mesoblast
the regenerative medicine company

18 June 2012

Alexandra Pigdon
Adviser,
ASX Listings

By email only

Dear Alexandra

**Re: Mesoblast Limited ("Company") - Price Query (15 June 2012)**

In response to your letter dated 15 June 2012 regarding a price query concerning the Company's securities, I hereby provide the following information:

1. The Company is not aware of any information concerning it that has not been announced, which if known, could be an explanation of recent trading in the Company's securities.

2. Not applicable.

3. Yes, the Company's operating result for the year ended 30 June 2012 (2012) is likely to vary by more than 15% from the corresponding year ended 30 June 2011 (2011) for the following reasons:
    a. 2011 included $100m of net accounting revaluation gains as a result of the acquisition of Angioblast Systems, Inc (now Mesoblast, Inc.) which occurred in December 2010. These gains were a once off event relating to that transaction, and consequently are not repeated in 2012;
    b. 2012 includes a full year of revenue ($28m) recognised as a result of the development and commercialisation deal entered into with Cephalon (now Teva Pharmaceuticals Inc) in December 2010 compared with only 6 months for 2011 ($14m);
    c. Interest revenue received for 2012 will increase to approximately $9m due to the increased cash reserves held for the full year, compared with $4.6m for 2011;
    d. 2012 will include an estimated increase of $42m for clinical and manufacturing operations. This increase is a result of our investment in the upscale of our manufacturing process and a reflection of our programs advancing through

Level 39, 55 Collins Street Melbourne
Victoria 3000 AUSTRALIA

t +61 3 9639 6036
f + 61 3 9639 6030
e info@mesoblast.com
w www.mesoblast.com
ACN 109 431 870

the clinic with significantly greater number of patients being recruited and treated in 2012 than 2011.

e. General and administrative costs will increase by an estimated $10m in 2012 due to the 2012 result including a full years' result for Mesoblast, Inc. and the support costs relating to our clinical and manufacturing activity.

4. No, the Company is not expecting to record any extraordinary or abnormal items for the year ended 30 June 2012.

5. The Company believes the decrease in price of the Company's securities from $6.35 at the close of trade, 12 June 2012, to a low of $5.44 (at the time of writing) on 15 June 2012, together with the larger than normal trading volumes, is as a result of unfounded market speculation that Mesoblast's Phase 3 Congestive Heart Failure (CHF) trial is not going forward or that Teva Pharmaceuticals Inc (Teva) is not committed to the partnership with Mesoblast. As a result of very recent meetings held between the Mesoblast and Teva leadership teams, the Company does not believe that these speculations have any basis in facts, for the following reasons:

- **Phase 3 Clinical Trial for Congestive Heart Failure (CHF)**
  Teva and Mesoblast have recently had positive meetings with the United States Food and Drug Administration (FDA) and the European Medicines Agency (EMA) where there was alignment on the clinical trial design and primary as well as secondary endpoints for the upcoming CHF Phase 3 trial. Subject to regulatory approval of an investigational new drug (IND) submission, initiation of this trial is expected to commence shortly.

  The Teva and Mesoblast clinical and regulatory teams have jointly developed a Phase 3 clinical trial protocol. This clinical protocol, if successfully implemented, will result in concomitant United States and European regulatory approval for commercial sale of Mesoblast's proprietary Mesenchymal Precursor Cells (MPCs) for use in patients with CHF. The proposed trial will enrol approximately 1700 patients across more than 60 sites in the US, Europe, Australia and the Asia Pacific region.

- **Strength of Teva Partnership**
  Beyond the partnership in cardiovascular medicine, Teva and Mesoblast are jointly developing neurologic products derived from Mesoblast's proprietary technologies. Last week, Mesoblast outlined the company's strategic direction for commercial development of adult dental pulp stem cells (DPSCs), which are STRO-1 positive Mesenchymal Precursor Cells (MPCs) of neural crest origin, and to which Mesoblast has obtained exclusive worldwide commercial rights to granted composition of matter patents. DPSCs produce significantly greater levels of neurotrophic factors and are significantly more effective than other adult stem cell types for repair of various neural cells and tissues. Recent published reports have shown that DPSCs may be effective for protection and repair of neural tissue after stroke and spinal cord injury,

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and may have particular effectiveness for neural regeneration in Parkinson's disease.

- **Progress In Phase 2 Trials:**

    a. **Type 2 Diabetes -** Mesoblast's first intravenously-delivered cell therapy trial, using allogeneic, or off-the-shelf, MPCs for type 2 diabetes, has commenced and is receiving strong endorsement from key opinion leaders in the diabetes field. Consequently, recruitment is progressing well across multiple centers in the United States. Clinical endpoints, as agreed with the FDA, involve safety and glucose control over three months. Interim data on each dose will be available during the course of this year. Mesoblast expects to use the data from this trial to move forward with additional studies in diabetes complications, such as kidney disease, and in other applications for intravenous MPC delivery, such as inflammatory conditions of the lungs and joints.

    b. **Intervertebral Disc Repair -** Mesoblast's Phase 2 trial using allogeneic MPCs for non-surgical restoration of degenerated intervertebral discs and treatment of low back pain has enrolled over 50% of the total study patients. This rapid rate of enrolment attests to the major unmet medical need and to the relative simplicity of Mesoblast's non-surgical procedure. Mesoblast expects to complete full enrolment by early third quarter.

- **Solid Cash Reserves** - The Company has cash reserves of approximately $216m to support its development program for the next three years;

6. The Company is in compliance with the ASX Listing Rules, and in particular Listing Rule 3.1.

Yours sincerely,

Jenni Pilcher
Company Secretary

Level 39, 55 Collins Street Melbourne
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t +61 3 9639 6036
f + 61 3 9639 6030
e info@mesoblast.com
w www.mesoblast.com
ACN 109 431 870

ASX Markets Supervision Pty Ltd
ABN 26 087 780 489
Level 4
North Tower
525 Collins Street
Melbourne VIC 3000

GPO Box 1784
Melbourne VIC 3001

Telephone 61 3 9617 8770
Facsimile 61 3 9614 0303
www.asx.com.au

15 June 2012

Jenni Pilcher
Mesoblast Limited
Melbourne

By email only

Dear Ms Pilcher

**Mesoblast Limited (the "Company")**

**RE: PRICE QUERY**

We have noted a change in the price of the Company's securities from $6.35 at the close of trade on 12 June 2012 to an intraday low of $5.44 as at the time of writing today. We have also noted an increase in the volume of trading in the securities over this period.

In light of the price change and decrease in volume, please respond to each of the following questions.

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?

   Please note that as recent trading in the Company's securities could indicate that information has ceased to be confidential, the Company is unable to rely on the exceptions to listing rule 3.1 contained in listing rule 3.1A when answering this question.

2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

   Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).

3. Is there any reason to think that there may be a change in the operating result before abnormal items and income tax so that the figure for the full year ended 30 June 2012 would vary from the previous corresponding period by more than 15%? If so, please provide details as to the extent of the likely variation.

4. Is there any reason to think that the Company may record any material abnormal or extraordinary items for the full year ended 30 June 2012? If so, please provide details.

5. Is there any other explanation that the Company may have for the price change and increase in volume in the securities of the Company?

6. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me by return e-mail. It should not be sent to the Market Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than 9.30am Monday 18 June 2012.

Under listing rule 18.7A, a copy of this query and your response will be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any queries or concerns, please contact me immediately.

**Listing rule 3.1**

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

In responding to this letter you should consult listing rule 3.1 and Guidance Note 8 – Continuous Disclosure: listing rule 3.1.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

**Trading halt**

If you are unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 – Trading Halts we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell us each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please let me know.

Yours sincerely

[Sent electronically without signature]

Alexandra Pigdon
**Adviser**
**Listings (Melbourne)**