

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Mesoblast Limited

ABN

68 109 431 870

Quarter ended ("current quarter")

30 September 2016

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (3 months) US\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers	361	361
1.2 Payments for		
(a) research and development	(9,404)	(9,404)
(b) manufacturing commercialisation	(5,738)	(5,738)
(c) advertising and marketing	—	—
(d) leased assets	—	—
(e) staff costs	(2,437)	(2,437)
(f) other expenses from ordinary activities	(3,407)	(3,407)
(g) other:		
– intellectual property portfolio expenses	(383)	(383)
1.3 Dividends received (see note 3)	—	—
1.4 Interest received	181	181
1.5 Interest and other costs of finance paid	—	—
1.6 Income taxes paid	—	—
1.7 Government grants and tax incentives	—	—
1.8 Other (provide details if material)	—	—
1.9 Net cash from / (used in) operating activities	(20,827)	(20,827)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(290)	(290)
(b) businesses (see item 10)	—	—

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (3 months) US\$'000
(c) investments	—	—
(d) intellectual property	—	—
(e) other non-current assets	—	—
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	—	—
(b) businesses (see item 10)	—	—
(c) investments	—	—
(d) intellectual property	—	—
(e) other non-current assets	—	—
2.3 Cash flows from loans to other entities	—	—
2.4 Dividends received (see note 3)	—	—
2.5 Other (provide details if material)	—	—
2.6 Net cash from / (used in) investing activities	(290)	(290)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	—	—
3.2 Proceeds from issue of convertible notes	—	—
3.3 Proceeds from exercise of share options	—	—
3.4 Transaction costs related to issues of shares, convertible notes or options	(55)	(55)
3.5 Proceeds from borrowings	—	—
3.6 Repayment of borrowings	—	—
3.7 Transaction costs related to loans and borrowings	—	—
3.8 Dividends paid	—	—
3.9 Other (provide details if material)	—	—
3.10 Net cash from / (used in) financing activities	(55)	(55)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	80,937	80,937
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(20,827)	(20,827)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(290)	(290)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(55)	(55)

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (3 months) US\$'000
4.5	Effect of movement in exchange rates on cash held	590	590
4.6	Cash and cash equivalents at end of quarter	60,355	60,355

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter US\$'000	Previous quarter US\$'000
5.1	Bank balances	7,194	10,687
5.2	Call deposits	43,096	58,969
5.3	Bank overdrafts	—	—
5.4	Other (Term deposits)	10,065	11,281
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	60,355	80,937

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter US\$'000
409
—

Payments to directors (For the Current Quarter) = 409k

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter US\$'000
—
—

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end US\$'000	Amount drawn at quarter end US\$'000
8.1 Loan facilities	—	—
8.2 Credit standby arrangements	—	—
8.3 Other (please specify)	—	—
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	US\$'000
9.1 Research and development	(10,730)
9.2 Manufacturing commercialisation	(6,870)
9.3 Advertising and marketing	—
9.4 Leased assets	—
9.5 Staff costs	(2,029)
9.6 Other expenses from ordinary activities	(2,584)
9.7 Other (provide details if material)	
(a) Other working capital	(2,000)
(b) Intellectual property portfolio expenses	(651)
9.8 Total estimated operating cash outflows	(24,864) ⁽¹⁾⁽²⁾


(1) **Expected one-off costs:** *Expected research and development and manufacturing commercialisation costs for the next quarter (1 October to 31 December 2016) comprise a number of large, one-off payments. The majority of these payments relate to absorbing the incremental costs of the MPC-150-IM Phase 3 program in advanced chronic heart failure. These payments are not expected to be incurred in subsequent quarters.*

(2) **Potential effect of corporate activities on cash reserves at the end of next quarter:** *Mesoblast is in advanced negotiations with selected pharmaceutical companies with respect to potential partnering of certain Tier 1 product candidates. Mesoblast's Tier 1 product candidates are MPC-150-IM for chronic heart failure, MPC-06-ID for chronic low back pain and MSC-100-IV for graft versus host disease, all in ongoing Phase 3 clinical trials, and MPC-300-IV for biologic refractory rheumatoid arthritis and for diabetic nephropathy, both in Phase 2. Currently, negotiations are advanced but a binding transaction has not yet been entered into. If Mesoblast enters into a binding transaction in the second quarter of this financial year, Mesoblast expects that one effect of the transaction would be that its cash reserves would be likely to increase. Mesoblast does not make any representation or give any assurance that such a binding transaction will be entered into by the Company. Mesoblast has established an equity facility for up to A\$120 million/US\$90 million over 36 months, to be used at its discretion, to provide additional funds as required.*

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	—	—
10.2 Place of incorporation or registration	—	—
10.3 Consideration for acquisition or disposal	—	—
10.4 Total net assets	—	—
10.5 Nature of business	—	—

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  Date: 31 October 2016
(Company secretary)

Print name: Charlie Harrison

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.