020
	32,049,327	16,526,278

Refer note 21 for the company's exposure to interest rate risk.

8. TRADE AND OTHER RECEIVABLES		
Current		
Interest receivable	153,814	121,718
Sundry debtors	772	48,946
Goods and services tax recoverable	207,420	89,905
Receivable from Angioblast Systems, Inc. (associate)	138,220	44,792
Loan to Angioblast Systems, Inc. (associate)*	875,453	-
	1,375,679	305,361

**Loan earns 8% interest per annum. All trade and other receivable balances are within their due dates and none are considered to be impaired at both 30 June 2010 and 30 June 2009. See note 21 for the impact of credit risk on the Company.*

9. PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment		
Cost		
Balance at the beginning of year	422,263	299,802
Additions	87,112	170,021
Disposals	(14,520)	(47,560)
Balance at the end of year	494,855	422,263
Accumulated depreciation		
Balance at the beginning of year	(176,126)	(101,805)
Depreciation expense	(109,554)	(76,098)
Disposals	14,520	1,777
Balance at the end of year	(271,160)	(176,126)
Net book value at the end of the year	223,695	246,137

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Entity	Country of Incorporation	Principal Activity
Angioblast Systems, Inc.	USA	Adult stem cell research and development for cardiovascular and other non-orthopaedic indications

	Ownership Interest			
(a) Carrying amount	30 June 2010 %	30 June 2009 %	30 June 2010 $	30 June 2009 $
Angioblast Systems, Inc.	38.4	38.4	5,334,241	9,326,428

(b) Movement in carrying amount		
Carrying amount at the beginning of year	9,326,428	12,761,247
Additional investment	-	200,000
Share of losses	(4,394,047)	(2,856,465)
Exchange difference on translation	401,860	(778,354)
Carrying amount at the end of year	5,334,241	9,326,428

The following information has been extracted from the audited report of Angioblast Systems, Inc. and translated at the exchange rate prevailing at year end, with the exception of the company's share of net loss which has been determined using exchange rates prevailing through-out the year:

Summarised financial information of associates:

Financial position		
Total assets	4,305,155	1,820,388
Total liabilities	12,723,047	1,225,046
Net assets/(liabilities)	(8,417,892)	595,342
Company's share of net assets/(liabilities)	(3,232,471)	228,611

Financial performance		
Income	554,985	248,026
Expenses	(11,997,815)	(6,992,987)
Company's share of associates' loss		
Share of associates' loss before tax	(4,394,047)	(2,856,465)
Share of associates' income tax expense	-	-
Share of associates' loss	(4,394,047)	(2,856,465)

The Directors have followed the guidance of AASB136 in determining whether an investment is impaired. The Directors have made an assessment of the value of this investment in the accounts, reviewing the results to date against the original milestones and work plans and having considered current market conditions and are comfortable to continue to carry it at equity accounted cost. The value of the investment is dependent on its research and development and subsequent commercialisation. The Directors are of the view that the investment in Angioblast Systems, Inc. is not impaired at balance date.

The contingent liabilities of the associate are disclosed in Note 17(c).

	30 June 2010 $	30 June 2009 $
11. INTANGIBLE ASSETS		
Patents and licences		
Gross carrying amount		
Balance at the beginning of year	690,000	690,000
Patent costs written off (i)	-	-
Carrying amount at the end of year	690,000	690,000
Accumulated amortisation		
Balance at the beginning of year	(207,725)	(163,994)
Amortisation expense (i)	(43,731)	(43,731)
Patent costs written off (i)	-	-
Carrying amount at the end of year	(251,456)	(207,725)
Net book value	438,544	482,275

(i) Intellectual property expenses are included in research and development expense in the statement of comprehensive income.

12. TRADE AND OTHER PAYABLES		
Current		
Trade payables	1,071,532	1,042,335
Employee benefits	156,416	61,023
Payable to Angioblast Systems, Inc. (associate)	367,562	81,692
	1,595,510	1,185,050

13. ISSUED CAPITAL

Ordinary shares participate in dividends and the proceeds on winding up of the company in equal proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

	30 June 2010 No.	30 June 2010 $	30 June 2009 No.	30 June 2009 $
(a) Movements in issued capital during the year				
Fully paid ordinary shares				
Balance at beginning of financial year	136,174,869	62,460,236	119,256,133	51,019,083
Shares issued at $1.70 19 May 2010	14,020,353	23,834,601	-	-
Shares issued at $0.72 01 April 2009	-	-	15,018,069	10,813,009
Transaction costs arising on issue of shares	-	(1,261,255)	-	(548,290)
Issue of shares under employee share option plan (note 18)	4,685,334	2,915,734	1,900,667	1,176,434
Balance at end of financial year	154,880,556	87,949,316	136,174,869	62,460,236

(b) Options over ordinary shares			
Balance at end of financial year	6,963,000	9,872,000	
Amounts unvested at end of financial year	4,574,000	4,396,000	

Share options granted under the employee share option plan carry no rights to dividends and no voting rights. Further details of the employee share option plan are contained in note 18 to the financial statements.

(c) Capital risk management

The company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

	30 June 2010 $	30 June 2009 $
14. RESERVES		
(a) Reconciliation of reserves		
Share based payments reserve	5,175,760	4,156,507
Foreign currency translation reserve	420,004	18,144
	5,595,764	4,174,651

(b) Nature and purpose of reserves

Share based payment reserve
The share based payments reserve is used to recognise the fair value of options issued and vested but not exercised.

Foreign currency translation reserve
Exchange differences arising on translation of the equity accounted investment are taken to the foreign currency translation reserve.

15. CASH FLOW INFORMATION

(a) Reconciliation of cash and cash equivalents		
Cash at bank	140,371	257,352
Deposit at call	6,507,246	1,023,906
Term deposits	25,401,710	15,245,020
	32,049,327	16,526,278
(b) Reconciliation of net cash flows used in operations with loss after income tax		
Loss from continuing operations	(14,780,895)	(12,285,459)
Add/(deduct) profit and loss items as follows:		
Depreciation and amortisation	153,285	119,829
Loss on sale of plant and equipment	-	45,783
Intellectual property disposal costs	-	-
Interest received (investing activity)	(739,786)	(704,413)
Foreign exchange losses on bank translation	12,923	(9,595)
Equity settled share based payment	1,019,254	1,196,490
Equity accounted losses (Angioblast)	4,394,047	2,856,465
Change in operating assets & liabilities:		
(Increase)/decrease in trade and other receivables	(122,094)	(54,657)
Increase/(decrease) in trade creditors and accruals	405,604	(402,019)
Cash flows used in operations	(9,657,662)	(9,237,576)

16. COMMITMENTS FOR EXPENDITURE

The company does not consider it has any commitments for future expenditure outstanding as at 30 June 2010 (2009: nil).

17. CONTINGENT ASSETS AND LIABILITIES

(a) Contingent assets

The company does not consider it has any contingent assets outstanding as at 30 June 2010 (2009: nil).

(b) Contingent liabilities

Mesoblast will be required to make a milestone payment to Medvet of US$250,000 on completion of Phase III (human) clinical trials and US$350,000 on FDA marketing approval. Mesoblast will pay Medvet a commercial arm's length royalty based on net sales by Mesoblast of licensed products each quarter.

The company has no pending litigation as at the end of the financial year.

(c) Contingent liabilities of Angioblast in relation to Medvet

The contingent liabilities described below represent 100 per cent of the contingent obligations of Angioblast. By way of its equity interest, Mesoblast currently has a 38.4% interest in these contingent liabilities. Mesoblast is not liable for these contingent liabilities.

Angioblast has agreed to pay consideration for certain intellectual property assets assigned to it by Medvet on the basis of future milestones being reached. These milestones will not be reached as part of the current development program which envisages funding through to IND approvals. They represent payments on successful completion of subsequent clinical milestones. If all milestones were to be reached these payments total US$1,500,000. In addition royalties at 2.5% of net sales with stipulated minimum annual royalties scaling up from US$100,000 to US$500,000 over 5 years exist.

18. SHARE-BASED PAYMENTS

The Company has adopted an Employee Share Option Plan to foster an ownership culture within the Company and to motivate directors, senior management and consultants to achieve performance targets of the Company and/or their respective business units. Selected directors, employees and consultants of the Company may be eligible to participate in the Plan at the absolute discretion of the Company's board of directors. Except as outlined in the remuneration report no options or shares will be issued under this Plan to any directors without the prior approval of the Mesoblast shareholders.

The aggregate number of options which may be issued pursuant to the Plan and all other share purchase plans shall not at any time exceed 5% of the total number of issued shares of the Company. All grants of options are subject to the following general terms and conditions:

- option grants require approval from the board of directors;
- options are granted under the plan for no consideration;
- each share option converts into one ordinary share of Mesoblast Limited;
- options carry neither rights to dividends nor voting rights.

Per the Company's current policy, options are issued in three equal tranches, each tranche having an expiry date of five years following grant date. The first tranche typically vests 12 months after grant date, the second tranche 24 months after grant date, and the third tranche 36 months after grant date.

The exercise price is the greater of $0.20 and:

- in relation to an option on or before the date of the official quotation of the Company's shares, an amount per share that is 20% higher than the offer price of $0.50; and
- in relation to an option granted after the official quotation of the company's shares, the volume weighted market price of a share sold on the ASX on the 5 trading days immediately before the grant date plus a premium determined by the Board; and
- any other amount that is specified by the Board.

18. SHARE-BASED PAYMENTS CONTINUED

(a) Existing share-based payment arrangements

The share options outstanding at the end of the financial year have a weighted average remaining contractual life of 1,124 days (2009: 772 days) and a range of exercises prices from 96c to $2.13.

(i) The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Series	Grant date	Granted No.	Exercised No.	Lapsed / cancelled No.	Balance No. 2010	Balance No. 2009	Earliest Vesting date	Expiry date	Exercise price $	Fair value $
1(a)(i)	29/09/04	2,160,000	(2,160,000)	-	-	1,960,000	29/09/05	29/09/09	0.55	0.29
1(a)(ii)	29/09/04	2,160,000	(2,160,000)	-	-	1,960,000	16/12/05	16/12/09	0.55	0.29
1(b)	26/10/04	400,000	(400,000)	-	-	-	16/12/04	30/12/07	0.55	0.29
2(a)	16/12/04	550,000	(550,000)	-	-	-	16/12/05	16/12/08	0.60	0.29
2(b)	16/12/04	75,000	(75,000)	-	-	-	16/12/06	16/12/08	0.60	0.29
2(b)	16/12/04	75,000	(75,000)	-	-	-	01/05/07	16/12/08	0.60	0.29
2(c)	16/12/04	80,000	(80,000)	-	-	-	06/09/06	06/09/07	0.60	0.171
2(c)	16/12/04	80,000	(80,000)	-	-	-	16/12/06	16/12/07	0.60	0.229
2(c)	16/12/04	80,000	(80,000)	-	-	-	04/07/08	04/07/09	0.60	0.251
3	25/08/05	350,000	(350,000)	-	-	-	31/12/05	31/12/08	0.65	0.19
3	25/08/05	350,000	(350,000)	-	-	-	30/06/06	30/06/09	0.65	0.21
4(a)	23/02/06	150,000	(150,000)	-	-	-	31/03/06	31/03/09	0.65	0.96
4(a)	23/02/06	150,000	(150,000)	-	-	66,000	01/05/07	01/05/10	0.65	0.96
4(b)	23/02/06	150,000	(150,000)	-	-	-	30/06/06	30/06/09	0.65	0.89
4(b)	23/02/06	150,000	(150,000)	-	-	-	30/06/07	30/06/10	1.20	0.65
4(b)	23/02/06	150,000	-	-	150,000	150,000	30/06/08	30/06/11	1.20	0.75
4(b)	23/02/06	200,000	(200,000)	-	-	-	30/06/06	30/06/09	0.65	0.89
4(b)	23/02/06	200,000	(200,000)	-	-	200,000	30/06/07	30/06/10	1.20	0.65
4(b)	23/02/06	200,000	(150,000)	-	50,000	200,000	30/06/08	30/06/11	1.20	0.75
4(c)	23/02/06	90,000	(90,000)	-	-	-	23/02/06	23/02/09	0.65	0.92
5	23/11/06	50,000	(50,000)	-	-	50,000	23/11/06	23/11/09	0.65	0.589
5	23/11/06	50,000	(50,000)	-	-	50,000	23/11/07	23/11/09	0.65	0.678
5	23/11/06	50,000	(50,000)	-	-	50,000	23/11/08	23/11/09	0.65	0.718
6(a)	17/03/06	50,000	-	(50,000)	-	-	17/03/07	17/03/08	2.02	0.554
6(a)	17/03/06	50,000	-	(50,000)	-	-	17/03/08	17/03/09	2.02	0.702
6(b)	17/05/06	10,000	-	(10,000)	-	-	17/05/07	17/05/08	1.52	0.404
6(b)	17/05/06	10,000	-	(10,000)	-	-	17/05/08	17/05/09	1.52	0.521
6(c)	06/06/06	10,000	-	(10,000)	-	-	06/12/06	06/12/07	1.75	0.303
6(c)	06/06/06	10,000	-	(10,000)	-	-	06/06/07	06/06/08	1.75	0.380
6(d)	01/01/07	15,000	-	(15,000)	-	-	01/07/07	01/07/08	1.96	0.512
6(d)	01/01/07	45,000	-	(45,000)	-	-	01/01/08	01/01/09	1.96	0.601
6(d)	01/01/07	30,000	-	(30,000)	-	15,000	01/01/09	01/01/10	1.96	0.749
6(d)	01/01/07	40,000	-	(25,000)	15,000	15,000	01/01/10	01/01/11	1.96	0.873
6(d)	01/01/07	30,000	-	(30,000)	-	-	01/08/07	01/08/08	1.96	0.512
6(d)	01/01/07	30,000	-	(30,000)	-	-	01/02/08	01/02/09	1.96	0.601
7	27/07/07	2,480,000	-	(350,000)	2,130,000	2,330,000	01/07/08	30/06/12	2.13	0.74
8	07/07/08	2,736,000	(199,334)	(228,666)	2,308,000	2,586,000	01/07/09	30/06/13	1.00	0.48
9	19/01/09	240,000	-	-	240,000	240,000	19/01/10	18/01/14	0.96	0.40
10	30/11/09	75,000	-	-	75,000	-	Milestones*	30/11/14	1.73	0.70
10	30/11/09	75,000	-	-	75,000	-	Milestones*	30/11/14	1.73	0.70
10	30/11/09	75,000	-	-	75,000	-	Milestones*	30/11/14	1.73	0.70
10	30/11/09	75,000	-	-	75,000	-	Milestones*	30/11/14	1.73	0.70
11	30/11/09	1,680,000	-	-	1,680,000	-	30/11/10	30/11/14	1.58	0.73
12(a)	26/02/10	30,000	-	-	30,000	-	26/02/11	26/02/15	2.00	0.92
12(b)	26/02/10	30,000	-	-	30,000	-	26/02/12	26/02/15	2.00	0.92
12(c)	26/02/10	30,000	-	-	30,000	-	26/02/13	26/02/15	2.00	0.92
Balance at 30 June 2010		15,806,000	(7,949,334)	(893,666)	6,963,000	n/a				
Balance at 30 June 2009		13,736,000	(3,264,000)	(600,000)	n/a	9,872,000				

*Refer Note 18 (a) (ii) for vesting details.

18. SHARE-BASED PAYMENTS CONTINUED

(a) Existing share-based payment arrangements (continued)

(ii) General terms and conditions attached to each series are as follows:

1. At the time of the IPO the Company provided initial seed investors and the underwriter with share options as follows:

   (a) Seed investors, who subscribed for 4,320,000 fully paid preference shares, were provided with 4,320,000 options to acquire ordinary shares at an exercise price of $0.55. These options expire on the fourth anniversary of the expiry of two relevant imposed escrow periods being:

   (i) 50% of each holder's options are subject to an escrow period expiring on 29 September 2005, therefore these options expire on 29 September 2009

   (ii) 50% of each holder's options are subject to an escrow period which expired on 16 December 2005; therefore these options expire on 16 December 2009.

   (b) Lodge Partners Pty Limited (or nominee), as underwriter to the Offer received in aggregate 400,000 options to acquire 400,000 ordinary shares on the terms set out in 9.5(a) of the prospectus. These options have since been transferred to Thorney Holdings Pty Ltd and were exercised during the current financial year.

2. These options were granted as follows:

   (a) Two equal tranches, the first tranche vesting 12 months after listing date, the second 24 months after listing. Both tranches expire on the fourth anniversary of the listing date.

   (b) Two equal tranches, each expiring on the third anniversary of the Company being listed on the ASX. Vesting occurs upon reaching the following milestones:

   - The Company obtaining IND approval from the US Food and Drug Administration (FDA) for initiating multi-centre orthopaedic clinical trials within a period of two years after the options were granted, which was the date of listing on the ASX (16 December 2004). This milestone was reached on 16 December 2006, consequently the options vested on this date.
   - Angioblast Systems, Inc. (associate) must achieve IND approval from the US FDA for initiating multi-centre cardiovascular clinical trials within a period of three years after the options were granted. This milestone was reached on 1 May 2007 consequently the options vested on this date.

   (c) Three equal tranches, each expiring 12 months after vesting. Vesting occurs upon reaching the following milestones:

   - On achieving Standard Operating Procedure (SOP) for the manufacture of cells. This milestone was reached on 6 September 2006, consequently the options vested on this date.
   - On approval of Mesoblast's FDA Investigative New Drug (IND) approval. Approval was obtained on 16 December 2006, therefore the options vested on this date.
   - On completing human pre-regulatory trials for a Mesoblast Orthopaedic Application of the licensed technology. The last patient for this trial had their final follow up visit on 4 July 2008, so the options will vest on this date.

3. Options granted were approved by shareholders at the Annual General Meeting held 15 November 2005. The options were issued in two equal tranches, each having a three year life. There are no performance conditions attached to these options.

4. Options granted are subject to the following conditions:

   (a) Two equal tranches, each expiring 36 months after vesting. Vesting occurs upon reaching the following milestones:

   - The first patient is treated with Human Autologous Mesenchymal Prescursor Cells (MPC's). The milestone was reached on 31 March 2006 and these options vested accordingly.
   - Angioblast Systems, Inc. (associate) receives Investigational New Drug Approval from the US FDA. This was received on 1 May 2007 and these options vested accordingly.

   (b) Three equal tranches, each expiring 36 months after vesting. The vesting dates for tranches 1, 2 and 3 are 30 June 2007, 30 June 2008 and 30 June 2008 respectively, and the exercise prices are $0.65, $1.20 and $1.20 respectively. There are no performance conditions attached to these options.

   (c) One tranche only, with a vesting date equal to grant date, and an exercise period of 36 months. There are no performance conditions attached to these options.

(a) Existing share-based payment arrangements (continued)

5. Options granted were approved by shareholders at the Annual General Meeting held 23 November 2006. Options were issued in three equal tranches, each having a three year life. The first tranche vests 12 months after grant date, the second tranche 24 months after grant date, and the third tranche 36 months are grant date. All tranches expire 36 months after grant date. There are no performance conditions attached to these options.
6. Options granted were approved by the Remuneration Committee on 14 February 2007. Options granted were in two equal tranches, the first tranche exercisable in twelve months following grant date, and the second exercisable in 18 months following grant date. Grant dates are equal to commencement of employment/contract and the options have exercise periods of 12 months. There are no performance conditions attached to these options.
7. Options granted were approved by the Remuneration Committee on 27 July 2007. The options were granted in three equal tranches vesting on 1 July 2008, 1 July 2009 and 1 July 2010 respectively. All tranches expire on 30 June 2012.
8. Options granted were approved by the Remuneration Committee on 7 July 2008. The options were granted in three equal tranches vesting on 1 July 2009, 1 July 2010 and 1 July 2011 respectively. All tranches expire on 30 June 2013.
9. Options granted were approved by the Remuneration Committee during January 2009 as per the relevant employment contract. The options were granted in three equal tranches vesting on 19 January 2010, 19 January 2011 and 19 January 2012 respectively. All tranches expire on 18 January 2014.
10. Options granted to the Chairman were approved by shareholders at the Annual General Meeting held on 30 November 2009. The options were granted in four equal tranches vesting on the achievement of certain milestones as follows:
    - Date on which Mesoblast signs a commercial partnering contract, eg a commercial licence to one of its products.
    - Date on which Mesoblast receives IND clearance from the FDA for its first clinical trial for Intervertebral Disc Repair
    - Date on which Mesoblast completes patient enrolment for its first clinical trial under IND for Intervertebral Disc Repair
    - Date on which Mesoblast obtains a licence from the Therapeutics Goods Administration (TGA) for the manufacture

    All four tranches expire on 30 November 2014.
11. Options granted to employees and consultants were approved by the Board of Directors on 30 November 2009. The options were granted in three equal tranches vesting on 30 November 2010, 30 November 2011 and 30 November 2012. All tranches expire on 30 November 2014.
12. Options granted were approved by the Board of Directors during February 2010 as per the relevant employment contract. The options were granted in three equal tranches vesting on 26 February 2011, 26 February 2012 and 26 February 2013 respectively. All tranches expire on 26 February 2015.

(iii) Modifications to terms and conditions

There has been no modification to terms and conditions in either the current or previous financial years.

18. SHARE-BASED PAYMENTS CONTINUED

(b) Fair values of share options

The weighted average fair value of options granted during the year was $0.73 (2009: $0.47). The fair value of all options granted has been calculated using the Black-Scholes option pricing model. The model requires the Company share price volatility to be measured. The share price volatility has been measured with reference to the historical share prices of the Company, and also similar company's given the Company has only been listed since 16 December 2004. The official measurement of share price volatility for the options granted on 23 February 2007 was 55%, and for the options granted 23 November 2007 it was 54%. Given the consistency of the two volatility measurements, both volatility rates have been used for series 10, 11 and 12.

The model inputs for the valuations of options approved and issued during the current and previous financial years are as follows:

Option series	Share price at grant date $	Exercise Price $	Expected share price volatility	Option life	Dividend yield	Risk-free interest rate
3	0.505	0.65	56.57%	128 & 310 days	0%	5.085%
4(a)	1.48	0.65	55.0%	3yrs & 3.98yrs	0%	5.18%
4(b)	1.48	0.65 & $1.20	55.0%	1.35-3.35 yrs	0%	5.18%
4(c)	1.48	0.60	55.0%	1.1-3.1 yrs	0%	5.18%
5	1.205	0.65	54.0%	3 yrs	0%	5.725%
6(a)	1.81	2.02	54.0%	18 & 24 months	0%	6.39%
6(b)	1.35	1.52	54.0%	18 & 24 months	0%	6.39% & 6.46%
6(c)	1.41	1.75	54.0%	18 & 24 months	0%	6.27% & 6.39%
6(d)	1.84	1.96	55.0%	18 & 24 months	0%	6.39%, 6.45% & 6.46%
7	1.91	2.13	55.0%	5 years	0%	6.25%
8	0.91	1.00	55.0%	5 years	0%	6.50%
9	0.848	0.96	55.0%	5 years	0%	3.27%
10	1.44	1.73	55.0%	5 years	0%	5.16%
11	1.44	1.58	55.0%	5 years	0%	5.16%
12	1.82	2.00	55.0%	5 years	0%	5.10%

The closing share market price of an ordinary share of Mesoblast Limited on the Australian Stock Exchange at 30 June 2010 was $1.85 (30 June 2009: $0.83).

(c) Reconciliation of outstanding share options

	2010		2009	
Share options over ordinary shares	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of financial year	9,872,000	1.09	9,316,667	1.06
Granted during the year	2,070,000	1.62	2,976,000	1.00
Exercised during the year	(4,685,334)	0.62	(1,900,667)	0.62
Expired or forfeited during the year	(293,666)	1.81	(520,000)	1.73
Balance at end of financial year	**6,963,000**	**1.54**	**9,872,000**	**1.09**
Unvested at end of financial year	4,574,000	1.46	4,396,000	1.40
Exercisable at end of financial year	2,389,000	1.69	5,476,000	0.85

18. SHARE-BASED PAYMENTS CONTINUED

(d) Share options exercised during the year

Option series	Number exercised	Exercise date(s)	Share price at exercise date
2010			
1(a)	2,093,332	29 September 2009	$1.05
1(b)	1,826,668	16 December 2009	$1.37
4(a)	66,000	16 October 2009	$1.00
4(b)	150,000	23 March 2010	$2.05
4(b)	100,000	8 June 2010	$1.82
4(b)	100,000	23 June 2010	$1.82
5	150,000	23 November 2009	$1.45
8	30,000	16 October 2009	$1.02
8	60,000	28 January 2010	$2.10
8	16,000	8 April 2010	$2.07
8	13,334	13 April 2010	$2.13
8	80,000	15 June 2010	$1.86
	4,685,334		
2009			
1	200,000	11 August 2008	$1.16
2(a)	550,000	16 December 2008	$0.80
2(b)	150,000	16 December 2008	$0.80
2(c)	80,000	30 June 2009	$0.83
3	700,000	3 September 2008	$1.23
4(a)	34,000	3 April 2009	$0.75
4(b)	166,667	30 June 2009	$0.83
4(c)	20,000	23 February 2009	$0.79
	1,900,667		

19. KEY MANAGEMENT PERSONNEL

(a) Details of key management personnel

The directors and other members of key management personnel of the Company during the current and prior years were:

		Effective Date	
Name	Position	2010	2009
Brian Jamieson	Non-executive Chairman	Full year	Full year
Byron McAllister	Non-executive Director	Full year	Full year
Donal O'Dwyer	Non-executive Director	Full year	Full year
Michael Spooner	Non-executive Director	Full year	Full year
Silviu Itescu	Executive Director	Full year	Full year
Kevin Hollingsworth	Company Secretary	Full year	Full year
Suzanne Lipe	Vice President of Operations	Full Year	Full year
Jenni Pilcher	Chief Financial Officer	Full Year	Full year
Roger Brown	Vice President of Regulatory Affairs (A)	Full year	19 January 09
Paul Rennie	Special Projects Consultant	Full Year	Full year
Jim Ryaby	Vice President of Research and Clinical Affairs	Full Year	Full year

(A) Appointed to this position; (R) Resigned from this position

19. KEY MANAGEMENT PERSONNEL CONTINUED

(b) Key management personnel compensation

The aggregate compensation made to directors and other members of key management personnel of the Company is set out below:

	30 June 2010 $	30 June 2009 $
Short-term employee benefits	1,841,151	1,518,359
Post-employment benefits	69,208	69,397
Share based payments	429,677	383,633
	2,340,036	1,971,389

Further disclosures regarding key management personnel compensation are contained within the remuneration report.

(c) Key management personnel equity holdings

Options

	Balance at 1 July No.	Granted as compens-ation No.	Exercised No.	Net change other No.	Balance at 30 June No.	Total vested 30 June No.	Vested and exer-cisable No.	Unvested No.
2010								
Brian Jamieson	-	300,000	-	-	300,000	-	-	300,000
Byron McAllister	-	-	-	-	-	-	-	-
Donal O'Dwyer	150,000	-	150,000	-	-	-	-	-
Michael Spooner	-	-	-	-	-	-	-	-
Silviu Itescu	-	-	-	-	-	-	-	-
Kevin Hollingsworth	200,000	-	-	-	200,000	134,000	134,000	66,000
Roger Brown	240,000	150,000	-	-	390,000	80,000	80,000	310,000
Suzanne Lipe	180,000	-	-	-	180,000	60,000	60,000	120,000
Jenni Pilcher	340,000	240,000	-	-	580,000	146,000	146,000	434,000
Paul Rennie	400,000	180,000	-	-	580,000	216,000	216,000	364,000
James Ryaby	240,000	-	-	-	240,000	80,000	80,000	160,000
2009								
Brian Jamieson	-	-	-	-	-	-	-	-
Byron McAllister	150,000	-	(150,000)	-	-	-	-	-
Donal O'Dwyer	300,000	-	(150,000)	-	150,000	150,000	150,000	-
Michael Spooner	1,100,000	-	(1,100,000)	-	-	-	-	-
Silviu Itescu	-	-	-	-	-	-	-	-
Kevin Hollingsworth	200,000	-	-	-	200,000	67,000	67,000	133,000
Roger Brown	-	240,000	-	-	240,000	-	-	240,000
Suzanne Lipe	-	180,000	-	-	180,000	-	-	180,000
Jenni Pilcher	160,000	240,000	-	(60,000)	340,000	33,000	33,000	307,000
Paul Rennie	250,000	150,000	-	-	400,000	83,000	83,000	317,000
James Ryaby	-	240,000	-	-	240,000	-	-	240,000

19. KEY MANAGEMENT PERSONNEL CONTINUED

c) Key management personnel equity holdings (continued)

Shareholdings

Fully paid ordinary shares held by directors and key management personnel or their personally related parties (as defined by AASB 124):

	Balance at 1 July No.	Granted as compensation No.	Received on exercise of options No.	Net change other No.	Balance at 30 June No.
2010					
Brian Jamieson (i)	310,000	-	-	-	310,000
Byron McAllister	41,315	-	-	-	41,315
Donal O'Dwyer (ii)	428,950	-	150,000	-	578,950
Michael Spooner (iii)	1,148,255	-	-	-	1,148,255
Silviu Itescu	37,125,000	-	-	-	37,125,000
Kevin Hollingsworth	-	-	-	-	-
Roger Brown	-	-	-	-	-
Suzanne Lipe	-	-	-	-	-
Jenni Pilcher	6,000	-	-	-	6,000
Paul Rennie	-	-	-	-	-
James Ryaby	-	-	-	-	-
2009					
Brian Jamieson (i)	200,000	-	-	110,000	310,000
Byron McAllister	-	-	150,000	(108,685)	41,315
Donal O'Dwyer (ii)	273,950	-	150,000	5,000	428,950
Michael Spooner (iii)	838,255	-	1,100,000	(790,000)	1,148,255
Silviu Itescu	37,120,000	-	-	5,000	37,125,000
Kevin Hollingsworth	-	-	-	-	-
Roger Brown	-	-	-	-	-
Suzanne Lipe	-	-	-	-	-
Jenni Pilcher	6,000	-	-	-	6,000
Paul Rennie	-	-	-	-	-
James Ryaby	-	-	-	-	-

(i) Brian Jamieson's shareholding includes 275,000 (2009:275,000) shares held by a related party as defined by the accounting standard AASB124 *Related Party Disclosures*.

(ii) Donal O'Dwyer's shareholding includes 278,950 (2009:278,950) shares held by a related party as defined by the accounting standard AASB124 *Related Party Disclosures*.

(iii) Michael Spooner's shareholding includes 48,255 (2009:48,255) shares held by a related party as defined by AASB124 *Related Party Disclosures*.

20. RELATED PARTY TRANSACTIONS

(a) Equity interests in related parties

Details of interests in associates are disclosed in note 10 to the financial statements.

(b) Transactions with other related parties

Accounts receivable from and accounts payable to Angioblast Systems, Inc. as at the end of the financial year are disclosed in notes 8 and 12 respectively. Both parties may pay invoices in their local currency on behalf of the other party to facilitate timely payment of suppliers. This results in a loan account between both parties which is settled monthly. The transactions being paid for are described below:

	30 June 2010 $	30 June 2009 $
Amounts paid on behalf of Angioblast, by Mesoblast		
50% sharing of research and SAB fees	38,343	125,500
50% sharing of cell and antibody manufacturing	37,621	216,391
50% sharing of clinical research organisation costs	-	50,000
50% sharing of intellectual property costs	141,555	183,589
Research and development (Australia based)	98,474	192,470
Other	124,623	54,756
	440,616	822,706
Amounts paid on behalf of Mesoblast, by Angioblast		
Employees and consultants (US based)	1,040,002	774,520
Other (US based)	310,187	260,682
	1,350,189	1,035,202

No allowance has been made for impaired receivables in relation to the above balances, nor has any expense been recognized in the year (2009:nil) in respect of any impaired receivables due from related parties. All transactions were made on normal commercial terms and conditions and at prevailing market rates.

(c) Transactions between related parties of the company

Together, Mesoblast and Angioblast have been jointly developing process manufacturing and scale-up of the MPC technology, as well as pre-clinical and clinical components which were necessary to obtain Investigational New Drug (IND) clearance from the FDA for orthopaedic and cardiovascular applications (respectively). Both companies have received IND clearance for their respective applications and are now embarking on phase 2 clinical trials. In order to maximise economies of scale and expertise in both entities, certain members of key management personnel provide expert services to both entities. These relationships are outlined below:

Mesoblast key management personnel	Relationship(s) with Angioblast	Nature of transaction(s)(i)
Silviu Itescu	Director, Chief Executive Officer and Chairman of the Scientific Advisory Board	Directors fees & contract for services
Donal O'Dwyer	Non-executive Director, as Mesoblast representative	Directors fees & Angioblast share options
Angioblast key management personnel	**Relationship(s) with Mesoblast**	**Nature of transaction(s)(i)**
Michael Schuster	Consultant – Business Development	Contract for services & Mesoblast share options (ii)
Donna Skerrett	Consultant – Medical Director	Contract for services & Mesoblast share options (ii)

(i) All contracts for services are prepared on normal commercial terms.

(ii) Mesoblast share options held by Angioblast employees are included in the table disclosed in note 18 to the financial statements.

21. FINANCIAL RISK MANAGEMENT

Financial risks impacting the company fall into three categories:

- Market risk (includes currency, interest rate and price risks)
- Credit risk
- Liquidity risk

A description of each risk, together with the risk as it relates to the company, is presented below.

(a) Market risk

(i) Currency risk

The company has certain clinical, regulatory and manufacturing activities in the United States of America. As a result of these activities, the company has certain amounts owing to both external creditors and Angioblast Systems, Inc. which are denominated in US dollars (USD). It also has a USD bank account and an intercompany loan made to Angioblast denominated in USD. All of these USD balances give rise to a currency risk, which is the risk of the exchange rate moving, in either direction, and the impact it may have on the company's financial performance.

The company manages the currency risk by evaluating the trend of the US dollar in comparison to the Australian dollar and making decisions whether to purchase US dollars in advance for the purposes of settling these liabilities. The company has a USD bank account for this purpose. The company has not entered into any forward currency contracts for the current or previous financial year.

The balances held at the end of the year that give rise to currency risk exposure are presented in the table below, together with a sensitive analysis which assesses the impact that a change of +/-20% (2009: +/-20%) in the exchange rate as at 30 June would have had on the company's reported net losses and/or equity balance. The USD prevailing as at 30 June 2010 was 0.8567 (2009: 0.8048).

30 June 2010	Balance held	+20%		-20%	
	US$	Profit/(Loss) AU$	Equity AU$	Profit/(Loss) AU$	Equity AU$
USD bank account	47,439	(9,229)	-	13,843	-
Amount due from Angioblast Systems, Inc	868,413	(168,945)	-	253,418	-
Trade payables & accruals	(131,769)	25,635	-	(38,452)	-
Amounts owing to Angioblast Systems, Inc	(314,891)	61,260	-	(91,890)	-
	469,192	(91,279)	-	136,919	-

30 June 2009	Balance held	+20%		-20%	
	US$	Profit/(Loss) AU$	Equity AU$	Profit/(Loss) AU$	Equity AU$
USD bank account	47,439	(9,824)	-	14,736	-
Amount owing to Angioblast Systems, Inc	36,049	(7,465)	-	11,198	-
Trade payables	(131,275)	27,185	-	(40,779)	-
Amounts owing to Angioblast Systems, Inc	(65,746)	13,615	-	(20,423)	-
	(113,533)	23,511	-	(35,268)	-

21. FINANCIAL RISK MANAGEMENT CONTINUED

(ii) Interest rate risk

The company has exposure to interest rate movements from the interest income it earns on its term deposits and deposits at call. The interest income derived from these balances can fluctuate due to interest rate changes. This interest rate risk is managed by spreading our deposits across various maturity periods and by keeping deposits subject to floating interest rates at a level where they can be used for managing the cash flows of the company. The balances held which derive interest revenue are described in (c) below. There is no material impact on the company's net loss and equity if the interest rates were to be different, by any reasonable amount, as at the end of the financial year. This is because interest is calculated daily and has largely already been earned at the prescribed bank rates at this point in time.

(iii) Price risk

Price risk is the risk that future cashflows derived from financial instruments will be altered as a result of a market price movement, other than foreign currency rates and interest rates. The company does not consider it has any exposure to price risk other than those already described above.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause financial loss to the other party. As the company is non-revenue generating it generally does not have trade receivables. Its receivables are typically due from the government in the form of GST and government grants, and from its related party. The company manages the exposure to credit risk by ensuring all amounts due from Angioblast for operational spend are received monthly and that the balance is not more than $200,000 at any one time without prior approval of a director. In addition, Mesoblast has loaned Angioblast US$750,000 which accrues interest at a rate of 8% per annum. The credit risk to the company is detailed below:

	30 June 2010 $	30 June 2009 $
Cash and cash equivalents		
Cash and cash equivalents (note 7) – minimum A rated	32,049,327	16,526,278
Trade receivables		
Receivable from Australian Government (GST)	207,420	89,905

(c) Liquidity risk

Liquidity risk is the risk that the company will not be able to pay its debts as and when they fall due. The company has had no borrowings to date and the directors ensure that cash on hand is sufficient to meet the commitments of the company at all times while it is in a loss making phase of research and development. The going concern basis of preparation of these financial statements is further described in note 1.

All financial liabilities held by the Company at 30 June 2010 and 30 June 2009 are non-interest bearing and mature within 6 months. The total contractual cash flows associated with these liabilities equate to the carrying amount disclosed within the financial statements.

22. SUBSEQUENT EVENTS

On 23rd August 2010, the company announced to its shareholders that it will convene an Extraordinary General Meeting (EGM) for shareholders to be held on 22nd September 2010. The purpose of the EGM is for the shareholders to consider, and if thought fit to pass, the following resolutions:

a) Approval for the issue of Mesoblast shares to facilitate the proposed acquisition of Angioblast Systems, Inc.;

b) Approval for the issue of Mesoblast shares to purchase Angioblast convertible notes;

c) Ratification of the prior placement of 14m Mesoblast shares issued and allotted to sophisticated investors on 19th May 2010; and

d) Approval of the issue and allotment of approximately 7m Mesoblast shares to Sophisticated Investors

22. SUBSEQUENT EVENTS CONTINUED

Each of these resolutions and its impact on the financial position of the company is described below:

a) Approval for the proposed acquisition of Angioblast Systems, Inc.

On 5th May 2010, Mesoblast signed an non-binding implementation agreement with Angioblast Systems, Inc. under which both parties would make all best and reasonable attempts to negotiate in good faith, complete due diligence, convene necessary shareholders meetings and ultimately enter into a merger agreement that would allow for Mesoblast to acquire the remaining shares in Angioblast that it did not already own. Under the terms of the implementation agreement, Mesoblast and Angioblast have agreed that Mesoblast would issue a total of 94,590,000 Mesoblast securities (comprising shares and options on a like for like basis) to acquire the remaining 67% (on a fully diluted basis) of Angioblast, including the convertible notes, subject to a number of other terms and conditions that remain to be agreed.

Additionally, Angioblast security holders who hold common stock immediately prior to the acquisition may elect to receive up to 15% of their share entitlement in cash. This part cash offer has been made available to Angioblast stock holders so that they may settle any United States capital gains tax liability incurred as a result of the transaction. The total cash required to fund this cash component is not yet known, however should all available stock holders elect the full 15% entitlement, and convertible notes be acquired prior to the acquisition per item c) above, at a share price of $1.85 the total cash required is approximately $20.4m. Correspondingly, at a share price of $2 the cash required would be $22.0m. If the convertible notes are not acquired by Mesoblast per resolution c) above and they therefore convert to Angioblast common stock holders as a result of the acquisition, an additional $2.2m (at $1.85 per share) to $2.4m (at $2 per share) may be required if these shareholders also elect the 15% cash option in full.

Upon both Mesoblast and Angioblast shareholders approving the acquisition, a merger agreement will then be negotiated and completed, with the shares and cash expected to be allotted prior to the end of the year.

Should the acquisition be completed, the Group will then own the entire platform to the MPC technology, and will have a combined intellectual property value on its balance sheet of $450m. Other assets and liabilities acquired include working capital of approximately $3.8m, a deferred tax liability of $157.5m and a deferred tax asset of approximately $11.4m. The existing investment in Angioblast is required to be revalued immediately prior to acquisition in accordance with IFRS, which will result in a gain on revaluation in the Group accounts of approximately $129.8m. The total value paid for this acquisition, using a Mesoblast share price of $1.85, is approximately $171.4m. After accounting for all of the above, together with the original $18.2m investment paid for Angioblast, the Group will record a goodwill amount of approximately $11.7m on acquisition.

b) Approval for the issue of Mesoblast shares to purchase Angioblast convertible notes;

In August 2009, Angioblast raised $10.05m by issuing convertible notes to Australian sophisticated investors. These convertible notes (notes) will convert to common stock of Angioblast in accordance with the terms and conditions of the convertible notes if Mesoblast completes the acquisition mentioned above.

As an alternative and subject to the note holder's consent, Mesoblast has agreed to assume the responsibilities of Angioblast under the notes, and will therefore issue the note holder with Mesoblast shares upon conversion of the note. Conversion of the note will automatically occur upon the Mesoblast shareholders approving this resolution and the note holder signing a Restriction Agreement, restricting the disposal or dealing of the Mesoblast shares for a period of three months after issue.

The number of Mesoblast shares to be issued to each holder upon conversion of the note will be the calculated using the same ratio as per the Angioblast acquisition. The exact number of Mesoblast shares to be issued will depend on the foreign exchange rate prevailing at the date of conversion, however if all note holders consent, it is estimated that 8.05m – 8.45m Mesoblast shares will be issued to note holders.

As consideration for Mesoblast entering into this agreement, Mesoblast will receive the same amount of Angioblast stock that would otherwise have been issued by Angioblast to the note holders on conversion of the notes. This agreement has been made irrespective of whether the acquisition of Angioblast is completed but is subject to Mesoblast shareholder approval at the EGM.

c) Ratification of the prior placement of 14m Mesoblast shares issued and allotted to sophisticated investors on 19th May 2010

This resolution does not impact the financial position of the company, other than to give it greater capacity to raise capital in the future.

d) Approval of the issue and allotment of approximately 7m Mesoblast shares to Sophisticated Investors

As part of the share placement completed in May of this year (per item c) above), Mesoblast received further contractual commitments from sophisticated investors for the purchase of approximately 7m shares on the same terms and conditions as the placement completed on 19th May. Mesoblast was unable to issue and allot the shares to these investors at the time of the placement in May 2010 due to ASX Listing Rule restrictions, without first receiving shareholder approval. This resolution now seeks the approval from shareholders to issue these shares resulting in a significant further cash injection into the company to be used for its clinical programs and operations.

Other than those subsequent events described above, there are no other subsequent events that the directors consider would have a material impact on the results of the company for the year ending 30 June 2010.

Directors' Declaration

In accordance with a resolution of directors of Mesoblast Limited,

In the directors' opinion:

(a) the financial statements and notes set out on pages 34 to 66 are in accordance with the *Corporations Act 2001*, including:

  (i) Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) Giving a true and fair view of the entity's financial position as at 30 June 2010 and of its performance for the financial year ended on that date, and

(b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001.*

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

Mr Brian Jamieson
Director

26 August 2010, Melbourne

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Independent auditor's report to the members of Mesoblast Limited

Report on the financial report

We have audited the accompanying financial report of Mesoblast Limited (the company), which comprises the balance sheet as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Independent auditor's report to the members of Mesoblast Limited (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Mesoblast Limited is in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the company's financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in sections A to D of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Mesoblast Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Anton Linschoten
Partner

Melbourne
26 August 2010

Shareholder Information

A. SUBSTANTIAL SHAREHOLDERS

The company's Holders of Relevant Interests as notified by ASX Substantial Shareholders and the number of shares in which they have an interest as disclosed by notices received under Part 6.7 of the Corporation Act 2001 as at 30 September 2010 are:

Shareholder	Number of ordinary shares held
Silviu Itescu	37,125,000
Thorney Holdings Pty Ltd	13,500,000

B. NUMBER OF HOLDERS OF EQUITY SECURITIES AND VOTING RIGHTS

	Ordinary shares (i)	Share options (ii)
Number of holders	2,698	24

The voting rights attaching to each class of equity securities are:

(i) Ordinary shares

On a show of hands, every member present at a meeting, in person or by proxy, shall have one vote and upon a poll each share shall have one vote.

(ii) Share options

No voting rights.

C. DISTRIBUTION OF EQUITY SECURITIES

Distribution of holders of equity securities as at 16 October 2009

No. of holders	Ordinary shares	Share options
1 – 1,000	568	-
1,001 – 5,000	1,039	-
5,001 – 10,000	448	-
10,001 – 100,000	566	3
100,000 and over	77	21
	2,698	24

Number of holders of less than a marketable parcel of shares	56

D. TWENTY LARGEST HOLDERS OF QUOTED SECURITIES

The names of the 20 largest shareholders of each class of equity security as at 30 September 2010 are listed below:

Rank	Investor Name	No. of shares held	% of total shares
1	Prof Silviu Itescu	37,125,000	23.49%
2	Thorney Investments	13,500,000	8.54%
3	Aviva Investors	7,353,767	4.65%
4	Independent Asset Mgt	7,273,106	4.60%
5	Newton Investment Mgt	5,800,000	3.67%
6	M&G Investment Mgt	5,576,751	3.53%
7	Telstra Super	4,529,460	2.87%
8	Northcape Capital	3,961,994	2.51%
9	Mr George Muchnicki	3,705,031	2.34%
10	British Airways Pension Investment Mgt	3,543,581	2.24%
11	Dalit	3,540,000	2.24%
12	Walker Corporation	3,100,000	1.96%
13	Kinetic Investment Partners	2,910,240	1.84%
14	SG Hiscock & Co	2,654,198	1.68%
15	Coupland Cardiff Asset Mgt	2,365,494	1.50%
16	Medvet Science	1,953,000	1.24%
17	Credit Suisse	1,479,000	0.94%
18	Boyer Allan Investment Mgt	1,317,785	0.83%
19	Watermark Fund Mgt	1,273,704	0.81%
20	Mr Michael Spooner	1,109,000	0.70%
		114,071,111	72.18%

Mesoblast Limited ABN 68 109 431 870

Board of Directors and Company Particulars

DIRECTORS
Brian Jamieson (Chairman)
Silviu Itescu
Byron McAllister
Donal O'Dwyer
Michael Spooner

COMPANY SECRETARY
Kevin Hollingsworth

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Australian Stock Exchange
(ASX Code: MSB)

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Level 19, 2 Southbank Boulevard
MELBOURNE VIC 3006

SOLICITORS
Middletons Lawyers
Level 25, Rialto Tower
525 Collins Street
MELBOURNE VIC 3000

BANKERS
National Australia Bank Ltd
221 Drummond Street
CARLTON VIC 3053

SHARE REGISTRY
Link Market Services Limited
Level 4
333 Collins Street
MELBOURNE VIC 3000

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