

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

Mesoblast Limited

ABN

68 109 431 870

Quarter ended ("current quarter")

30 June 2006

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date \$A'000
1.1 Receipts from customers		
Government grant received	1,423	1,854
R & D Tax Offset	346	346
1.2 Payments for		
(a) staff costs		
(b) advertising and marketing		
(c) research and development		
(d) leased assets		
(e) other working capital		
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	104	557
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Commercialisation costs	(1,983)	(4,481)
General Administration	(298)	(1,444)
Net operating cash flows	(408)	(3,168)

+ See chapter 19 for defined terms.

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admitted on the basis of commitments

	Current quarter \$A'000	Year to date \$A'000
1.8 Net operating cash flows (carried forward)	(408)	(3,168)
Cash flows related to investing activities		
1.9 Payment for acquisition of: (a) businesses (item 5)		
(b) equity investments (see attached note 4)	(1,000)	(4,000)
(c) intellectual property	(35)	(125)
(d) physical non-current assets		
(e) other non-current assets	(19)	(19)
1.10 Proceeds from disposal of: (a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets		
1.11 Loans to other entities		
1.12 Loans repaid by other entities	161	119
1.13 Other (provide details if material)	(64)	(50)
Net investing cash flows	(957)	(4,075)
1.14 Total operating and investing cash flows	(1,365)	(7,243)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	6	6
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings		
1.18 Repayment of borrowings		
1.19 Dividends paid		
1.20 Other (Government grant receivable)		
Net financing cash flows	6	6
Net increase (decrease) in cash held	(1,359)	(7,237)
1.21 Cash at beginning of quarter/year to date	9,216	15,094
1.22 Exchange rate adjustments to item 1.20		
1.23 Cash at end of quarter	7,857	7,857

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	130
1.25	Aggregate amount of loans to the parties included in item 1.11	(161)
1.26	Explanation necessary for an understanding of the transactions	
	Silviu Itescu	42
	Byron McAllister	10
	Michael Spooner	69
	Donal O'Dwyer	9

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

N/A

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

	Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	
3.2	Credit standby arrangements	

+ See chapter 19 for defined terms.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	191	136
4.2	Deposits at call	3,851	418
4.3	Bank overdraft		
4.4	Other – Term Deposits	3,815	8,662
Total: cash at end of quarter (item 1.22)		7,857	9,216

Acquisitions and disposals of business entities N/A

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	
5.2	Place of incorporation or registration	
5.3	Consideration for acquisition or disposal	
5.4	Total net assets	
5.5	Nature of business	

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date:27 July 2006.....
 (Company secretary)

Print name: Kevin Hollingsworth

+ See chapter 19 for defined terms.

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.
4. Item 1.9 (6) – equity investment – A\$1 million

The equity investment relates to Section 1.4 (1) of the Supplementary Prospectus which reflects the agreement that on completion of the Mesoblast offer and its ASX listing, Mesoblast would pay A\$2 million to Angioblast Systems Inc. as the first instalment to acquire 33.3 percent of equity interest in Angioblast Systems Inc. Mesoblast would then continue to pay quarterly instalments of A\$1 million to Angioblast Systems Inc. up until quarter ending 31 December 2006.

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