MESOBLAST WELL FUNDED FOR CLINICAL TRIALS
Financial Results Reflect Exciting Progress

Melbourne, Australia; 20 February 2007: Australia's adult stem cell company, Mesoblast Limited (ASX:MSB), today announced its financial results for the six months to 31 December 2006 with cash reserves of more than $15.7 million.

Executive Chairman, Mr Michael Spooner, said that both Mesoblast and its sister company, Angioblast Systems Inc in the United States, were very well positioned to continue rapid product commercialisation for both orthopaedic and cardiovascular applications, respectively, based on the shared adult stem cell technology platform.

He said that Mesoblast had made tremendous progress during the six months to 31 December 2006 and had accomplished many of its objectives well ahead of schedule. In equal measure, he noted that the ensuing six to 12 months would be equally exciting as the company commences US Food and Drug Administration (FDA) clinical trials and advances new applications.

In the six months to 31 December 2006, Mesoblast achieved a number of critical milestones including:

- A successful Investigational New Drug (IND) submission to the FDA to commence a Phase 2 Clinical Trial for spinal fusion;
- Positive results from clinical and pre-clinical trials;
- Validation of its high-margin business model to use "off-the-shelf" adult stem cells in unrelated, or allogeneic, recipients
- Granted a key patent in the US.

Mesoblast Founder and Chief Scientific Adviser, Professor Silviu Itescu, said that the IND submission and clearance were key milestone targets outlined in the company's IPO Prospectus in December 2004, and were accomplished over six months ahead of schedule.

He said FDA clearance to move into Phase 2 clinical trials would also expand the partnering opportunities for both Mesoblast and Angioblast.

"Both companies have already established successful collaborative relationships with major device and pharmaceutical organisations in the execution of preclinical and clinical trials," Professor Itescu said. "The results have enabled both companies to develop strong and compelling product portfolios upon which strategic partnerships can be cemented.

"The FDA clearance, achieved within 30 days of IND submission, was based on Mesoblast's extensive data package, which included successful:

- Large scale manufacture of a well characterised, uniform, and safe "off the shelf" stem cell product. This product is generated using Mesoblast's proprietary technology through large scale expansion of stem cells obtained from one donor for the treatment of potentially thousands of unrelated (allogeneic) patients with various orthopaedic conditions;

- Large animal preclinical trials demonstrated that Mesoblast's allogeneic stem cells are very effective for inducing bone growth in various indications such as spinal fusion and long bone defects; and

- Data from two pilot clinical trials undertaken in Australia to evaluate the safety and feasibility of Mesoblast's Standard Operating Procedures and cell implantation in patients with orthopaedic and cardiovascular conditions.

"During the six month period, a foundation patent was granted in the US. Patents are the lifeblood of the Company, and granting of patents in various jurisdictions protect our commercial rights and ensure we have freedom to operate commercially. We are committed to the ongoing expansion, broadening, and development of our intellectual property portfolio," Professor Itescu added.

Mr Spooner said additional highlights of the past six months included:

- A successful placement of shares to institutional and sophisticated investors, plus a Share Purchase Plan for existing shareholders, which raised a total of $17.17 million to fund two clinical trials and ongoing operations.

- Increased investment in Angioblast of $8.5 million to secure in total a shareholding of 39.2% on a fully diluted basis. This investment will fund an agreed cardiovascular Phase II Clinical Trial in the US.

He said the financial results for the six months to 31 December 2006 showed a net loss of $3,969,751 whilst the comparative figure for the six months to 31 December 2005 was $2,883,547. The increased net loss directly related to the increase in activity and operations of the company in achieving its core milestones.

"In line with Mesoblast's accounting practices, all development expenditure associated with bringing the technology to market is expensed.

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"Revenue for the period was $1,101,776 as compared to $883,586.

"Mesoblast's cash balance and term deposits amounted to $15,716,040 compared to $15,093,834. The Directors believe that there are sufficient funds on hand to meet the Company's immediate objectives.

"The company's financial results are very much in line with our forecasts and reflect the ongoing and significant activity associated with the rapid commercialisation of Mesoblast's specialist adult stem cell technology," Mr Spooner said.

About Mesoblast Limited:

Mesoblast Limited is an Australian biotechnology company committed to commercialisation of novel treatments for orthopaedic conditions, including a unique adult stem cell technology aimed at the regeneration and repair of bone and cartilage. Mesoblast has worldwide exclusive rights to a series of patents and technologies that have been developed over more than 10 years relating to the identification, extraction and culture of adult Mesenchymal Precursor Cells (MPCs). The company has also acquired a substantial interest in Angioblast Systems Inc, an American company developing the platform MPC technology for the treatment of cardiovascular diseases, including repair and regeneration of blood vessels and heart muscle. Mesoblast's strategy is to maximise shareholder value through both corporate partnerships and rapid product commercialisation.

For further information, please contact:

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Appendix 4D

Mesoblast Limited

ABN 68 109 431 870

Half year report

Current reporting period	Half year ended 31 December 2006
Previous corresponding period	*Half year ended 31 December 2005*

Results for announcement to the market

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EXPLANATION				
Total revenues	up	25 %	to	1,102
Loss from ordinary activities after tax attributable to members	up	38 %	to	3,996
Net loss for the period attributable to members	up	38 %	to	3,996

EXPLANATION

Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend	NIL	NIL
Previous corresponding period	NIL	NIL
Record date for determining entitlements to the dividend	N/A	

	2006	2005
Net tangible asset per security	22.4c	16.9c

Appendix 4D

Mesoblast Limited
ABN 68 109 431 870

Half year report
Half year ended 31 December 2006

Contents

MESOBLAST LIMITED
ABN 68 109 431 870

DIRECTORS' REPORT

Your Directors present their report on the company at the end of the half-year ended 31 December 2006.

1 DIRECTORS

The following persons were Directors of Mesoblast Limited during the whole of the half-year and up to the date of this report.

Michael Spooner (Executive Chairman)
Silviu Itescu (Director and Chief Scientific Advisor)
Donal O'Dwyer (Non Executive Director and Deputy Chairman)
Byron McAllister (Non Executive Director)

2 REVIEW OF OPERATIONS

Mesoblast is focused upon bringing to market a safe, high profit margin, off the shelf adult stem cell product for the effective treatment of a broad range of orthopaedic conditions. In addition, Mesoblast holds a significant interest in United States-based adult stem cell company, Angioblast Systems Inc. which is focused on commercialising the same platform stem cell technology for the treatment of cardiovascular diseases.

In the six months to 31 December 2006 your Directors were delighted with progress made.

The Company has achieved a number of critical milestones during the period, including:
- A successful Investigational New Drug (IND) submission to the United States Food and Drug Administration (FDA);
- Positive results from clinical and pre-clinical trials; and
- Granting of a key patent in the United States.

The major highlight occurred on 18 December 2006 when Mesoblast received clearance from the FDA to commence a Phase 2 Clinical Trial for spinal fusion in the United States. FDA clearance was received within 30 days of the Company's filing its IND application, demonstrating the strength and robustness of the data package submitted by the Company. Importantly, the IND submission and clearance were key milestone targets outlined in the company's IPO Prospectus in December 2004, and were accomplished over 6 months ahead of schedule.

FDA Clearance Validates Technology Milestones And Underpins Product Commercialisation
In order to commercialise our products in the world's largest health care market, the United States, we must receive FDA clearances for clinical trials and ultimately approval of safety and efficacy endpoints for product sales. Our FDA submission in November 2006 contained detailed results of our product manufacturing and scale-up processes, our large animal studies, and our pilot clinical trials. FDA clearance on 18 December 2006 to begin Phase 2 clinical trials entailed a comprehensive review of all data that had been accumulated over the past two years in respect of our manufacturing processes, the safety endpoints following cell implantation in patients and animals, and the effectiveness of the therapy to support progressing to larger human trials.

Clinical And Preclinical Milestones
There has been an enormous amount of hard work undertaken over the past two years by Company staff, management and our contractors in respect to each of the following components. Specifically:
- We have successfully accomplished large scale manufacture of a well characterised, uniform, and safe off the shelf stem cell product. This product is generated using our proprietary process through large scale expansion of stem cells obtained from one donor for the treatment of as many as thousands of unrelated (allogeneic) patients with various orthopaedic conditions.
- We have successfully completed a number of large animal preclinical trials, demonstrating that our allogeneic stem cells are very effective for inducing bone growth in various indications such as spinal fusion and long bone defects.
- We have substantially progressed two clinical trials in Australia evaluating the safety and feasibility of the Company's Standard Operating Procedures and cell implantation in patients with orthopaedic and cardiovascular conditions. During the period under review your company reported periodically on some extremely exciting progress made to date in these trials; while formal conclusion of both pilot trials is at the sole discretion of the principal investigators, the Directors believe that Mesoblast's objectives in establishing the safety and Standard Operating Procedures for implanting our proprietary stem cells in a clinical setting have already been accomplished.

Intellectual Property
Patents are the lifeblood of the Company, and granting of patents in various jurisdictions protect our commercial rights and ensure we have freedom to operate commercially. The company is absolutely committed to the ongoing expansion, broadening, and development of our intellectual property portfolio.

On 18 October 2006, Mesoblast announced that the United States Patent and Trade Mark Office (USPTO) had granted a key patent covering composition-of-matter over a unique population of adult stem cells which we refer to as Mesenchymal Precursor Cells or MPCs. These cells enable regeneration and repair of a host of tissues including bone, cartilage, fat, blood vessels and heart muscle. The patent confers rights through at least the year 2019 and will underpin our exclusive rights to commercialise MPC products in the world's largest health sector market.

Funding Our Future
In July 2006 the company successfully undertook a placement of shares to institutional and sophisticated investors raising $15 million. This was followed by a Share Purchase Plan in August 2006 which enabled existing shareholders to invest individually up to $5,000 at a price per share equivalent to the July placement. In total $17.17 million was raised to fund two clinical trials and ongoing operations.

Further Investment In Angioblast Systems Inc
In November 2006 independent shareholders voted in favor of a further investment of $8.5 million in total by way of periodic payments to secure in total a shareholding of 39.2% on a fully diluted basis. The intention of this investment is to fund an agreed cardiovascular Phase II Clinical Trial in the United States.

Details associated with the further investment are set out in the company's website and were circulated to all eligible shareholders prior to the meeting and are available on www.mesoblast.com

The terms of the further investment in summary provide for periodic payments to Angioblast that will be used in achieving clinical trial milestones.

Your Directors continue to closely monitor the progress of Angioblast and continue to be confident in an ongoing, productive and strong relationship between the two companies.

Commercial Partnerships and Opportunities
Both Mesoblast and Angioblast have established successful collaborative relationships with major device and pharmaceutical organisations in the execution of preclinical and clinical trials. These relationships have focused on ways to optimise delivery of our cells in the treatment of orthopaedic and cardiovascular diseases using carriers and devices that are today commonly used by physicians. The results have enabled both companies to develop strong and compelling portfolios upon which strategic partnerships can be cemented. With FDA clearance to move into each additional Phase 2 clinical trial, the partnering opportunities for each company will continue to expand.

Financial Results
The results of the company for the six months to 31 December 2006 are summarised below:

Mesoblast's net loss after tax for the six months to 31 December 2006 was $3,995,972 whilst the comparative figure for the six months to 31 December 2005 was $2,883,547. The increased net loss directly relates to the increase in activity and operations of the company in achieving its core milestones.

Revenue for the period was $1,101,776 as compared to $883,586. Increases in funds from an Australian Government Grant and Interest Income accounted for the increased revenues whilst foreign currency gains reduced.

In line with accounting standards, all Research and Development costs were immediately expensed in the period in which they were incurred. During the current period to 31 December 2006 these costs amounted to $3,312,905 as compared to $1,736,719 for the corresponding period in 2005. The increase is directly attributable to increased activity during the period. Mesoblast's expenditure is in line with its budget.

Mesoblast's share of losses in its equity accounted associate, Angioblast Systems Inc, was $542,829 in the 6 month period to 31 December 2006 compared with $807,243 for the same period in the previous year. The variance was mainly due to Angioblast Systems Inc. incuring up front contract costs in the 6 months to 31 December 2005. Angioblast Systems Inc.'s expenditure is in line with its budget.

General and Administration costs as well as interest expenses were $1,242,014 at 31 December 2006 as compared to $1,223,171 for the corresponding period in 2005. In line with the company's expectations these costs have not materially changed.

Mesoblast's cash balance and term deposits amounted to $15,716,040 as compared to $15,093,834. The Directors believe that there are sufficient funds on hand to meet the company's immediate objectives.

3 EVENTS SUBSEQUENT TO 31 DECEMBER 2006

In the period between 31 December 2006 and the date of this report the company made no announcements that are material to this Report.

4 AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under Section 307C of the Corporations Act 2001 accompanies this report.

This report is made in accordance with the resolution of the Directors.

Michael Spooner

Michael Spooner
Executive Chairman
Melbourne, Victoria
Dated this 20th day of February 2007

PKF
Chartered Accountants
& Business Advisers

20 February 2007

The Directors
Mesoblast Limited
Level 39
55 Collins Street
MELBOURNE VIC 3000

Dear Directors

AUDITOR'S INDEPENDENCE DECLARATION

As lead engagement partner for the review of Mesoblast Limited for the half-year ended 31 December 2006 I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the independence requirements of the Corporations Act in relation to the review; and

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

PKF
Chartered Accountants

R A Dean
Partner

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MESOBLAST LIMITED
ABN 68 109 431 870
INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Half Year ended 31-Dec-06 $	Half Year ended 31-Dec-05 $
Revenues		
Government Grant	596,157	473,696
Interest	490,137	327,543
Foreign Exchange Gain on US Dollar Deposit	15,482	82,347
Total revenues	1,101,776	883,586
Expenses		
Research & Development	(3,312,905)	(1,736,719)
Administration	(1,242,014)	(1,113,079)
Interest expenses	-	(110,092)
Share of losses of Equity accounted associates	(542,829)	(807,243)
Total expenses	(5,097,748)	(3,767,133)
Loss before income tax expense	(3,995,972)	(2,883,547)
Income tax (expense)/benefit	-	-
Loss for the period	(3,995,972)	(2,883,547)
Earning per share:		
Basic earnings per share (cents per share)	(3.79c)	(3.08c)
Basic diluted earnings per share (cents per share)	(3.79c)	(3.08c)

The accompanying notes form part of these financial statements

MESOBLAST LIMITED
ABN 68 109 431 870
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	NOTE	Issued Capital	Share Option Reserve	Accumulated Losses	Total
		$	$	$	$
Opening Balance as at 1 July 2005		20,667,608	65,517	(1,470,369)	19,262,756
Issued capital	4	-	-	-	-
Loss for the period		-	-	(2,883,547)	(2,883,547)
Cost of share based payment		-	150,647	-	150,647
At 31 December 2005		20,667,608	216,164	(4,353,916)	16,529,856
As of 1 July 2006		20,667,608	1,066,393	(9,768,956)	11,965,045
Issued capital	4	16,710,375	-	-	16,710,375
Loss for the period		-	-	(3,995,972)	(3,995,972)
Cost of share based payment		-	230,035		230,035
At 31 December 2006		37,377,983	1,296,428	(13,764,928)	24,909,483

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

MESOBLAST LIMITED
ABN 68 109 431 870
BALANCE SHEET
AS AT 31 DECEMBER 2006

	NOTE	31-Dec-06 $	30-Jun-06 $
CURRENT ASSETS			
Cash & Cash Equivalents		15,716,040	7,854,843
Trade & Other Receivables		1,096,809	184,470
TOTAL CURRENT ASSETS		16,812,849	8,039,313
NON-CURRENT ASSETS			
Property, plant and equipment		57,197	37,905
Investment accounted for using equity method	2	7,958,844	7,501,673
Intangibles assets	3	809,603	805,624
TOTAL NON-CURRENT ASSETS		8,825,644	8,345,202
TOTAL ASSETS		25,638,493	16,384,515
CURRENT LIABILITIES			
Trade & Other Payables		729,010	4,419,470
TOTAL CURRENT LIABILITIES		729,010	4,419,470
TOTAL LIABILITIES		729,010	4,419,470
NET ASSETS		24,909,483	11,965,045
EQUITY			
Issued Capital	4	37,377,983	20,667,608
Reserves		1,296,428	1,066,393
Accumulated losses		(13,764,928)	(9,768,956)
TOTAL EQUITY		24,909,483	11,965,045

The accompanying notes form part of these financial statements.

MESOBLAST LIMITED
ABN 68 109 431 870
CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Half Year ended 31-Dec-06 $	Half Year ended 31-Dec-05 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(5,975,451)	(2,309,342)
Interest received	490,137	327,543
Net cash used in operating activities	(5,485,314)	(1,981,799)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in patents & licenses	(21,662)	(60,809)
Investment in equity accounted associate	(3,000,000)	(1,000,000)
Investment in plant and equipment	(28,272)	-
Loan to associate company	(212,630)	(75,682)
Others	-	4,400
Net cash used in investing activities	(3,262,564)	(1,132,091)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issue of shares	16,609,075	-
Net cash provided by financing activities	16,609,075	-
Net increase in cash held	7,861,197	(3,113,890)
Foreign exchange gain on US Dollar Deposit	-	82,347
Cash & Cash Equivalents at beginning of period	7,854,843	15,093,834
Cash & Cash Equivalents at end of period	15,716,040	12,062,291

The accompanying notes form part of these financial statements

MESOBLAST LIMITED
ABN 68 109 431 870
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures the same accounting policies have been followed as those applied in the financial report for the year ended 30 June 2006.

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 of assets. All amounts are presented in Australian dollars unless otherwise noted

Note 2: EQUITY ACCOUNTED INVESTMENT

Name of Entity	Balance Date	Principal Activity	Ownership Interest		Carrying Amount	
			31 December 2006	30 June 2006	31 December 2006	30 June 2006
Angioblast Systems Inc	30 June	Stem cell research	34.3%	33.3%	7,958,844	7,501,673

Investment in associate account using equity method	10,782,791	9,782,791
Share of equity accounted loss	(2,823,947)	(2,281,118)
Carrying amount of equity accounted investment	7,958,844	7,501,673

Note 3: INTANGIBLE ASSETS

	31 December 2006 $	30 June 2006 $
Intellectual property establishment and licenses at cost	877,101	855,439
Less: Amortisation	(67,498)	(49,815)
	809,603	805,624

MESOBLAST LIMITED
ABN 68 109 431 870
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

Note 4: CONTRIBUTED EQUITY

4 a) Movements in contributed equity during the half year were as follows: -

	31 December 2006 No.	31 December 2006 $	30 June 2006 No.	30 June 2006 $
At the beginning of the reporting period	93,510,000	20,667,608	93,510,000	20,667,608
13,882,800 shares allotted at $1.25	13,882,800	17,353,500	-	-
175,333 options exercised at $0.65	175,333	113,966	-	-
80,000 options exercised at $0.60	80,000	48,000		
Share issue expenses	-	(805,091)	-	-
At the end of the reporting period	107,648,133	37,377,983	93,510,000	20,667,608

4 b) Share options

	31 December 2006 No.	30 June 2006 No.
Balance at beginning of the half year	7,800,000	5,660,000
Granted during the half year	150,000	2,140,000
Exercised during the half year	(255,333)	-
Lapsed during the half year	-	-
Balance at end of the half year	7,694,667	7,800,000

Option - Series	Number	Vesting date	Expiry date	Exercise price $
Granted 29 September 2004	4,320,000	29/09/2005	29/06/2009	0.55
Granted 26 October 2004	400,000	16/12/2007	30/12/2007	0.55
Granted 16 December 2004	80,000	16/12/2006	16/12/2007	0.60
Granted 16 December 2004	80,000	16/12/2007	16/12/2008	0.60
Granted 16 December 2004	700,000	16/12/2006	16/12/2008	0.60
Granted 25 August 2005	350,000	31/12/2005	31/12/2008	0.65
Granted 25 August 2005	350,000	30/06/2006	30/06/2009	0.65
Granted 23 February 2006	10,000	01/04/2007	01/04/2008	0.60
Granted 23 February 2006	10,000	01/04/2008	01/04/2009	0.60
Granted 23 February 2006	60,000	01/04/2006	01/04/2007	0.65
Granted 23 February 2006	150,000	30/06/2005	01/04/2007	0.65
Granted 23 February 2006	166,667	30/06/2006	30/06/2007	0.65
Granted 23 February 2006	68,000	23/02/2006	23/02/2009	0.70
Granted 23 February 2006	100,000	14/02/2007	14/02/2010	0.70
Granted 23 February 2006	150,000	30/06/2007	01/04/2008	1.20
Granted 23 February 2006	200,000	30/06/2007	30/06/2008	1.20
Granted 23 February 2006	150,000	30/06/2008	01/04/2009	1.20
Granted 23 February 2006	200,000	30/06/2008	30/06/2009	1.20
Granted 23 November 2006	150,000	23/11/2006	23/11/2009	0.65
	7,694,667			

Note 5: SEGMENT INFORMATION

(a) Description of Segments

The company operates in two business segments, being commercialisation and investment in research and development companies.

(b) Geographic Segments

The company predominantly operates in one geographical area, being Australia.

	Research & Development		Investment (a)		Corporate		Total	
BUSINESS SEGMENTS	**2006 $'000**	**2005 $'000**	**2006 $'000**	**2005 $'000**	**2006 $'000**	**2005 $'000**	**2006 $'000**	**2005 $'000**
Segment Revenue from Continuing Operations	596	474	-	-	506	410	1,102	884
Segment Results	(2,717)	(1,263)	(543)	(807)	(736)	(814)	(3,996)	(2,884)

(a) Represents Equity accounted losses - Angioblast

NOTE 6: COMMITMENTS AND CONTINGENCIES

On 23 November 2006 the shareholders at an Extraordinary General Meeting considered and passed the following resolution – "that pursuant to ASX Listing Rule 10.1, Chapter 2E of the Corporations Act 2001 (Cth) and for all other purposes approval is granted for the Company to invest up to $8.5 million in additional funds to subscribe for up to 425,000 further preference shares (designated "Series B Preferred") in Angioblast Systems Inc."

In line with agreements entered into with Angioblast Systems Inc. an amount of $1 million was paid on 11 December 2006. Further quarterly payments will be made up to a total of $2 million for the period to 30 June 2008.

The remaining payment of $5.5 million will be paid in instalments upon reaching major clinical milestones for an agreed Phase II clinical trial.

MESOBLAST LIMITED
ABN 68 109 431 870

DIRECTORS' DECLARATION

In accordance with a resolution of directors of Mesoblast Limited,

In the opinion of the directors:

(a) the accompanying financial statements and notes are in accordance with Corporations Act 2001 and comply with the accounting standards and give a true and fair view of the company's financial position as at 31 December 2006 and of its performance for the half year ended on that date.

(b) At the date of this declaration there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors dated the 20th day of February 2007.

Mr Michael Spooner
Director

Melbourne

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MESOBLAST LIMITED

PKF
Chartered Accountants
& Business Advisers

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Mesoblast Limited, which comprises the balance sheet as at 31 December 2006, the income statement, statement of changes in equity and cash flow statement for the half year ended on that date, a summary of significant accounting polices, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Mesoblast Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standard AASB134 Interim Financial Reporting and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of Mesoblast Limited's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001.*

As the auditor of Mesoblast Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mesoblast Limited is not in accordance with the Corporations Act 2001 including:

(a) giving a true and fair view of Mesoblast Limited's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

PKF
Chartered Accountants

R A Dean
Partner

20 February 2007
Melbourne

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