

# Appendix 3B

## New issue announcement, application for quotation of additional securities and agreement

*Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.*

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

MESOBLAST LIMITED (**Mesoblast**)

ABN

68 109 431 870

We (the entity) give ASX the following information.

### Part 1 - All issues

*You must complete the relevant sections (attach sheets if there is not enough space).*

1 +Class of +securities issued or to be issued	Ordinary shares, unquoted options to acquire ordinary shares and incentive rights.
2 Number of +securities issued or to be issued (if known) or maximum number which may be issued	2,637,062 ordinary shares, 5,960,000 unquoted options to acquire ordinary shares and 1,500,000 incentive rights.

+ See chapter 19 for defined terms.

3 Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)

750,000 unquoted options to acquire ordinary shares at a price per share of A\$1.28 and expiring 23 November 2024. These options vest upon the satisfaction of certain specified corporate milestones.

750,000 unquoted options to acquire ordinary shares at a price per share of A\$1.41, vesting in three equal tranches on 24 November 2018, 24 November 2019 and 24 November 2020 respectively, and expiring 23 November 2024.

2,000,000 ordinary shares (unpaid) as per the company's constitution.

381,150 ordinary shares (fully paid) as per the company's constitution.

1,500,000 incentive rights to acquire ordinary shares at a price per share of A\$2.22 and expiring on 19 January 2021.

*A prospectus has been filed with ASIC in order to enable the above issues of ordinary shares, options and incentive rights and is attached to this Appendix 3B.*

255,912 ordinary shares (fully paid) as per the company's constitution.

2,000,000 unquoted options to acquire ordinary shares at a price per share of A\$1.76 and expiring 12 October 2024. These options vest upon the satisfaction of certain specified corporate milestones.

2,310,000 unquoted options to acquire ordinary shares at a price per share of A\$1.96, vesting in three equal tranches on 13 October 2018, 13 October 2019 and 13 October 2020 respectively, and expiring 12 October 2024.

150,000 unquoted options to acquire ordinary shares at a price per share of A\$1.40 and expiring 15 September 2024. These options vest upon the satisfaction of certain specified corporate milestones.

4 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?

If the additional +securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

Yes for the ordinary shares.

Shares issued on the exercise of the incentive rights and unquoted options will rank equally with quoted shares as from their date of issue.

+ See chapter 19 for defined terms.

<p>5 Issue price or consideration</p>	<p>Each incentive right and option was issued for no issue price.</p> <p>2,000,000 ordinary shares for nil consideration.</p> <p>381,150 ordinary shares for A\$550,000.</p> <p>255,912 ordinary shares (fully paid) issued upon the exercise of options in accordance with the Company's Employee Share Option Plan for consideration of US\$82,532.</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>5,960,000 unquoted options to acquire ordinary shares issued pursuant to the Company's Employee Share Option Plan, including 1,500,000 options to Jonathan R. Symonds, CBE, BA, FCA, a key strategic advisor to the Mesoblast CEO and board (see attached prospectus for more information on this issue of options).</p> <p>255,912 ordinary shares (fully paid) issued upon the exercise of options in accordance with the Company's Employee Share Option Plan.</p> <p>1,500,000 incentive rights to Kentgrove Capital, being the incentive rights which Mesoblast is required to issue in accordance with the terms of the 2016 Facility Agreement (see attached prospectus for more information on these securities and the facility).</p> <p>2,000,000 ordinary shares (Reserve Shares) to Kentgrove Capital, being the Reserve Shares which Mesoblast is required to issue to Kentgrove in accordance with the terms of the 2016 Facility Agreement (see attached prospectus for more information on these securities and the facility).</p> <p>381,150 ordinary shares to Kentgrove Capital for payment in connection with provision of facility in accordance with the terms of the 2016 Facility Agreement.</p>
<p>6a Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i</p>	<p>No</p>
<p>6b The date the security holder resolution under rule 7.1A was passed</p>	<p>Not applicable</p>
<p>6c Number of +securities issued without security holder approval under rule 7.1</p>	<p>Not applicable</p>
<p>6d Number of +securities issued with security holder approval under rule 7.1A</p>	<p>Not applicable</p>
<p>6e Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)</p>	<p>Not applicable</p>
<p>6f Number of +securities issued under an exception in rule 7.2</p>	<p>Not applicable</p>

+ See chapter 19 for defined terms.

6g If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.

Not applicable

6h If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements

Not applicable

6i Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements

Not applicable

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+ See chapter 19 for defined terms.

7 +Issue dates

Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A.

Cross reference: item 33 of Appendix 3B.

Date Registered	Number of unquoted options to acquire shares issued
19 Jan 2018	4,310,000
19 Jan 2018	150,000
TBC	1,500,000
<b>Total</b>	<b>5,960,000</b>

  

Date Registered	Number of incentive rights issued
19 Jan 2018	1,500,000
<b>Total</b>	<b>1,500,000</b>

  

Date Registered	Number of ordinary shares issued
15 Dec 2017	255,912
19 Jan 2018	2,000,000
19 Jan 2018	381,150
<b>Total</b>	<b>2,637,062</b>

8 Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)

Number	+Class
473,238,888	Ordinary shares

9 Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)

Number	+Class
28,131,000 (16,665 options have been cancelled since the last Appendix 3B)	Unquoted options
1,500,000	Incentive Rights

10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)

All ordinary shares rank equally and participate in the right to dividends equally.

## Part 2 - Pro rata issue

11 Is security holder approval required?

Not applicable

12 Is the issue renounceable or non-renounceable?

Not applicable

13 Ratio in which the +securities will be offered

Not applicable

14 +Class of +securities to which the offer relates

Not applicable

15 +Record date to determine entitlements

Not applicable

16 Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?

Not applicable

17 Policy for deciding entitlements in relation to fractions

Not applicable

18 Names of countries in which the entity has security holders who will not be sent new offer documents

Not applicable

Note: Security holders must be told how their entitlements are to be dealt with.

+ See chapter 19 for defined terms.

Cross reference: rule 7.7.

19	Closing date for receipt of acceptances or renunciations	Not applicable
20	Names of any underwriters	Not applicable
21	Amount of any underwriting fee or commission	Not applicable
22	Names of any brokers to the issue	Not applicable
23	Fee or commission payable to the broker to the issue	Not applicable
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	Not applicable
25	If the issue is contingent on security holders' approval, the date of the meeting	Not applicable
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	Not applicable
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	Not applicable
28	Date rights trading will begin (if applicable)	Not applicable
29	Date rights trading will end (if applicable)	Not applicable
30	How do security holders sell their entitlements <i>in full</i> through a broker?	Not applicable
31	How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	Not applicable
32	How do security holders dispose of their entitlements (except by sale through a broker)?	Not applicable
33	+Issue date	Not applicable

### Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of +securities  
(tick one)

(a)  +Securities described in Part 1

(b)  All other +securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

+ See chapter 19 for defined terms.

## Entities that have ticked box 34(a)

### Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35  If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders
- 36  If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories  
 1 - 1,000  
 1,001 - 5,000  
 5,001 - 10,000  
 10,001 - 100,000  
 100,001 and over
- 37  A copy of any trust deed for the additional +securities

## Entities that have ticked box 34(b)

- 38 Number of +securities for which +quotation is sought 

Not applicable
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- 39 +Class of +securities for which quotation is sought 

Not applicable
----------------
- 40 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?  
  
 If the additional +securities do not rank equally, please state:  
 • the date from which they do  
 • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment  
 • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment
- |                |
|----------------|
| Not applicable |
|----------------|
- 41 Reason for request for quotation now  
 Example: In the case of restricted securities, end of restriction period  
  
 (if issued upon conversion of another +security, clearly identify that other +security)
- |                |
|----------------|
| Not applicable |
|----------------|
- 42 Number and +class of all +securities quoted on ASX (including the +securities in clause 38)
- | Number         | +Class         |
|----------------|----------------|
| Not applicable | Not applicable |

+ See chapter 19 for defined terms.

## Quotation agreement

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.
- 2 We warrant the following to ASX.
  - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
  - There is no reason why those +securities should not be granted +quotation.
  - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.  
Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
  - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
  - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:



Date: 19 January 2018

Company secretary

Print name: Charlie Harrison

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# Mesoblast Limited

## ACN 109 431 870

ASX: MSB

Prospectus

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This Prospectus relates to potential offers of up to:

- A) 1,500,000 Options pursuant to the Mesoblast Employee Share Option Plan to be issued to Jonathan R. Symonds, CBE, BA, FCA, a key strategic advisor to the Mesoblast CEO and Board. Jonathan Symonds is an independent non-executive director of HSBC Holdings plc (since April 2014). He has extensive international financial and governance experience. Mr Symonds is Chairman of HSBC Bank plc, HSBC's European subsidiary, which offers services to clients in the UK and Continental Europe. Mr Symonds was Chief Financial Officer of Novartis AG from 2009 to 2013. Before joining Novartis he was a Partner and Managing Director of Goldman Sachs; Chief Financial Officer of AstraZeneca plc; and a Partner at KPMG. His governance experience includes roles as non-executive director and chair of the audit committees of Diageo plc and QinetiQ plc. He is currently Chairman of Proteus Digital Health Inc. and a non-executive director of Genomics England Limited. Mr Symonds is a Fellow of the Institute of Chartered Accountants in England and Wales. He has a BA, First Class Honours in Business Finance from the University of Hertfordshire.
- B) 1,500,000 Incentive Rights and 2,000,000 Shares to Kentgrove, being the Incentive Rights and Reserve Shares which Mesoblast is required to issue to Kentgrove in accordance with the terms of the Kentgrove Facility Agreement.

### **IMPORTANT NOTICE**

This document is important and should be read in its entirety. It is a prospectus issued pursuant to section 713 of the Corporations Act. It does not, itself, contain all the information that is generally required to be set out in a full prospectus, but refers to other documents, the information of which is deemed to be incorporated into this Prospectus.

If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

# Mesoblast Limited ACN 109 431 870

## Prospectus

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# Corporate directory

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## Directors

Brian Jamieson (Chairman)  
Silviu Itescu  
William M Burns  
Donal O'Dwyer  
Eric Rose  
Michael Spooner  
Ben-Zion Weiner

## Registered Office

Level 38  
55 Collins Street  
Melbourne, Victoria 3000,  
Australia  
Telephone +61 3 9639 6036  
Facsimile +61 3 9639 6030  
Website [www.mesoblast.com](http://www.mesoblast.com)

## Company Secretary

Charlie Harrison

## Share Registry

Link Market Services Limited  
Tower 4, Collins Square  
727 Collins Street  
Docklands, Victoria 3008  
Australia  
Telephone + 61 1300 554 474  
Facsimile + 61 2 9287 0303  
Website [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

## Legal advisers

MinterEllison  
Level 23, Rialto Towers  
525 Collins Street,  
Melbourne, Victoria 3000  
Australia

# Summary

Topic	Details	Where to find more information
<p><b>What is the ESOP Offer?</b></p>	<p>This Prospectus relates to the offer of up to 1,500,000 Options under the ESOP to Jonathan R. Symonds, CBE, BA, FCA, a key strategic advisor to the Mesoblast CEO and Board (<b>ESOP Offer</b>).</p> <p>Jonathan Symonds is an independent non-executive director of HSBC Holdings plc (since April 2014). He has extensive international financial and governance experience.</p> <p>Mr Symonds is Chairman of HSBC Bank plc, HSBC's European subsidiary, which offers services to clients in the UK and Continental Europe.</p> <p>Mr Symonds was Chief Financial Officer of Novartis AG from 2009 to 2013. Before joining Novartis he was a Partner and Managing Director of Goldman Sachs; Chief Financial Officer of AstraZeneca plc; and a Partner at KPMG. His governance experience includes roles as non-executive director and chair of the audit committees of Diageo plc and QinetiQ plc.</p> <p>He is currently Chairman of Proteus Digital Health Inc. and a non-executive director of Genomics England Limited.</p> <p>Mr Symonds is a Fellow of the Institute of Chartered Accountants in England and Wales. He has a BA, First Class Honours in Business Finance from the University of Hertfordshire.</p>	<p>Section 3.1</p>
<p><b>What are the terms of the ESOP Offer?</b></p>	<p>The ESOP Offer under this Prospectus is made solely to Mr Symonds (<b>Offeree</b>), to whom the Board has determined to allocate Options pursuant to the ESOP.</p> <p>No application money for the Options offered under this Prospectus is payable by the Offeree.</p>	<p>Sections 3.1 and 3.2</p>
<p><b>ESOP Offer Opening and Closing Dates</b></p>	<p>The ESOP Offer Opening Date is 19 January 2018 and the ESOP Offer Closing Date is 5.00 pm (Melbourne time) on 19 February 2018.</p>	<p>Section 3.6</p>

Topic	Details	Where to find more information
<b>What is the Kentgrove Offer?</b>	This Prospectus also relates to the Kentgrove Offer to be made by Mesoblast to Kentgrove for the issue of up to 2,000,000 Shares and 1,500,000 Incentive Rights, being the Reserve Shares and Incentive Rights which Mesoblast is required to issue to Kentgrove in accordance with the terms of the Kentgrove Facility Agreement.	Section 4.1
<b>Kentgrove Opening and Closing Dates</b>	The Kentgrove Opening Date is 19 January 2018 and the Kentgrove Closing Date is 5.00 pm (Melbourne time) on 19 February 2018.	Section 4.7
<b>Application for Shares under the Kentgrove Offer</b>	An application for Shares can only be made by Kentgrove and only by using an application form, and in accordance with the instructions set out in the application form. A duly completed application form must be mailed, emailed, faxed or delivered to Mesoblast as set out in this Prospectus (or otherwise provided for in a Kentgrove Offer Letter).  An application must also comply with any further requirements set out in the Kentgrove Offer Letter.	Section 4.4
<b>What is the purpose of the Prospectus?</b>	This Prospectus has been prepared in accordance with section 713 of the Corporations Act for the purpose of: <ul style="list-style-type: none"> <li>• issuing Options to the Offeree under this Prospectus and enabling the relevant Shares issued upon exercise of the Options to be freely traded and without restriction under section 707 of the Corporations Act; and</li> <li>• making available Shares and Incentive Rights to Kentgrove under this Prospectus and enabling the relevant Shares (including Shares issued upon exercise of the Incentive Rights) to be freely traded and without restriction under section 707 of the Corporations Act in accordance with the terms of the Kentgrove Facility Agreement.</li> </ul>	Sections 3.1 and 4.1
<b>Risk factors</b>	The key risks in relation to an investment in Mesoblast include but are not limited to: <ul style="list-style-type: none"> <li>• the inherent product risk associated with developing products that may not be safe or effective and therefore do not gain approval for sale from various regulatory bodies;</li> </ul>	Section 8

Topic	Details	Where to find more information
	<ul style="list-style-type: none"> <li>• manufacturing risk;</li> <li>• commercialisation risk;</li> <li>• partnering risk;</li> <li>• funding risk;</li> <li>• key personnel risk;</li> <li>• intellectual property risk; and</li> <li>• regulatory risk.</li> </ul> <p>There are general risks associated with owning securities in publicly listed companies. The price of securities can go down as well as up due to many factors, some of which are outside the control of Mesoblast. Such risk factors include general economic conditions, natural disasters, fluctuations in the local and global market for listed securities, the Australian interest rate, foreign exchange rate, change in law or a change in the Australian Accounting Standards.</p>	
<b>How do the Shares which may be issued under this Prospectus rank in comparison to existing Shares?</b>	All Shares issued under this Prospectus or acquired on exercise of the Options or Incentive Rights will rank equally in all respects with existing Shares from the date of their issue.	Sections 4.1 and 3.1
<b>What is the effect of the Offers on Mesoblast?</b>	<p>The effect of the Offers on the capital structure and financial position of Mesoblast is described in Section 6.</p> <p>The Offers will not have a material effect on the control of Mesoblast.</p>	Section 6
<b>Enquiries</b>	Any enquiries concerning the Offers should be directed to Mesoblast on (03) 9639 6036.	

# 1. Important notices

## 1.1 General

This Prospectus is dated 19 January 2018 and has been lodged with ASIC. ASIC and its officers take no responsibility for the content of this Prospectus or the merits of the investment to which this Prospectus relates.

No securities will be issued on the basis of this Prospectus later than the Prospectus Expiry Date.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by Mesoblast in connection with this Prospectus.

This Prospectus is a transaction specific prospectus for an offer of shares and options to acquire shares that are in a class of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with sections 711, 713, 715A and 716 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus, regard has been given to the fact that Mesoblast is a 'disclosing entity' for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors or Eligible Participants and professional advisers whom potential investors or Eligible Participants may consult.

To the extent that statements in this Prospectus constitute statements relating to intentions, future acts and events, such statements are generally classified as forward looking statements and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way or manner in which they are expressly or implicitly portrayed in this Prospectus.

The Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this document under the laws applicable in that jurisdiction.

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and any person into whose possession this Prospectus comes should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Shares have not been and will not be registered under the US Securities Act of 1933, as amended (**US Securities Act**) or the securities laws of any state or other jurisdiction of the United States. They may not be offered or sold, directly or indirectly, in the United States or to, or for the account or benefit of, any US Person (as such term is defined in Regulation S of the US Securities Act), unless an exemption from such registration applies. Any offer, sale or resale of the Shares within the United States by any dealer (whether or not participating in the Offers) may violate the registration requirements of the

US Securities Act if made prior to 40 days after the issue of the Shares or if purchased by a dealer in the Offers. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any US Person.

This Prospectus, any application forms or other materials relating to the Offers may not be distributed in the United States. Each applicant in the Offers will be taken to have represented, warranted and agreed on behalf of itself and each person for whom it is applying for Shares as follows:

- it is not located in the United States at the time of application and it is not, and is not acting for the account or benefit of, any US Persons;
- it has not distributed this Prospectus or any other written materials concerning the Offers to any person in the United States or to any US Persons; and
- it understands that the Shares have not been and will not be registered under the US Securities Act and may not be offered or sold, directly or indirectly, in the United States or to, or for the account or benefit of, any US Person, unless an exemption from such registration applies.

This Prospectus does not take into account the investment objectives, financial situation and particular needs of any person. Professional advice should be obtained before deciding to invest in any securities the subject of this Prospectus. No cooling off period applies. Mesoblast is not licensed to provide financial product advice.

Certain abbreviations and other defined terms are used throughout this Prospectus. Details of the definitions and abbreviations used are set out in the Glossary. All financial amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated. Numbers used in this Prospectus may be subject to rounding.

## **1.2 Risk factors**

An investment in the Shares involves a number of risks, the key risk factors of which you should be aware are set out in Section 8. These risks, together with other general risks applicable to all investments in securities not specifically referred to, may affect the value of the Shares.



## 2. Company information

### 2.1 Company overview

Mesoblast is a global leader in developing innovative cellular medicines. Mesoblast has leveraged its proprietary technology platform, which is based on specialised cells known as mesenchymal lineage adult stem cells (**MLCs**), to establish a broad portfolio of late-stage product candidates.

Mesoblast's product candidates target advanced stages of diseases with high, unmet medical needs including cardiovascular conditions, orthopedic disorders, immunologic and inflammatory disorders and oncology and hematologic conditions.

Mesoblast's MLC derived product candidates each have distinct technical characteristics, target indications, reimbursement strategy, commercialisation potential and partnering opportunities.

Mesoblast has three ongoing Tier 1 Phase 3 clinical trials in the United States, including MPC-150-IM for chronic heart failure, MPC-06-ID for chronic low back pain, and MSC-100-IV for acute graft versus host disease in children. Mesoblast has another Tier 1 product candidate, MPC-300-IV for immune mediated diseases, which has been evaluated in Phase 2 trials in biologic refractory rheumatoid arthritis, and also diabetic kidney disease and type 2 diabetes. Mesoblast's licensee in Japan, JCR Pharmaceuticals Co. Ltd, has launched the first allogeneic cell-based product in Japan, TEMCELL® HS Inj, for the treatment of acute graft versus host disease.

Mesoblast's intellectual property portfolio encompasses 72 patent families, including 872 patents or patent applications, which Mesoblast believes provides substantial competitive advantages for the commercial development of its cell-based therapies in major markets including the United States, Europe and Japan. The patents cover compositions of matter and uses for Mesoblast's MLC based technologies and other proprietary regenerative product candidates and technologies as well as for elements of its manufacturing processes.

Mesoblast was listed on the Australian Securities Exchange (ASX:MSB) in December 2004. Mesoblast has a Level 3 American Depositary Receipt program facility and listed on Nasdaq (Nasdaq: MESO) in November 2015.

### 2.2 Directors and Key Management Personnel

The Directors and Key Management Personnel bring to Mesoblast a mix of skills, knowledge, and expertise as well as operational and international experience. An outline of the Directors and Key Management Personnel of Mesoblast as at the date of this Prospectus is set out below:

***Mr Brian Jamieson, non-executive chairman***  
FCA

Mr. Jamieson has served on our board of directors as Chairman since 2007. He was Chief Executive of MinterEllison Melbourne and a partner of the MinterEllison Revenue Group from 2002 to 2005. He retired as Chief Executive of MinterEllison Melbourne on December 31, 2005. Prior to joining MinterEllison, Mr. Jamieson was Chief Executive Officer at KPMG Australia from 1998 to 2000, Managing Partner of KPMG Melbourne and Southern Regions from 1993 to 1998 and Chairman of KPMG Melbourne from 2001 to 2002. He was also a KPMG Board Member in Australia and a member of the USA Management Committee. Mr. Jamieson is Chairman of Sigma Pharmaceuticals Limited and a Non-Executive Director of the Tatts Group Limited. He is also a Director and Treasurer of the Bionics Institute. He is a fellow of the Institute of Chartered Accountants in Australia.

Mr Jamieson is a member of the Nomination and Remuneration Committee and a member of the Audit and Risk Committee.

Date of Appointment: 22 November 2007

***William M. Burns, non-executive vice-chairman***

BA

Mr. Burns has served on our board of directors since March 2014. He has spent his entire management career at the Beecham Group and F. Hoffmann-La Roche Ltd. He was Chief Executive Officer of Roche Pharmaceuticals from 2001 to 2009, when he joined the board of directors of F. Hoffmann-La Roche Ltd. until he retired in 2014. He has also been a director of Chugai Pharmaceutical Co. and Genentech from 2002 to 2014, and Crucell and Biotie from 2010 to 2011. He was the chairman of Biotie Therapies Corp. from 2014 until its sale to Acorda Therapeutics Inc. in April 2016. Mr. Burns is also a member of the oncology Advisory Board of the Universities of Cologne/Bonn. He is a Non-Executive Lead Independent Director of Shire PLC. In October 2014, Mr. Burns was appointed a trustee of the Institute of Cancer Research, London, UK, and in April 2016 a Governor of The Wellcome Trust in London.

Mr Burns is a member of the Science and Technology Committee.

Date of Appointment: 6 March 2014

***Silviu Itescu, chief executive officer and executive director***

MBBS, FRACP

Dr. Itescu is our Chief Executive Officer (**CEO**). He has served on our board of directors since our founding in 2004, was Executive Director from 2007 to 2011, and became CEO and Managing Director in 2011. Prior to founding Mesoblast in 2004, Dr. Itescu established an international reputation as a physician scientist in the fields of stem cell biology, auto-immune diseases, organ transplantation, and heart failure. He has been a faculty member of Columbia University in New York and of Melbourne and Monash Universities in Australia. In 2011, Dr. Itescu was named BioSpectrum Asia Person of the Year. In 2013, he received the inaugural Key Innovator Award from the Vatican's Pontifical Council for Culture for his leadership in translational science and clinical medicine in relation to adult stem cell therapy. Dr. 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 life sciences companies.

Dr Itescu is a member of the Science and Technology Committee.

Date of Appointment: 8 June 2004

***Donal O'Dwyer, non-executive director***

BE, MBA

Mr. O'Dwyer has served on our board of directors since 2004. He has over 25 years of 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. 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 with an MBA. He is on the board of directors of a number of life sciences companies including Cochlear Limited, Atcor Medical Holdings Ltd, Fisher & Paykel Healthcare Ltd and NIB Health Funds Ltd.

Mr O'Dwyer is the chairman of the Nomination and Remuneration Committee and a member of the Audit and Risk Committee.

Date of Appointment: 29 September 2004

***Eric Rose, non-executive director***

MD

Dr. Rose has served on our board of directors since 2013. He is currently Chairman and Chief Executive Officer of SIGA Technologies and Executive Vice President, Life Sciences at MacAndrews & Forbes, Inc., the holding company of Ronald O. Perelman. From 2008 through 2012, Dr. Rose served as the Edmond A. Guggenheim Professor and Chairman of the Department of Health Evidence and Policy at the Mount Sinai School of Medicine. From 1994 through 2007, Dr. Rose served as Chairman of the Department of Surgery and Surgeon-in-Chief of the Columbia Presbyterian Center of New York Presbyterian Hospital. From 1982 through 1992, he led the Columbia Presbyterian heart transplantation program in the United States. Dr. Rose currently sits on the board of directors of ABIOMED.

Mr Rose is the chairman of the Science and Technology Committee.

Date of Appointment: 15 April 2013

***Michael Spooner, non-executive director***

BCom, ACA

Mr. Spooner has served on our board of directors since 2004. During this period he has filled various roles including as Chairman from the date of our Australian IPO in 2004 until 2007, Chair of the Audit and Risk Committee as well as a member of our Nomination and

Remuneration Committee. Over the past several years, Mr. Spooner has served on the board of directors in various capacities at several Australian and international biotechnology companies, including BiVacor Pty Ltd (2009-2013), Advanced Surgical Design & Manufacture Limited (2010-2011), Peplin, Inc. (2004-2009), Hawaii Biotech, Inc. (2010-2012), Hunter Immunology Limited (2007-2008) and Ventracor Limited (2001-2003). He is the chairman of Simavita Limited since April 2016. Prior to returning to Australia in 2001, Mr. Spooner spent much of his career internationally where he served in various roles including as a partner to PA Consulting Group, a UK-based management consultancy and a Principal Partner and Director of Consulting Services with PricewaterhouseCoopers (Coopers & Lybrand) in Hong Kong. In addition Mr. Spooner has owned and operated several international companies providing services and has consulted to a number of U.S. and Asian public companies.

Mr Spooner is the chairman of the Audit and Risk Committee and a member of the Nomination and Remuneration Committee.

Date of Appointment: 29 September 2004

***Ben-Zion Weiner, non-executive director***

BSc, MSc, PhD

Dr. Weiner has served on our board of directors since 2012. Prior to joining Mesoblast, he spent 37 years at Teva Pharmaceutical Industries until he retired in 2012. During his tenure at Teva, he served as the Vice President of Research and Development from 1986 to 2002, the Global Vice President of Global Products from 2002 to 2006 and the Chief R&D Officer from 2006 to 2012. Dr. Weiner is currently on the board of directors at Novaremed Ltd., and has in the past served as a Director at Geffen Biomed Investments Ltd (2010-2013), XTL Biopharmaceuticals Limited (2012-2013) and Breed IT, Corp.

Dr Weiner is a member of the Science and Technology Committee.

Date of Appointment: 9 May 2012

***Paul Hodgkinson, chief financial officer***

MA (Hons), FCA

Mr. Hodgkinson has served as our Chief Financial Officer (**CFO**) since June 2014. He has 16 years of international pharmaceutical experience in the areas of finance, strategic planning, business development and licensing, manufacturing and supply chain, and procurement. From 2011 through 2014, Mr. Hodgkinson served as the Country Chief Financial Officer for the Novartis Australia and New Zealand, or ANZ, group of companies and divisions, which was comprised of Alcon, Sandoz, and the Novartis Vaccines and Diagnostics, Consumer Health, Animal Health, and Pharmaceuticals divisions. From 1998 to 2006, Mr. Hodgkinson held a number of leadership roles with AstraZeneca in the United Kingdom, including Global Licensing Finance Director, before serving as CFO for AstraZeneca Australia from 2006 through 2011. Mr. Hodgkinson is a member of the Institute of Chartered Accountants in Australia, is a Fellow of the Institute of Chartered Accountants of England and Wales and holds a Master's degree in engineering from

Cambridge University. He has also undertaken executive leadership programs at the Harvard Business School and INSEAD.

## 2.3 Interests of Directors

The Directors' direct and indirect interests in the securities of Mesoblast as at the date of this Prospectus are set out in the table below. It is not currently proposed that any of the Directors be offered Options pursuant to this Prospectus.

Director	Number of Shares currently on issue	Number of outstanding unexercised Options
Silviu Itescu	68,958,928	Nil
William Burns	30,330	80,000
Brian Jamieson	645,000	Nil
Eric Rose	Nil	80,000
Donal O'Dwyer	1,149,142	Nil
Ben-Zion Weiner	40,000	80,000
Michael Spooner	1,069,000	Nil

Except as disclosed in this Prospectus, no Director or proposed Director has, or has had within two years of lodgement of this Prospectus, any interest in:

- (a) the formation or promotion of Mesoblast;
- (b) any property acquired or proposed to be acquired by Mesoblast in connection with its formation or promotion or the Offers; or
- (c) the Offers.

## 2.4 Interests of Directors – remuneration

The total maximum annual remuneration of non-executive Directors is set by resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made in such proportion and manner as the Board agrees or in default of agreement, equally. The current amount has been set at an amount not to exceed A\$1.25 million per annum.

A Director may be paid remuneration as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

Except as disclosed in this Prospectus, no person has paid or agreed to pay any amount to any Director or has given or agreed to give any benefit to any Director, to induce the Director to become, or to qualify as, a Director of Mesoblast or otherwise for services rendered by the Director in connection with the formation or promotion of Mesoblast or the Offers.

## **2.5 Related party transactions**

There are no related party transactions entered into as part of, or in relation to, the Offers or the Kentgrove Facility, that have not otherwise been disclosed in this Prospectus.

### 3. Details of the ESOP Offer

#### 3.1 ESOP Offer

The ESOP Offer will be made solely to Jonathan R. Symonds, CBE, BA, FCA, a strategic consultant to the Mesoblast group (**Offeree**) to whom the Board has determined or will determine in its absolute discretion to make an offer of Options pursuant to the Plan.

Up to 1,500,000 Options may be issued to the Offeree under this Prospectus.

All of the Shares issued on exercise of the Options offered under this Prospectus will rank equally with the Shares on issue at the date of issue of the Shares. Please refer to Section 7 of this Prospectus for further information regarding the rights and liabilities attaching to the Options and Shares.

Offers of Options under the Plan are aimed at motivating and retaining Mesoblast employees and contractors who are key to Mesoblast's future and rewarding the employees and contractors for the growth to which they contribute.

#### 3.2 No minimum subscription and issue price

There is no minimum subscription for the Options. The Options are proposed to be issued to the Offeree with no monetary consideration payable by them for the issue. Once vested, the Offeree may elect to exercise some or all of their Options by paying the exercise price and following the procedure specified for exercise in the terms of the Options. The exercise price for each Option will be determined by the Board.

The Options issued to the Offeree will:

- a. in part vest in 3 equal proportions over a 3 year period from the board approval date (i.e. a third of the Options will vest on each of the first, second and third anniversaries of the board approval date respectively), subject to the satisfaction of any conditions (including performance hurdles) (if any) determined by the Board; and
- b. in part vest based on the achievement of certain performance milestones.

The Options will be granted with a seven year term.

Generally, if an Eligible Participant under the ESOP ceases employment (or their consultancy) and the Board determines the Eligible Participant to:

- (a) be a bad leaver (as that term is defined in the Plan), all rights, entitlements and interests in unexercised Options (including any vested Options) held by the Eligible Participant will be forfeited and will lapse immediately; and
- (b) not be a bad leaver (as that term is defined in the Plan), the Eligible Participant may retain vested Options for a specified exercise period (60 days or a longer period decided by the Board) post the cessation of employment as determined by the Board (**Cessation Exercise Period**). Any vested Options not exercised within the Cessation Exercise Period will lapse.

### **3.3 Acceptance of Offer**

Only the Offeree may accept the offer under this Prospectus. Offers may only be accepted through the Mesoblast Employee Share Option Plan Portal.

### **3.4 ASX quotation**

The Options will not be quoted on any stock exchange or financial market. Mesoblast will apply to ASX for the Official Quotation of Shares issued upon exercise (if any) of the Options.

The fact that ASX may subsequently grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of Mesoblast or the Options offered (or Shares issued upon exercise of the Options) under this Prospectus.

### **3.5 Allotment**

Options offered pursuant to this Prospectus may be issued at any time until the Prospectus Expiry Date.

### **3.6 Timetable**

Lodgment of the Prospectus with ASIC	19 January 2018
ESOP Offer Opening Date	19 January 2018
ESOP Offer Closing Date	5.00 pm (Melbourne time) on 19 February 2018

The dates above and other dates referred to in this Prospectus (except the date of the Prospectus) are indicative only. Subject to the ASX Listing Rules and the Corporations Act, Mesoblast may amend the timetable in its absolute discretion.



## 4. Details of the Kentgrove Offer

### 4.1 Kentgrove Offer

The Kentgrove Offer is being made solely to, and may only be accepted by, Kentgrove.

All of the Shares issued under the Kentgrove Offer will rank equally with the Shares on issue at the date of issue of the Shares. Please refer to Section 7.1 of this Prospectus for further information regarding the rights and liabilities attaching to the Shares.

This Prospectus has been prepared in accordance with section 713 of the Corporations Act. Up to 2,000,000 Shares and 1,500,000 Incentive Rights may be issued under the Kentgrove Offer, being the Reserve Shares and Incentive Rights which Mesoblast is required to issue to Kentgrove in accordance with the terms of the Kentgrove Facility Agreement (further details of which are set out in Section 9.3).

The opening date of the Kentgrove Offer is 19 January 2018 (**Kentgrove Opening Date**) and the closing date of the Kentgrove Offer is 5.00 pm (Melbourne time) on 19 February 2018 (**Kentgrove Closing Date**). Mesoblast reserves the right to extend the duration of the Kentgrove Offer or close the Kentgrove Offer early without notice.

The Kentgrove Offer is not underwritten and there is no sponsoring broker.

Mesoblast is already included in the official list of the ASX (ASX: MSB) and the ASX Listing Rules apply to all securities issued by Mesoblast.

### 4.2 Purpose of the Kentgrove Offer

As announced on the ASX on 1 July 2016, Mesoblast entered into the Kentgrove Facility Agreement on 30 June 2016.

In accordance with the terms of the Kentgrove Facility Agreement, Mesoblast must issue the Reserve Shares (being 2,000,000 Shares) and Incentive Rights to Kentgrove. In addition to the Reserve Shares, it is possible that additional Shares may be issued by Mesoblast to Kentgrove from time to time under the Kentgrove Facility Agreement.

Among other things, unless Kentgrove agrees, Mesoblast must ensure that the Shares and Incentive Rights issued to Kentgrove are issued pursuant to a prospectus which complies with Chapter 6D of the Corporations Act or pursuant to such other arrangement, in each case as would enable the relevant Shares (including Shares issued upon exercise of the Incentive Rights) to be freely traded and without restriction under section 707 of the Corporations Act.

Accordingly, the Kentgrove Offer is made by Mesoblast for the purpose of complying with its obligations under the Kentgrove Facility Agreement, including by:

- (a) making available 2,000,000 Shares and 1,500,000 Incentive Rights to Kentgrove under a prospectus; and

- (b) enabling the relevant Shares (including Shares issued upon exercise of the Incentive Rights) to be freely traded and without restriction under section 707 of the Corporations Act.

Mesoblast expects that all of the 2,000,000 Shares and 1,500,000 Incentive Rights offered under this Prospectus will be applied for by, and issued to Kentgrove, pursuant to Mesoblast and Kentgrove's obligations under the Kentgrove Facility Agreement.

If further Shares or Incentive Rights are to be issued by Mesoblast to Kentgrove from time to time under the Kentgrove Facility Agreement, Mesoblast may lodge with ASIC a new prospectus in respect of any such offer.

Further details of the Kentgrove Facility are set out in Mesoblast's ASX announcement dated 1 July 2016 and in Section 9.3.

#### **4.3 Terms and conditions of the Kentgrove Offer**

Where relevant, a separate offer letter (being the Kentgrove Offer Letter), accompanied by a copy of this Prospectus, will be provided to Kentgrove, detailing the terms of this Kentgrove Offer.

Mesoblast reserves the right to accept applications under, and issue Shares pursuant to, the Kentgrove Offer prior to the Kentgrove Closing Date and the close of the Kentgrove Offer. Unless determined by Mesoblast, any such acceptance or issue is not taken to change the Kentgrove Closing Date or close the Kentgrove Offer.

Further information about the terms of the Kentgrove Facility, including those that are relevant to the terms and conditions of the Kentgrove Offer, are set out in Section 9.3.

#### **4.4 Acceptance of the Kentgrove Offer**

The Kentgrove Offer may only be accepted by Kentgrove.

Applications for Shares under the Kentgrove Offer must be made by Kentgrove using the application form included in or accompanying this Prospectus in Appendix 1. The Directors reserve the right to issue Shares pursuant to the Kentgrove Offer at their absolute discretion.

A duly completed application form may be provided by:

Post or delivery to:                   The Company Secretary  
  Mesoblast Limited  
  Level 38, 55 Collins Street  
  MELBOURNE VIC 3000

Fax to:                                    +61 3 9639 6030

#### **4.5 ASX quotation**

Mesoblast will apply to ASX within 7 days after the date of this Prospectus for the Official Quotation of Shares issued under this Prospectus.

The fact that ASX may subsequently grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of Mesoblast or the Shares offered under this Prospectus.

#### **4.6 Allotment**

The Directors reserve the right to issue the Shares offered pursuant to this Prospectus any time until the Prospectus Expiry Date.

In accordance with the terms of the Kentgrove Facility, Mesoblast expects that Kentgrove will apply for the Shares offered under this Prospectus before the Kentgrove Closing Date.

#### **4.7 Timetable**

Lodgement of the Prospectus with ASIC	19 January 2018
Kentgrove Opening Date	19 January 2018
Kentgrove Closing Date	5.00 pm (Melbourne time) on 19 February 2018

The dates above and other dates referred to in this Prospectus (except the date of the Prospectus) are indicative only. Subject to the ASX Listing Rules and the Corporations Act, Mesoblast may amend the timetable in its absolute discretion.

## 5. Purpose and use of funds raised under the Offers

No funds will be raised immediately by the Kentgrove Offer or the ESOP Offer.

Any future funds raised pursuant to the Kentgrove Facility will be used by Mesoblast for working capital purposes, including to meet any additional funding requirements of Mesoblast over the next two years, as they arise.

The expenses of the Offers will be met from Mesoblast's working capital.

## 6. Effect on Mesoblast

### 6.1 Effect of the ESOP Offer

The issue of the Options issued under this Prospectus will have an effect on the financial position of Mesoblast. It will have an effect on the capital structure of Mesoblast only if the Options are exercised by an Eligible Participant.

The principal effects of the issue of the Options are as follows:

- (a) issue of up to 1,500,000 Options; and
- (b) if all Options, including the above, and existing rights over loan funded shares vest and are exercised, an increase in the number of Shares on issue from 470,601,826 Shares as at the date of this Prospectus to 495,490,403<sup>1</sup> Shares.

### 6.2 Effect of the Kentgrove Offer

An issue of the Shares and Incentive Rights under this Prospectus will have an effect on the capital structure and the financial position of Mesoblast.

The proceeds which Mesoblast may ultimately receive from Kentgrove (if any) under the Kentgrove Facility depends on a number of factors, including as set out in Section 9.3 of this Prospectus.

As set out in Sections 4.1 and 4.2 of this Prospectus, the Kentgrove Offer is made by Mesoblast for the purpose of complying with its obligations under the Kentgrove Facility Agreement. Funds may be made available to Mesoblast under the Kentgrove Facility, but no funds will be raised immediately under the Kentgrove Offer.

### 6.3 Effect on capital structure

The effect of the Offers on the capital structure of Mesoblast is set out below.

The tables below assumes that prior to either the Kentgrove Closing Date or the ESOP Offer Closing Date there will be no other Shares issued by Mesoblast other than those offered under this Prospectus and unless otherwise specified, that none of the current Options on issue will be exercised.

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<sup>1</sup> This includes the maximum 1,500,000 Options which can be issued under this Prospectus.

**(a) Effect on capital structure of the Kentgrove Offer and ESOP Offer**

Capital structure	Number on issue
Shares currently on issue	470,601,826
Maximum number of Shares issued under this Prospectus	2,000,000
Total number of Shares on issue after completion of the issue of Shares under this Prospectus	472,601,826
Maximum number of Incentive Rights to be issued under this Prospectus	1,500,000
Total number of unquoted Options and rights over loan funded Shares currently on issue	23,388,577
Maximum number of Options issued under this Prospectus	1,500,000
Maximum number of Shares issued on exercise of the Options offered under this Prospectus	1,500,000
Total number of unquoted options (including the proposed Options and excluding rights over loan funded shares) on issue after the issue of the maximum number of Options offered under this Prospectus	23,943,577

**6.4 Effect on financial position**

Mesoblast's annual report was provided to the ASX on 16 October 2017 and is also available on the Mesoblast's website ([www.mesoblast.com](http://www.mesoblast.com)).

Mesoblast provided an unaudited financial report for the period ended 30 September 2017 to the ASX on Form 6-K on 15 November 2017. The report is also available on the Mesoblast's website ([www.mesoblast.com](http://www.mesoblast.com)).

To illustrate the effect of the Offers on the Company, Mesoblast's pro forma statement of financial position as at 30 September 2017 (set out below) has been prepared to reflect the proposed Offers, as if they occurred on 30 September 2017.

The pro forma financial information in this Section has been derived from Mesoblast's unaudited financial report for the period ended 30 September 2017. As per Note 1(i) Going Concern the financial report has been prepared on a going concern basis, notwithstanding that there is a material uncertainty about Mesoblast's ability to continue as a going concern on the basis that further capital investment would be required by Mesoblast within 12 months of signing the relevant period financial statements. The pro forma financial information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards (including the Australian Accounting Interpretations) made by the AASB, which are consistent with International Financial Reporting Standards and interpretations as issued by the International Accounting Standards Board. The pro forma financial information is presented in an abbreviated form insofar as it does not include all the disclosures, statements or

comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

### Pro forma consolidated statement of financial position

	As of 30 September 2017	
	Unaudited US\$'000	Pro forma US\$'000
<b>Assets</b>		
Cash and cash equivalents	62,941	62,906
Total assets (Total capitalisation)	<u>671,898</u>	<u>671,863</u>
<b>Liabilities</b>		
Current liabilities	22,770	22,770
Non-current liabilities	89,538	89,538
Total liabilities	<u>112,308</u>	<u>112,308</u>
<b>Equity</b>		
Issued capital	878,669	878,634
Reserves	32,845	32,845
Accumulated losses	(351,924)	(351,924)
Total equity	<u>559,590</u>	<u>559,555</u>

The pro-forma balance sheet above as at 30 June reflects the changes to Mesoblast's financial position assuming completion of the Offers as at that date noting the following:

- (a) no application monies are payable by Kentgrove for the Reserve Shares offered under this Prospectus;
- (b) any amount which is paid by Kentgrove to Mesoblast may not be referable to or occur as a consequence of Shares issued under this Prospectus;
- (c) irrespective of whether any money is payable by Kentgrove to Mesoblast under the Kentgrove Facility is considered to be related to the Shares offered under this Prospectus, it is inherently uncertain what the appropriate valuation (or valuation method) should apply to the Shares offered under this Prospectus; and
- (d) the issue of the 1,500,000 Options is for nil consideration.

### 6.5 Details of substantial holders

Based on publicly available information as at 1 January 2018, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue in Mesoblast (on an undiluted basis) are set out below:

Shareholder	Number of Shares held	%
M&G Investment Group	69,390,670	14.7%

Shareholder	Number of Shares held	%
Silviu Itescu	68,958,928	14.6%
Capital Research Global investors	30,364,000	6.4%
Thorney Holdings	24,696,000	5.2%

## 6.6 Impact on control of Mesoblast

The issue of the Shares and Incentive Rights under the Kentgrove Offer and the issue of the Options to the Offeree under this Prospectus are not expected to have any effect on the control of Mesoblast.

## 6.7 Expenses of the Offers

Mesoblast estimates that the total costs of the Offers will be approximately US\$35,416 (excluding GST). Administrative costs and Share Registry expenses are estimated to be approximately US\$3,116 (excluding GST), legal fees are estimated to be approximately US\$32,300. Mesoblast will incur ASX and ASIC fees in connection with lodgement of the Prospectus and quotation of the Shares issued under the Kentgrove Offer. These fees are included in the estimated administrative costs provided above.



## 7. Rights and liabilities attaching to Options and Shares

### 7.1 Shares

#### (a) General

The Shares issued under this Prospectus or acquired on exercise of the Incentive Rights or Options will be fully paid ordinary shares and will, as from their issue, rank equally in all respects with all Shares then on issue. The Shares will be governed by the Corporations Act, the ASX Listing Rules and the Constitution. The following is a summary of the more significant rights and liabilities attaching to the fully paid ordinary shares on issue in Mesoblast. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should obtain independent legal advice.

Full details of the rights attaching to Shares are set out in the Constitution, a copy of which can be inspected, free of charge, at Mesoblast's registered office during normal business hours. In applying for Shares under this Prospectus, the applicant agrees that it and any Shares issued to the applicant are bound by the terms of the Constitution.

#### (b) General meetings and notices

Each Shareholder will be entitled to receive notice of general meetings of Mesoblast.

Shareholders are entitled to be present in person, or by proxy, attorney or representative (in the case of a Shareholder who is a body corporate) to attend and vote at general meetings of Mesoblast.

Shareholders may request meetings in accordance with section 249D of the Corporations Act and the Constitution and call meetings in accordance with section 249F of the Corporations Act.

Each Shareholder will be entitled to receive all notices, accounts and other documents required to be sent to Shareholders in accordance with the Constitution, the ASX Listing Rules and the Corporations Act.

#### (c) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative (in the case of a Shareholder who is a body corporate);
- (ii) on a show of hands, every Shareholder present in person, or by proxy, attorney or representative has one vote;

- (iii) on a poll, every Shareholder present in person, or by proxy, attorney or representative (in the case of a Shareholder who is a body corporate) has one vote for each Share held and in the case of partly paid shares, that proportion of a vote as is equal to the proportion which the amount paid up on that Shareholder's share bears to the total issue price for that share (excluding calls paid in advance of the due date for payment); and
- (iv) subject to the Corporations Act and the ASX Listing Rules, in the case of an equality of votes, the Chairman has a casting vote in addition to any vote to which the Chairman may otherwise be entitled.

(d) Dividend rights

Subject to the Corporations Act, the ASX Listing Rules and any rights or restrictions attached to a class of shares, Mesoblast may from time to time pay dividends as the Directors so resolve out of the profits of Mesoblast. All dividends must be paid according to the amounts credited as paid on the fully paid (not partly paid) shares and paid proportionally to the amounts paid for the shares during any part or parts of the period in respect of which the dividend is paid.

Mesoblast must not pay interest on unpaid dividends.

(e) Winding-up

If Mesoblast is wound up, the liquidator may, with the sanction of a special resolution, divide among the Shareholders in kind the whole or any part of the property of Mesoblast and may, for that purpose, set such value as the liquidator considers fair upon any property to be so divided and may decide how the division is to be carried out as between the contributors or different classes of shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such assets in trustees upon such trusts for the benefit of the Shareholders as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

(f) Shareholder liability

As the Shares are fully paid ordinary shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(g) Transfer of shares

Generally, shares in Mesoblast are freely transferable, subject to satisfying the requirements of the ASX Listing Rules, the ASX Settlement Operating Rules and the Corporations Act. Subject to the ASX Listing Rules and the ASX Settlement Operating Rules, the Directors may in certain circumstances (as set out in the Constitution) decline to register a transfer of shares or apply a holding lock to prevent a transfer.

(h) Future increase in capital

The Directors may issue shares or options to any person on such terms as the Directors determine, subject to the Corporations Act, ASX Listing Rules and the Constitution, and without prejudice to any special rights conferred on the holders of any issued shares, options or other securities.

(i) Variation of rights

Subject to the Corporations Act, where shares of different classes are on issue, the rights attaching to the shares of a class (unless otherwise provided by their terms of issue) may only be varied by a special resolution passed at a separate general meeting of those shares of that class, or with the written consent of the holders of at least 75% of the issued shares in that class.

At present, the only class of shares that Mesoblast has on issue are ordinary shares.

(j) Alteration of Constitution

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least 75% of the votes cast at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

(k) Buy Backs

Subject to applicable laws, in particular the Corporations Act and the ASX Listing Rules, Mesoblast may buy back shares on such terms and conditions as the Board may determine from time to time.

## 7.2 Options

(a) General

The Options will be issued subject to the terms and conditions set out in the ESOP Offer Letter to an Eligible Participant to whom the Board in its absolute discretion has determined to offer Options under this Prospectus and the Plan.

(b) Register

Mesoblast maintains a register of holders of Options in accordance with section 168(1)(b) of the Corporations Act.

(c) Transfer

Options issued pursuant to this Prospectus are non-transferable and may not be encumbered by the Eligible Participant, unless the Board determines otherwise.

(d) Exercise

- (i) An Option may only be exercised:
    - (A) if all of the exercise conditions have been met;
    - (B) if the exercise price has been paid to Mesoblast or as Mesoblast may direct; and
    - (C) within the exercise period relating to the Option.
  - (ii) The exercise conditions, exercise price and exercise period applicable to the Options issued to an Eligible Participant are set out in the ESOP Offer Letter provided to the relevant Eligible Participant.
- (e) Dividend entitlement
- (i) Options do not carry any dividend entitlement.
  - (ii) Shares issued on exercise of Options rank equally in all respects with other issued Shares of Mesoblast from the date of issue and are entitled to dividends paid on and from that date.
- (f) Participating rights
- (i) For determining entitlements to the issue, a holder of Options may only participate in the new issue of securities to holders of applicable Shares in Mesoblast if the Options have been exercised and Shares issued in respect of the Options so that the holder is registered as the holder of the Shares as at the relevant record date.
  - (ii) If between the date of issue and the date of exercise of an Option Mesoblast makes one or more rights issues (being a pro rata issue of Shares in the capital of Mesoblast that is not a bonus issue) in accordance with the ASX Listing Rules, the exercise price of Options on issue will be reduced in respect of each rights issue according to the following formula:

$$\frac{O' = O - E[P - (S + D)]}{N+1}$$

where:

O' = the exercise price immediately following the adjustment;

O = the exercise price immediately prior to the adjustment;

E = the number of Shares into which one Option is exercisable;

P = the average market price per Share (weighted by reference to volume) during the 5 trading days ending on the day before the ex rights date or ex entitlements date;

S = the subscription price for a Share under the pro rata issue;

D = any dividend due but not yet paid on a Share (except any Share to be issued under the pro rata issue); and

N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

(iii) If there is a bonus issue to the holders of Shares in the capital of Mesoblast, the number of Shares over which the Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option has been exercised before the record date for the bonus issue.

(g) Reconstructions and alteration of capital

Any adjustment to the number of outstanding Options and the exercise price under a reorganisation of Mesoblast's share capital must be made in accordance with the ASX Listing Rules at the time of the reorganisation.

(h) ASX Listing

The Options will not be quoted on any stock exchange or financial market. Mesoblast will apply to ASX for the Official Quotation of Shares issued upon exercise of the Options in accordance with the ASX Listing Rules. Shares so issued will rank equally with other Shares in Mesoblast then on issue.

(i) Terms and conditions

The offer and issue of Options to Eligible Participant is subject to the specific terms and conditions of the offer set out in the ESOP Offer Letter provided to the Eligible Participant and the Plan (which is set out in Appendix 2 to this Prospectus).

## 8. Risk factors

The Shares offered under this Prospectus (including those acquired on exercise of the Options) are considered speculative because of the inherent risks associated with operating in the clinical stage biotechnology industry. In addition, there are risks inherent in investing in the share market in general.

The Directors have considered and identified in this Section of the Prospectus the critical areas of risk associated with investing in the Shares (including those acquired on exercise of the Options). The risks identified by the Directors are not exhaustive. Accordingly, you should read this Prospectus in full and obtain professional advice if they require further information on material risks when deciding whether to subscribe for Shares or acquire Shares on exercise of your Options.

Neither the Company nor any of its Directors or any other party associated with the preparation of this Prospectus guarantees that any specific objectives of the Company will be achieved or that any particular performance of the Company or of its Shares, including those offered by this Prospectus or acquired on exercise of the Options, will be achieved.

### 8.1 Company specific risks

Mesoblast is committed to ensuring the safety of its patients and staff, while continuing the development of its MLC platform technology.

Mesoblast is currently a loss-making entity in product development phase. The long term financial success of the Company will be measured ultimately on the basis of profitable operations. Key to becoming profitable is the successful development and commercialisation of the Company's product portfolio, establishment of efficient manufacturing operations, achieving product distribution capability, and overall, the ability to attract funding to support these activities. The following specific risks have the potential to affect Mesoblast's achievement of its business goals. This is not an exhaustive list.

#### (a) Product risk

Mesoblast is subject to inherent product-related risks relevant to companies operating in the biotechnology industry, such as that products being developed are not safe and effective and therefore will not gain approval for sale from various regulatory bodies, and that there may be substantial delays in the clinical studies. These risks may arise or be exacerbated as a result of the following:

- (i) Mesoblast's product candidates are based on its novel mesenchymal lineage adult stem cell technology, which makes it difficult to accurately and reliably predict the time and cost of product development and subsequently obtaining regulatory approval;
- (ii) Mesoblast may find it difficult to enrol patients in its clinical trials, especially for indications such as acute graft versus host disease which are designated as orphan or niche markets, which could delay or prevent development of Mesoblast's product candidates; and

- (iii) several of Mesoblast's product candidates treat patients who are extremely ill and patient deaths that occur in its clinical trials could negatively impact Mesoblast's business even if they are not shown to be related to its product candidates.

(b) Manufacturing risk

Disruption to manufacturing operations could impact Mesoblast's ability to deliver clinical grade product required for clinical trials and, in the future, MLC products for commercial sale.

Mesoblast has no experience manufacturing its product candidates at a commercial scale. Mesoblast relies on Lonza as its sole manufacturer and a limited number of suppliers, including Lonza, as its suppliers for its product candidates' materials, equipment or supplies and components required to manufacture its product candidates. The Company's business could be harmed if:

- (i) Lonza fails to manufacture Mesoblast's products in quantities sufficient for development and, if its products are approved, commercialisation;
- (ii) Mesoblast loses its collaborators and suppliers, or they fail to provide quality supplies on a timely basis, which could cause delays in Mesoblast's current and future capacity; and
- (iii) the Lonza manufacturing facilities do not continue to meet its ongoing regulatory requirements.

Product recalls or inventory losses caused by unforeseen events could also adversely affect Mesoblast's operating results and financial condition.

(c) Commercialisation risk

The speed and quality of Mesoblast's clinical trial execution are primary drivers of its ability to transform into a commercial stage company. In addition, the future profitability of Mesoblast's products depends largely on the reasonable achievement of various business assumptions, including product price (reimbursement), size of market, availability of raw materials in the manufacturing process and cost of goods sold.

These drivers and assumptions also underpin the carrying value of Mesoblast's in-process research and development on the balance sheet and are reviewed regularly when Mesoblast tests for asset impairment. There is a risk that these assumptions prove to be materially incorrect. If the market opportunities for Mesoblast's product candidates are smaller than Mesoblast believes they are, the Company's revenues may be adversely affected and its business may suffer. Mesoblast also faces substantial competition, which may result in others discovering, developing or commercialising products before, or more successfully, than Mesoblast does.

Mesoblast is exposed to risks relating to its international operations and failure to manage those risks may adversely affect its operating results and financial conditions. As an example, price controls may be imposed in foreign markets. Such an event may also adversely affect Mesoblast's future profitability.

If product liability lawsuits are brought against Mesoblast, the Company may incur substantial liabilities and may be required to limit commercialisation of its product candidates. The Company's use of animal-derived materials could also harm its product development and commercialisation efforts.

Furthermore, if in the future Mesoblast is unable to establish its own sales, marketing and distribution capabilities or enter into licensing or collaboration agreements for these purposes, Mesoblast may not be successful in independently commercialising any future products.

(d) Partnering risk

Future product sales in certain indications are dependent on maintaining existing commercial relationships. If Mesoblast and its partners do not successfully carry out their contractual duties, meet expected deadlines, or comply with regulatory requirements, they may not be able to obtain regulatory approval for or commercialise Mesoblast's product candidates in a timely and cost effective manner or at all, and Mesoblast's business could be substantially harmed. In addition, future product sales may also be dependent on the ability of the Company to attract new partners, who will in some cases, be required to help develop and distribute the Company's products.

(e) Funding risk

Mesoblast does not currently earn revenues from product sales (other than licensing revenue from sales of TEMCELL® HS Inj by JCR Pharmaceuticals Co. Ltd. in Japan). Mesoblast has incurred operating losses since its inception and anticipates that it will continue to incur substantial operating losses for the foreseeable future. Accordingly, the ability of Mesoblast to successfully bring products to market ultimately relies on having access to continued sources of funding, including from partners and investors. Failure to obtain such funding when needed could force Mesoblast to delay, limit, reduce or terminate its product development or commercialisation efforts.

(f) Personnel risk

Execution of Mesoblast's corporate strategy could be impacted if Mesoblast did not retain its present CEO and certain members of staff. If Mesoblast fails to attract and keep senior management and key scientific personnel, it may be unable to successfully develop its product candidates, conduct clinical trials and commercialise its product candidates. There is also a risk that Mesoblast's employees, principal investigators, consultants or collaboration partners engage in



misconduct or other improper activities, including non-compliance with laws and regulatory standards and requirements and insider trading.

Mesoblast works with external scientists, medical professionals and their institutions in developing product candidates. These collaborators may have other commitments or conflicts of interest, which could limit Mesoblast's access to their expertise and harm its ability to leverage its technology platform.

(g) Intellectual property risk

Future product sales are impacted by the extent to which there is patent protection over the products. Patent coverage risk includes the risk that competitive products do not infringe Mesoblast's intellectual property rights and also the risk that Mesoblast's products do not infringe on other parties' products. If third parties claim that intellectual property used by Mesoblast infringes on their intellectual property, commercialisation of Mesoblast's product candidates and its operating profits could be adversely affected. The Company may be forced to litigate to enforce or defend its intellectual property rights, and/or the intellectual property rights of its licensors. Intellectual property disputes could cause Mesoblast to spend substantial resources and distract Mesoblast's personnel from their normal responsibilities. U.S. patent reform legislation and court decisions could increase the uncertainties and costs surrounding the prosecution of Mesoblast's patent applications and the enforcement or defence of its issued U.S. patents.

Furthermore, if Mesoblast does not obtain patent term extensions in the United States under the Hatch-Waxman Act and in foreign countries under similar legislation, thereby potentially extending the term of the marketing exclusivity of Mesoblast's product candidates, Mesoblast's business may be materially harmed.

The patent positions of biopharmaceutical products are complex and uncertain. There is a risk that Mesoblast may not be able to protect its proprietary technology in the marketplace. In addition, there is a risk that Mesoblast may be unable to adequately prevent disclosure of trade secrets and other proprietary information.

(h) Regulatory risk

The Company operates in a highly regulated industry. Pharmaceutical products are subject to strict regulations of regulatory bodies in the United States, Europe, Asia and Australia. In addition Mesoblast's operations may be subject to local laws and regulations, including and not limited to taxation, environmental and anti-corruption laws. Non-compliance with laws and regulatory standards and requirements could disrupt Mesoblast's operations and harm its operating results.

The requirements to obtain regulatory approval of the United States Food and Drug Administration and regulators in other jurisdictions can be costly, time consuming and unpredictable. If Mesoblast or its collaborators are unable to obtain timely regulatory approval for its product candidates, Mesoblast's business may be substantially harmed. Even if Mesoblast obtains regulatory approval for a product

candidate, its products will be subject to ongoing regulatory scrutiny. In addition, Mesoblast may face competition from biosimilars due to changes in the regulatory environment.

In the United States, Mesoblast may lose its foreign private issuer status, which would then require Mesoblast to comply with reporting and other requirements under the Exchange Act and cause it to incur additional legal, accounting and other expenses.

## 8.2 General risks

An investment in Shares carries certain risks, many of which are not in the control of Mesoblast or its management. These risks include the risks set out below.

### (a) Share Price

The price of Shares quoted on the ASX (and therefore the value of Incentive Rights or Options) may rise or fall, and the Shares may trade below or above the exercise price due to a number of factors, including:

- (i) general economic conditions, including interest rates, exchange rates, inflation rates and commodity prices;
- (ii) fluctuations in the local and global market for listed securities;
- (iii) changes to government policy, legislation or regulation;
- (iv) inclusion in or removal from market indices;
- (v) the nature of markets in which Mesoblast operates;
- (vi) general and operational business risks;
- (vii) natural disasters; and
- (viii) global hostilities, tensions and acts of terrorism.

There is no assurance that the price of the Shares will increase, decrease or stay the same following the issue of the Shares under this Prospectus or the exercise of Options, even if Mesoblast's earnings increase. In addition, the dual listing of Mesoblast's Shares and the American Depositary Shares may adversely affect the liquidity and value of these securities.

### (b) Lack of liquidity and effect of exercise price

As the Options and Incentive Rights are not transferable and will not be quoted on ASX, there is no market for the Options or Incentive Rights (i.e. they cannot be sold to a third party). The Eligible Participant and Kentgrove (as applicable) should also be aware that the exercise price of the Options or the Incentive Rights may be in

excess of the market price of the underlying Shares during the exercise period applicable to them.

(c) Changes in tax laws

There is the potential for further changes to Australia's tax laws and to foreign tax laws relevant to Mesoblast. Any change to the current rates of taxes imposed on Mesoblast is likely to affect returns from an investment in Shares (and therefore the value of Options). An interpretation of taxation laws by the relevant tax authority that is contrary to Mesoblast's view of those laws may increase the amount of tax to be paid. In addition an investment in the Shares involves tax considerations which may differ for each investor or Eligible Participant. Each investor or Eligible Participant is encouraged to obtain professional tax advice in connection with any investment in Mesoblast.

(d) Force majeure events

Events may occur within or outside Australia that could impact on the Australian economy, the operations of Mesoblast and the price of the Shares (and therefore the value of Options). The events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for Mesoblast's products and its ability to conduct business and on Mesoblast's business and earnings. The Company has only a limited ability to insure against some of these risks.

(e) Capital Structure

Changes in the capital structure of Mesoblast, for example from the raising of further debt or the issue of further equity to repay or refinance debt facilities or to fund the acquisition of assets, may affect the value of, and returns from, an investment in the Shares (and therefore the value of Incentive Rights or Options).

(f) Dividends

The Company has not previously paid any dividends.

(g) Accounting Standards

Australian Accounting Standards are set by the AASB and are beyond the control of Mesoblast, the Directors and Mesoblast's management team. Changes to accounting standards issued by the AASB could adversely impact the financial performance and position reported in Mesoblast's financial statements.

## 9. Additional information

### 9.1 Continuous disclosure obligations

This Prospectus is issued by Mesoblast in accordance with the provisions of the Corporations Act applicable to a prospectus for continuously quoted securities.

As a disclosing entity, Mesoblast is subject to regular reporting and disclosure obligations. As a listed company, Mesoblast is subject to the ASX Listing Rules which require, subject to certain exceptions, prompt disclosure to the market of any information of which Mesoblast is aware which a reasonable person might expect to have a material impact on the price or value of the Shares (and therefore the value of Incentive Rights or Options).

Section 713 of the Corporations Act enables a company to issue a 'transaction specific' prospectus where the securities offered under that prospectus are continuously quoted securities within the meaning of the Corporations Act. This generally means that the relevant securities are in a class of securities that were quoted 'enhanced disclosure' securities at all times during the three months before the date of the prospectus and that, during the 12 months before the date of the prospectus, the issuing company was not exempt from the continuous disclosure regime and disclosing entity requirements under the Corporations Act and the ASX Listing Rules.

In summary, 'transaction specific' prospectuses are required to contain information in relation to the effect of the offer of securities on the company and the rights and liabilities attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company. Accordingly, this Prospectus does not contain the same level of disclosure as a prospectus of an unlisted company or an initial public offering prospectus.

Having taken such precautions and having made such enquiries as are reasonable, Mesoblast believes that it has complied with, and has not been exempt from, the general and specific requirements of ASX as applicable throughout the 12 months before the date of this Prospectus which required Mesoblast to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the securities market conducted by ASX. For the purposes of satisfying section 713(5) of the Corporations Act, a prospectus must also incorporate such information if such information:

- (a) has been excluded from a continuous disclosure notice in accordance with the Listing Rules; and
- (b) is information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:
  - (i) the assets and liability, financial position and performance, profits and losses and prospects of the body; and
  - (ii) the rights and liabilities attaching to the securities being offered.

This Prospectus must contain the above information only to the extent to which it is reasonable for investors or Eligible Participants and their professional advisers to expect to find such information in the Prospectus. The Company is not aware of any matters that need to be disclosed under this section of the Corporations Act that have not been previously disclosed or which have not been set out in this Prospectus.

## 9.2 Company announcements

Investors may view a record of Mesoblast's ASX announcements at [www.asx.com.au](http://www.asx.com.au). ASIC also maintains records in respect of documents lodged with it by Mesoblast and these may be obtained from or inspected at the office of ASIC. This Prospectus is intended to be read in conjunction with information previously publicly disclosed by Mesoblast.

The Company will provide free of charge to any person who requests it during the application period under this Prospectus:

- (a) the annual financial report most recently lodged by Mesoblast with ASIC;
- (b) any half-year financial report lodged by Mesoblast with ASIC after the lodgement of the annual financial report referred to in paragraph (a) and before the lodgement of this Prospectus with ASIC; and
- (c) any continuous disclosure documents given by Mesoblast to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in paragraph (a) and before the lodgement of this Prospectus with ASIC.

The announcements below (continuous disclosure notices) have been made by Mesoblast to ASX in approximately the last 12 months.

Date	Headline
12 January 2018	Presentation to J.P. Morgan 2018 Healthcare Conference
11 January 2018	Presentation at JP Morgan Healthcare Conference
22 December 2017	Change of Director's Interest Notice
21 December 2017	Mesoblast Receives RMAT For LVAD Heart Failure Patients
20 December 2017	Release of shares from voluntary escrow
20 December 2017	Mesoblast's P3 GVHD Trial Completes Enrollment
15 December 2017	Mesoblast Grants TiGenix License For Treatment of Fistulae
8 December 2017	MSB Named Global Technology Leader In Cell Therapy Industry
7 December 2017	Change in substantial holding
5 December 2017	Change in substantial holding
17 November 2017	Response to ASX Aware Letter Query
16 November 2017	Results of Meeting
16 November 2017	CEO Presentation to 2017 Annual General Meeting
16 November 2017	Chairman's Address to Shareholders

<b>Date</b>	<b>Headline</b>
15 November 2017	Ceasing to be a substantial holder
15 November 2017	Mesoblast Provides Corporate Update and Q1 Financial Results
15 November 2017	First Quarter Results Presentation
15 November 2017	First Quarter Results On Form 6K
13 November 2017	Becoming a substantial holder
13 November 2017	RA Phase 2 Trial Results Presented At ACR Annual Meeting
09 November 2017	Mesoblast Presents At Credit Suisse Healthcare Conference
31 October 2017	Appendix 4C - quarterly
30 October 2017	Ceasing to be a substantial holder
27 October 2017	Ceasing to be a substantial holder
27 October 2017	Becoming a substantial holder
16 October 2017	Annual Report to shareholders
16 October 2017	Notice of Annual General Meeting/Proxy Form
16 October 2017	Appendix 4G and Corporate Governance Statement
06 October 2017	Appendix 3B
28 September 2017	End-Stage Heart Failure Trial Completes Enrollment
25 September 2017	Mesoblast Corporate Updates at Healthcare Conferences
25 September 2017	Change of Director's Interest Notices
18 September 2017	Appendix 3B
15 September 2017	Mesoblast Completes A\$50.7 Million Raise
06 September 2017	Change of Director Interest and Substantial Holding Notices
06 September 2017	Change in substantial holding
01 September 2017	Retail Entitlement Offer
30 August 2017	Mesoblast Reports on Annual and Fourth Quarter Results
30 August 2017	Preliminary Final Report including Appendix 4E
30 August 2017	Annual Financial Results Presentation
29 August 2017	Underwritten A\$50.7M Raise Closes Institutional Allocation
25 August 2017	Cleansing notice
25 August 2017	Appendix 3B
25 August 2017	Fully Underwritten Entitlement Offer Presentation
25 August 2017	Fully Underwritten A\$50.7 Million Entitlement Offer
25 August 2017	Trading Halt
23 August 2017	Potential For Accelerated Market Entry In Advanced CHF

<b>Date</b>	<b>Headline</b>
16 August 2017	Positive Results of MSB Therapy in Osteoarthritis Published
08 August 2017	Release of shares from voluntary escrow
31 July 2017	Appendix 4C - quarterly
13 July 2017	Change in substantial holding
10 July 2017	Cleansing notice and Appendix 3B
22 June 2017	Mesoblast RA Results Presented At EULAR Congress
25 May 2017	MSB Provides Q3 Operational Highlights and Financial Results
25 May 2017	Third Quarter Results Presentation
25 May 2017	Third Quarter Financial Results On Form 6-K
02 May 2017	Change of Director's Interest Notice
28 April 2017	Appendix 4C - quarterly
24 April 2017	Change in substantial holding
10 April 2017	Successful Interim Analysis in Phase 3 Heart Failure Trial
06 April 2017	Mesoblast Receives A\$3.7m From Aus Govt For R&D
4 April 2017	FDA Clears Heart Disease Trial At Boston Childrens Hospital
3 April 2017	Change in substantial holding
31 March 2017	Becoming a substantial holder from TEK
31 March 2017	Cleansing notice and Appendix 3B
31 March 2017	Process Initiated For CHF P3 Interim Analysis
27 March 2017	Mesoblast Raises US\$40 Million
15 March 2017	Durable Three Year Outcomes in Disc Disease
7 March 2017	FDA Grants Mesoblast Fast Track Designation For GVHD
27 February 2017	Mesoblast Provides Half Year Results And Corporate Update
27 February 2017	Half Year Results Presentation
27 February 2017	Half Year Report and Accounts (including Appendix 4D)
16 February 2017	Presentation On Mesoblast RA P2 9 Month Trial Results
16 February 2017	Positive Nine Month RA Results For Mesoblast Cell Therapy
13 February 2017	Published Results Show MSB Cells Effective In RA Model
10 February 2017	Release of shares from voluntary escrow
31 January 2017	Appendix 4C - quarterly
31 January 2017	Mesoblast Director Recognized For Cardiovascular Leadership

### 9.3 Kentgrove Facility

#### ***Overview***

As announced on the ASX on 1 July 2016, Mesoblast has entered into the Kentgrove Facility with Kentgrove on 30 June 2016.

The Kentgrove Facility is an equity facility, pursuant to which Mesoblast may place Shares to Kentgrove, up to a maximum facility limit of A\$60 million. The Kentgrove Facility is available to be used over 18 months, with Mesoblast having the option to increase the maximum facility limit to A\$120 million, to be used over 36 months from the date of the Kentgrove Facility Agreement.

In accordance with the terms of the Kentgrove Facility Agreement, Mesoblast must issue the 2,000,000 Reserve Shares to Kentgrove. Mesoblast may issue additional Reserve Shares to Kentgrove from time to time at its discretion (subject to an overall cap), in order to increase the maximum amount that the company is able to raise from Kentgrove pursuant to any individual placement. Mesoblast may from time to time notify Kentgrove in writing, in accordance with the terms of the Kentgrove Facility Agreement, that it requests funding from Kentgrove by delivering a duly executed placement request form.

Mesoblast may generally decide if and when to make a placement of shares to Kentgrove under the Agreement, and may also decide the maximum amount to be raised, and the minimum issue price of shares, in respect of each placement.

#### ***Mesoblast's placement request***

Mesoblast must specify in each of its placement request forms the:

- (a) relevant placement period;
- (b) maximum placement amount – an amount specified by Mesoblast at its sole discretion, subject to certain limitations including the applicable limit of the Kentgrove Facility, Mesoblast's obligations under ASX Listing Rule 7.1, and the number of Reserve Shares issued to Kentgrove less the number of any unissued Deferred Placement Shares (described later in this Section); and
- (c) the minimum issue price – an amount specified by Mesoblast in its absolute discretion, being the minimum price at which Kentgrove can subscribe for Shares on expiry of the relevant placement period.

#### ***Kentgrove's placement notice***

Following the end of a placement period, or earlier if Kentgrove nominates a placement amount equal to the maximum placement amount, Kentgrove will deliver to Mesoblast a placement notice form.

Kentgrove will specify in each placement notice form:



- (a) the maximum number of Shares issuable by Mesoblast to Kentgrove in relation to a placement under the Kentgrove Facility, which must at a minimum be the number of Sold Shares (described directly below);
- (b) the number of Shares that Kentgrove has sold during the relevant placement period at a price per Share at or above the applicable minimum issue price (such number of Shares will constitute **Sold Shares**); and
- (c) the issue price in respect of the placement Shares, being the higher of:
  - (i) 95.5% of the Investor VWAP per Share during the relevant placement period; and
  - (ii) the minimum issue price for the relevant placement request from Mesoblast.

### ***Issue of placement Shares and payment of the placement amount***

On receipt of a placement notice form from Kentgrove, Mesoblast may, but is not obligated to, except in the circumstances set out in this paragraph, issue Shares to Kentgrove up to the maximum number of placement Shares set out in the placement notice. Where the number of Sold Shares multiplied by the relevant issue price is at least 50% of the maximum placement amount specified in the placement request form, Mesoblast must, at a minimum, issue to Kentgrove the number of Sold Shares. Mesoblast must also issue Kentgrove any Deferred Placement Shares under the placement notice issued by Kentgrove immediately preceding the current placement notice. The Deferred Placement Shares will be issued at the issue price specified in the preceding placement notice.

On issue of the Shares by Mesoblast following receipt of a placement notice, Kentgrove must pay to Mesoblast, in immediately available funds, the issue price for these Shares specified in the placement notice.

Where in response to a placement notice Mesoblast elects not to issue any Shares to Kentgrove, the number of Sold Shares will constitute **Deferred Placement Shares**.

### ***Incentive Rights***

Under the Kentgrove Facility Agreement, Mesoblast is also required to issue 1,500,000 Incentive Rights to Kentgrove. The Incentive Rights may be exercised at any time for a period three years from their date of issue, and in accordance with their terms of exercise set out in the Kentgrove Facility Agreement.

Upon exercise of an Incentive Right, Mesoblast must either (at its election):

- (a) subject to payment of an exercise price of A\$2.22, issue to the holder one fully paid ordinary share in Mesoblast (with customary adjustments to the number of shares to be issued if Mesoblast undertakes a bonus issue, rights issue or other reconstruction of capital); or

- (b) pay to the holder a cash amount equal to the volume weighted average of Mesoblast shares traded on ASX on the day of exercise, less the exercise price of A\$2.22.

No amount is payable by Kentgrove in connection with the issue of the Incentive Rights.

### **Reserve Shares**

At the end of the term of the Kentgrove Facility (or following termination of the Kentgrove Facility Agreement), all Reserve Shares issued to Kentgrove (less the number of any unissued Deferred Placement Shares) will, at Mesoblast's election, be either:

- (a) sold by Kentgrove in accordance with a sale program agreed with Mesoblast, with Mesoblast receiving an amount equal to 95.5% of the gross proceeds from the sale of the Reserve Shares; or
- (b) bought back or cancelled by Mesoblast for nil consideration provided all necessary shareholder approvals having been obtained by Mesoblast.

## **9.4 Litigation**

The Company is not presently party to any legal proceedings that, in the opinion of Mesoblast, would reasonably be expected to have a material adverse effect on its business, financial condition, operating results or cash flows.

## **9.5 Relevant interests, benefits and related party transactions**

Sections 2.3 to 2.5 of this Prospectus set out a summary of the interests and benefits payable to the Directors and other persons connected with Mesoblast or the Offers and any significant related party transactions.

Directors and their related parties will not participate in the Offers.

## **9.6 Interests of experts and advisers**

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of Mesoblast; or
- (c) underwriter to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with ASIC, any interest in:

- (d) the formation or promotion of Mesoblast;

- (e) any property acquired or proposed to be acquired by Mesoblast in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offers; or
- (f) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of Mesoblast; or
- (h) the Offers.

MinterEllison has acted as Australian legal advisers to Mesoblast in relation to the Offers. Mesoblast estimates it will pay MinterEllison approximately A\$42,500 (excluding GST and disbursements) for these services. Further amounts may be paid to MinterEllison in accordance with its usual time based charge out rates.

## **9.7 Consents**

Each of the parties referred to in this Section 9.7:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

MinterEllison has given its written consent to being named as Australian legal advisers to Mesoblast in this Prospectus. MinterEllison has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

## **9.8 No Kentgrove involvement in preparation of this Prospectus**

Kentgrove has had no responsibilities or obligations in connection with the preparation, form or content of this Prospectus, has not been involved in its authorisation or release and accepts no liability for this Prospectus.

## **9.9 Restricted securities**

None of Mesoblast's issued securities are 'restricted securities' (as defined in the ASX Listing Rules).

## **9.10 Broker handling fees**

No handling fees are payable in connection with the Offers under this Prospectus.

## 9.11 Taxation

The Board do not consider that it is appropriate to provide investors or Eligible Participants with advice regarding the taxation consequences of accepting the Offers under this Prospectus. Mesoblast, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to investors or Eligible Participants in respect of any issue.

## 9.12 Privacy disclosure statement

The Company holds certain personal information regarding Shareholders that has been provided to Mesoblast (directly or via the Share Registry) in connection with their investment in Mesoblast. The *Privacy Act 1988* (Cth) governs the use of a person's personal information and sets out principles governing the ways in which organisations should treat personal information. The personal information that Mesoblast holds is used to provide services and appropriate administration including communications with members. If Mesoblast is obliged to do so by law, investors' personal information will be passed on to other parties strictly in accordance with legal requirements.

The Corporations Act requires that Mesoblast include information about security holders (including name, address and details of the securities held) in its public register. The information contained in Mesoblast's public register must remain there for seven years after that person ceases to be a security holder. Information contained in Mesoblast's registers is also used to facilitate distribution payments and corporate communications (including Mesoblast's financial results, annual report and other information that Mesoblast may wish to communicate to its security holders) and compliance by Mesoblast with legal and regulatory requirements.

An investor or Eligible Participant has a right to gain access to the information that Mesoblast holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to Mesoblast's registered office.

An investor or Eligible Participant who would like details of their personal information held by Mesoblast or its Share Registry, or who would like to correct information that is incorrect or out of date, should contact the Share Registry by telephoning 1300 554 474 (within Australia) or +61 1300 554 474 (outside Australia) or using the address shown in the Corporate directory.

## 9.13 Authorisation

Each Director has consented (and has not withdrawn their consent) to the lodgement of this Prospectus with ASIC.

## 9.14 Governing Law

This Prospectus is governed by the law of Victoria.



# Glossary

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Term	Definition
\$ and A\$	means the currency of Australia.
AASB	means the Australian Accounting Standards Board.
ASIC	means the Australian Securities and Investments Commission.
ASX or Australian Securities Exchange	means ASX Limited ACN 008 624 691 or the financial market known as the Australian Securities Exchange operated by it, as the context requires.
ASX Listing Rules	means the listing rules of the ASX.
ASX Settlement	means ASX Settlement Pty Limited ABN 49 008 504 532.
ASX Settlement Operating Rules	means the operating rules of ASX Settlement as amended from time to time, except to the extent of any express written waiver by ASX Settlement.
Board	means the board of Directors unless the context indicates otherwise.
CEO	means Chief Executive Officer.
Cessation Exercise Period	has the meaning given in Section 3.2.
CFO	means the Chief Financial Officer.
Company or Mesoblast	means Mesoblast Limited ACN 109 431 870.
Constitution	means the constitution of Mesoblast as at the date of this Prospectus.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Deferred Placement Shares	has the meaning given in Section 9.3.
Directors	means the directors of Mesoblast as at the date of this Prospectus.
Eligible Participant	means a person determined by the Board to be eligible to participate in the ESOP.

Term	Definition
ESOP or Plan	means the Mesoblast Employee Share Option Plan.
ESOP Offer	means the offer of Options described in Section 3 of this Prospectus.
ESOP Offer Closing Date	means 5.00pm (Melbourne time) on 19 February 2018 (unless extended).
ESOP Offer Letter	means the applicable offer letter (if any) provided to the Eligible Participant inviting them to participate in the ESOP Offer.
ESOP Offer Opening Date	means 19 January 2018.
Exchange Act	means the <i>Securities Exchange Act of 1934</i> (US).
Group	means Mesoblast and its subsidiaries.
GST	means goods and services tax.
Incentive Rights	means the rights granted to Kentgrove under this Prospectus as described in Section 9.3, and includes where the context requires, any Shares that may be acquired on exercise of the Incentive Rights.
Investor VWAP	means the volume weighted average price of the Shares that Kentgrove trades or otherwise sells in relation to a placement request from Mesoblast, on the ASX during the placement period specified by Mesoblast in that placement request.
Kentgrove	means Kentgrove Capital Pty Ltd in its capacity as trustee of the Kentgrove Capital Growth Fund.
Kentgrove Closing Date	means 5.00pm (Melbourne time) on 19 February 2018 (unless extended).
Kentgrove Facility	means the facility provided for under the Kentgrove Facility Agreement.
Kentgrove Facility Agreement	means the equity facility agreement between Mesoblast and Kentgrove dated on or around 30 June 2016 (as varied or amended by the parties from time to time).
Kentgrove Offer	means the offer of Shares described in Section 4 of this Prospectus.

Term	Definition
Kentgrove Offer Letter	means the applicable offer letter (if any) provided to Kentgrove inviting it to participate in the Kentgrove Offer.
Kentgrove Opening Date	means 19 January 2018.
Lonza	means collectively Lonza Walkersville, Inc. and Lonza Bioscience Singapore Pte. Ltd.
Offers	means both the Kentgrove Offer and the ESOP Offer.
Official Quotation	means official quotation on ASX.
Option	means an option to acquire by way of issue a Share.
Prospectus	means this prospectus dated 19 January 2018.
Prospectus Expiry Date	means 18 February 2019.
Reserve Shares	means the two million Shares to be issued by Mesoblast to Kentgrove, and to be held, sold, bought back and/or cancelled in accordance with the terms of the Kentgrove Facility.
Section	means a section of this Prospectus.
Share(s)	means a fully paid ordinary share in the capital of Mesoblast.
Share Registry	means Link Market Services Limited.
Shareholder	means a holder of one or more Shares.
US\$	means the currency of the United States of America



# Appendix 1 – Kentgrove Application Form

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To:

The Directors  
Mesoblast Limited ACN 109 431 870  
Level 38, 55 Collins Street  
MELBOURNE VIC 3000

## Application

1. I accept the offer of Shares described in the Prospectus dated 19 January 2018 lodged with ASIC (**Prospectus**) to which this application forms part. The expiry date of the Prospectus is 18 February 2019.
2. I understand that Mesoblast makes no representation or guarantee in respect of any investment in Shares.
3. I agree that any Shares described in this Prospectus are issued subject to and bound by the terms of this Prospectus, the Constitution (as amended from time to time) and the ASX Listing Rules.
4. I agree to be bound by the Constitution (as amended from time to time) and to be a member of the Company and acknowledge that:
  - (a) the Prospectus (referred to above) has been lodged by Mesoblast with ASIC in respect of the offer of the Shares described in the Prospectus;
  - (b) I have read, understood and obtained independent legal and financial advice concerning the Prospectus and this investment in the Shares;
  - (c) I make this application for Shares pursuant to the terms of the Prospectus;
  - (d) by lodging this application form and a cheque for the application monies (if any), I apply for the number of Shares specified in this application form or such lesser number as may be allocated by the Directors;
  - (e) an investment in Mesoblast is speculative and there is no guarantee that there will be any return on Shares (whether by way of dividends or return of capital or any other manner whatever); and
  - (f) there is no guarantee that there will be any market (whether official or unofficial) for trading of the Shares generally.
5. This application is irrevocable and unconditional.

6. The validity and construction of this application and, where the application is accepted, the terms on which Shares are allotted to me is governed and construed in accordance with the laws of the State of Victoria.

## SCHEDULE

1. **Name and address of applicant:** Kentgrove Capital Pty Ltd in its capacity as trustee of the Kentgrove Capital Growth Fund
2. **Contact details:**  
Daytime contact:  
Email contact:
3. **CHES Details:** PID.....HIN.....
4. **Number of Shares:**
5. **Application Money:** \$
6. **Cheque details:** Drawer:  
Bank and Branch:

Dated: # #

## Execution

**Executed by Kentgrove Capital Pty Ltd in its capacity as trustee of the Kentgrove Capital Growth Fund** in accordance with section 127 of the *Corporations Act 2001*

\_\_\_\_\_  
Signature of sole director and sole company secretary

who states that he or she is the sole director and the sole company secretary of the company

\_\_\_\_\_  
Name of sole director and sole company secretary (print)

# Appendix 2 – ESOP

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# **Rules of Employee Share Option Plan**

**Mesoblast Limited**  
ACN 109 431 870

**Middletons Lawyers & Mesoblast**  
**updated: September 2016**

Melbourne office  
Ref:LDM.LGT.1753918

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## Mesoblast Limited Employee Share Option Plan

### 1. The plan

The purpose of the Plan is to provide Eligible Employees with an incentive to remain with the Group and to improve the longer-term performance of the Company and its return to shareholders. It is intended that the Plan will enable the Group to retain and attract skilled and experienced employees and provide them with the motivation to make the Group more successful.

### 2. Eligibility

The Board may determine at any time that any Eligible Employee is not entitled to participate in the Plan if the Eligible Employee's participation would be unlawful.

### 3. Participation

#### 3.1 Invitation to participate

Subject to these rules, the Board may invite any Eligible Employee selected by it to participate in the Plan.

#### 3.2 Letter of offer to participate

The Board must give to each Eligible Employee invited to participate in the plan, a letter of offer to participate, together with the following information relating to the Options allocated to the Eligible Employee:

- (a) the date of grant or intended date of grant;
- (b) the total number of Options to be granted;
- (c) the Exercise Period;
- (d) the Exercise Price or the method of determining the Exercise Price;
- (e) the Exercise Conditions attaching to the Options (if any);
- (f) the Disposal Restrictions attaching to any Shares issued on exercise (if any);
- (g) the Forfeiture Conditions attaching to the Options (if any);
- (h) any other terms and conditions relating to the grant which, in the opinion of the Board, are fair and reasonable but not inconsistent with these rules;
- (i) in respect of the initial grant made to an Eligible Employee, a summary, or a copy of these rules; and
- (j) any other information or documents required to be notified by the Corporations Act or the Listing Rules.

#### 3.3 Participant bound by application form, rules and constitution

By completing and returning the Application Form, a Participant agrees to be bound by the terms of the Application Form, these rules and the Constitution.

## **4. Grant of options**

### **4.1 Grant of options**

The Board may grant Options to a Participant on acceptance of a duly signed and completed Application Form.

### **4.2 No payment for options**

Unless otherwise determined by the Board, no payment is required for the grant of Options under the Plan.

### **4.3 Options non-transferable**

An Option granted under the Plan is not capable of being transferred or encumbered by a Participant, unless the Board determines otherwise. The Company has no obligation to apply for quotation of the Options on the ASX.

### **4.4 Option certificate**

The Company must issue a Certificate to a Participant in respect of the Options granted to that Participant. The Company must comply with the provisions of the Constitution, the Listing Rules and the Corporations Act relating to the issue of the Certificate.

### **4.5 Limit on issues of new shares**

The number of Shares that would be issued were Options granted under this rule 4 to be exercised, when aggregated with the number of Shares that would be issued were each outstanding offer or option to acquire unissued shares, being an offer made or option acquired pursuant to the Plan or any other employee share scheme extended only to employees or directors of the Group, to be accepted or exercised (as the case may be), disregarding any offer made, or option acquired or share issued by way of or as a result of an offer to directors of the Company, must not exceed:

- a) In respect of Shares over which US incentive stock options may be issued 10,000,000 and
- b) In respect of options issued to Australian residents, that limit imposed under ASIC Class Order [CO 14/1000]

## **5. Exercise of options**

### **5.1 Manner of exercise of options**

The exercise of any Option granted under the Plan may only be effected in such form and manner as the Board may prescribe.

### **5.2 Exercise conditions**

Subject to rules 5.3 and 6, an Option granted under the Plan may only be exercised:

- (a) if all the Exercise Conditions have been met;
- (b) if the Exercise Price has been paid to the Company or as the Company may direct; and
- (c) within the Exercise Period relating to the Option.

An Option granted under the Plan may not be exercised once it has lapsed.



### **5.3 Control event**

Notwithstanding rule 5.2, the Board may determine that an Option may be exercised, whether or not any or all applicable Exercise Conditions have been met, on the occurrence of a Control Event.

### **5.4 Issue or transfer of shares on exercise**

Following exercise of an Option by a Participant, the Company must, within such time as the Board determines, allot and issue or procure the transfer to the Participant of the number of Shares in respect of which the Option has been exercised, credited as fully paid.

### **5.5 Shares rank equally**

Subject to the satisfaction of any applicable Disposal Restrictions, Shares allotted and issued under the Plan must rank equally in all respects with all other Shares from the date of allotment and issue, including:

- (a) voting rights; and
- (b) entitlements to participate in:
  - (i) distributions and dividends; and
  - (ii) future rights issues and bonus issues,

where the record date for determining entitlements falls on or after the date of allotment and issue.

### **5.6 Quotation on ASX**

The Company must apply for quotation on the official list of the ASX of Shares allotted and issued on the exercise of Options as soon as practicable after the allotment and issue of those Shares, so long as Shares are quoted on the official list of ASX at that time.

### **5.7 Financial assistance**

The Company may financially assist a person to pay for the grant of an Option, to pay any Exercise Price for an Option or to acquire Shares under the Plan, subject to compliance with the provisions of the Corporations Act and the Listing Rules relating to financial assistance.

## **6. Cessation of appointment/employment and lapsing of options**

### **6.1 Cessation of employment as a Bad Leaver**

If upon the Participant ceasing employment, the Board determines that the Participant is a Bad Leaver, all rights, entitlements and interests in any unexercised Options (including those that are Vested Options) held by the Participant will be forfeited and will lapse immediately.

### **6.2 Cessation of employment as a Leaver**

If upon the Participant ceasing employment, the Board determines the Participant is a Leaver:

- (a) A Leaver may retain Vested Options, however, they must be exercised within 60 days of cessation of employment (or within a longer period if so determined by the Board), after which time they will lapse.
- (b) Unvested Options will normally be forfeited and lapse.

**6.3 Liquidation**

On Liquidation, all Options which are not Vested Options will lapse.

**6.4 Fraud**

If, in the opinion of the Board, a Participant (or, where a Participant is a person nominated by an Eligible Employee, the employee or director who nominated the Participant) has acted fraudulently or dishonestly, the Board may determine that any Option granted to that Participant should lapse, and the Option will lapse accordingly.

**6.5 Forfeiture conditions**

An Option will lapse on the occurrence of a Forfeiture Condition relating to that Option, unless the Board determines otherwise.

**6.6 Lost Options**

A Participant may submit a request to the Board that an Option granted to that Participant should lapse. On receipt of that request, the Board may determine that the Option should lapse, in which case the option will lapse accordingly.

**6.7 End of exercise period**

If an Option has not lapsed earlier in accordance with this rule 6, it will lapse at the end of the Exercise Period.

**7. Changes in circumstances****7.1 Reconstruction**

In the event of any reconstruction (including consolidation, subdivision, reduction, capital return, buy back or cancellation) of the share capital of the Company, the number of Options to which each Participant is entitled and/or the Exercise Price of those Options must be reconstructed in accordance with the Listing Rules. Options must be reconstructed in a manner which will not result in any additional benefits being conferred on Participants which are not conferred on other shareholders of the Company.

**7.2 Participation in new issues**

Subject to the Listing Rules, a Participant is only entitled to participate (in respect of Options granted under the Plan) in a new issue of Shares to existing shareholders generally if the Participant has validly exercised his or her Options within the relevant Exercise Period and become a Shareholder prior to the relevant record date, and is then only entitled to participate in relation to Shares of which the Participant is the registered holder.

**7.3 Adjustment to exercise price - rights issues**

Subject to the Listing Rules, if there is a Pro Rata Issue (except a Bonus Issue) to the holders of Shares, the Exercise Price of an Option will be reduced according to the following formula:

$$O' = O - \frac{E[P - (S + D)]}{N+1}$$

where:

O' = the Exercise Price immediately following the adjustment;

- O = the Exercise Price immediately prior to the adjustment;
- E = the number of Shares into which one Option is exercisable;
- P = the average market price per Share (weighted by reference to volume) during the 5 trading days ending on the day before the ex rights date or ex entitlements date;
- S = the subscription price for a Share under the Pro Rata Issue;
- D = any dividend due but not yet paid on a Share (except any Share to be issued under the Pro Rata Issue); and
- N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

#### **7.4 Adjustment to number of underlying securities - bonus issues**

Subject to the Listing Rules, if there is a Bonus Issue to the holders of Shares, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the Bonus Issue.

### **8. Amendment**

Subject to the Listing Rules, these rules may be amended or supplemented by resolution of the Board. Unless the resolution of the Board expressly states otherwise, any amendment or supplement to these rules will not apply to any Options granted under these rules which have not yet been exercised.

### **9. Powers of the Board**

#### **9.1 Powers of the Board**

The Plan will be managed by the Board, which will have power to:

- (a) determine appropriate procedures for the administration of the Plan consistent with these rules;
- (b) resolve conclusively all questions of fact or interpretation arising in connection with the Plan;
- (c) determine matters falling for determination under these rules in its discretion having regard to the interests of and for the benefit of the Company;
- (d) exercise the discretions conferred on it by these rules or which may otherwise be required in relation to the Plan; and
- (e) delegate to any one or more persons (for such period and on such conditions as it may determine) the exercise of any of its powers or discretions arising under the Plan.

#### **9.2 Indemnification**

The Company must indemnify, and keep indemnified, to the full extent permitted by law, each person who is or has been a director or alternate director of the Company against all proceedings, actions, claims, demands, losses, liabilities, damages, costs and expenses which may be made, brought against, suffered or incurred by the person arising directly or indirectly out of or in connection with the administration of the Plan.

### **9.3 Commencement of Plan**

The Plan will take effect on and from such date as the Board may resolve.

### **9.4 Termination or suspension of Plan**

The Board may terminate or suspend the operation of the Plan at any time.

### **9.5 Resolution to terminate, suspend, supplement or amend**

In passing a resolution to terminate or suspend the operation of the Plan or to supplement or amend these rules, the Board must consider and endeavour to ensure that there is fair and equitable treatment of all Participants.

## **10. Powers of the administrator**

### **10.1 Appointment of administrator**

The Board may appoint an Administrator and may determine the terms and conditions of the Administrator's appointment. The Board may remove the Administrator.

### **10.2 Role of administrator**

The Administrator must administer the Plan in accordance with these rules and any procedures determined by the Board and agreed to as between the Board and the Administrator.

## **11. Contracts of employment and other employment rights**

### **11.1 Discretion of board**

It is a condition of these rules that the Plan may be terminated at any time at the discretion of the Board and that no compensation under any employment contract will arise as a result.

### **11.2 No right to grant of options**

Participation in the Plan does not confer on any Eligible Employee any right to a grant of Options.

### **11.3 Calculation of employee benefits**

The value of the Options do not increase a Participant's income for the purpose of calculating any employee benefits.

### **11.4 No right to future employment etc.**

Participation in the Plan does not confer on any Participant any right to future employment and does not affect any rights which the Company may have to terminate the employment of any Participant.

### **11.5 Acknowledgment by Participant**

It is acknowledged and accepted by each Participant that the terms of the Plan do not form part of the terms and conditions of the Participant's employment contract, nor do the terms of the Plan constitute a contract or arrangement (including any related condition or collateral arrangement) in relation to the Participant's employment contract.

## **12. Connection with other plans**

Unless the Board otherwise determines, participation in the Plan does not affect, and is not affected by, participation in any other incentive or other plan operated by the Company unless the terms of that other plan provide otherwise.

## **13. Notices**

Any notice or direction given under these rules is validly given if it is handed to the person concerned or sent by ordinary prepaid post to the person's last known address or given in any reasonable manner which the Board from time to time determines.

## **14. General**

Notwithstanding any rule, Shares may not be allotted and issued, acquired, transferred or otherwise dealt with under the Plan if to do so would contravene the Corporations Act, the Listing Rules, or any other applicable laws.

## **15. Plan costs**

### **15.1 Plan Costs**

Unless otherwise determined by the Board, the Company must pay all costs, charges and expenses relating to the establishment and operation of the Plan, including all costs incurred in or associated with an allotment, issue or acquisition of Shares for the purposes of enabling Participants to exercise Options granted to them under the Plan.

### **15.2 Reimbursement**

The Company and any Associated Body Corporate of the Company may provide money to the trustee of any trust or any other person to enable them to acquire Shares to be held for the purposes of the Plan, or enter into any guarantee or indemnity for those purposes, to the extent permitted by the Corporations Act. In addition, the Company may require any Associated Body Corporate to enter into any other agreement or arrangement as it considers necessary to oblige that Associated Body Corporate to reimburse the Company for any amounts paid by the Company in connection with this Plan, directly or indirectly, in relation to any employee or director of that Associated Body Corporate.

## **16. Overseas eligible employees**

The Company at the Board's discretion may:

- (a) grant options to Eligible Employees and Participants who are resident outside of Australia; and
- (b) make regulations for the operation of the Plan which are not inconsistent with these rules to apply to Eligible Employees and Participants who are resident outside of Australia.

## **17. Governing law**

The laws of Victoria, Australia, govern these rules.

## **18. Definitions and interpretation**

### **18.1 Definitions**

In this document, unless the context requires otherwise:

**Accounting Standards** means the Australian Accounting Standards from time to time and if and to the extent that any matter is not covered by Australian Accounting Standards means generally accepted accounting principles applied from time to time in Australia for a business similar to the Business.

**Administrator** means the person (if any) selected by the Board to carry out the day to day administration of the Plan as contemplated by rule 10.1.

**Application Form** means the form that the Board determines is to be used by an Eligible Employee to apply for Options under the Plan.

**Associated Body Corporate** of the Company means each:

- (a) related body corporate of the Company, within the meaning of section 50 of the Corporations Act;
- (b) body corporate that has voting power in the Company of not less than 20%; or
- (c) body corporate in which the Company has voting power of not less than 20%,

where "voting power" has the meaning in section 610 of the Corporations Act.

**ASX** means Australian Stock Exchange Limited (ACN 008 624 691).

**Bad Leaver** is a Participant who ceases to be employed by the Company where the Board determines that the Participant has:

- (a) committed any serious or persistent breach of any provisions of employment;
- (b) been convicted of any criminal offence which involves fraud or dishonesty;
- (c) engaged in any conduct which brings the Company into substantial disrepute;
- (d) committed any wrongful or negligent act or omission which has caused the Company substantial liability;
- (e) engaged in grave misconduct or recklessness in the discharge of the Participant's duties;
- (f) become disqualified from managing corporations in accordance with Part 2D.6 of the Corporations Act or has committed any act that, pursuant to the Corporations Act, may result in the Participant being banned from managing a corporation; or
- (g) engaged in any other conduct which the Board reasonably considers to be analogous to, or having a substantially similar seriousness to, any of the circumstances specified in (a) to (f) above.

**Board** means the board of directors of the Company or a committee appointed by the board of directors of the Company.

**Bonus Issue** means a Pro Rata Issue of Shares to holders of Shares for which no consideration is payable by them.

**Certificate** means, in relation to a Participant, the certificate or holding statement (in a form approved by the Board) issued to the Participant which discloses the number of Options entered in the register of Option holders in the name of the Participant.

**Company** means Mesoblast Ltd ACN 109 431 870.

**Constitution** means the constitution of the Company.

**Control** of an entity means having the right:

- (a) to vote 50% (or more) of the votes that can be cast on the election or removal of the entity's directors;
- (b) to appoint or remove directors who possess 50% (or more) of the votes exercisable by all directors of the entity; or
- (c) to 50% (or more) of the profits or distributions of the entity or of its net liquidation proceeds.

For this definition, if the entity does not have a board of directors, 'director' means a member of the entity's governing body with a role similar to a board of directors.

**Control Event** means any of the following:

- (a) an offer is made by a person for the whole of the issued ordinary share capital of the Company (or any part as is not at the time owned by the offeror or any person acting in concert with the offeror) and after announcement of the offer the offeror (being a person who did not Control the Company prior to the offer) acquires Control of the Company;
- (b) any other event occurs which causes a change in Control of the Company; or
- (c) any other event which the Board reasonably considers should be regarded as a Control Event.

**Corporations Act** means *Corporations Act 2001 (Cth)*.

**Disposal Restrictions** means, in relation to an Option, the restrictions (if any) determined by the Board that are required to be satisfied before a Share acquired as a result of the exercise of the Option by the Participant can be sold, transferred or otherwise dealt with by a Participant.

**Eligible Employee** means an employee or a director of any member of the Group who is determined by the Board to be an Eligible Employee for the purposes of the Plan, or any other person who is determined by the Board to be an Eligible Employee for the purposes of the Plan. Notwithstanding the foregoing, the class of Eligible Employees who are eligible to receive a US incentive stock option under the Plan is limited to individuals who are employed by the Company or another member of the Group that qualifies as a "related corporation", as defined in US Treasury Regulations section 1.421(i)(2).

**Exercise Conditions** means, in relation to an Option, the period of time, performance hurdles and other conditions (if any) determined by the Board that are required to be satisfied before the Option can be exercised.

**Exercise Period** means, in relation to an Option, the period in which the Option may be exercised specified by the Board under rule 3.2,3.2, subject to any variation under rules 5.3 and 6.

**Exercise Price** means the price per share that needs to be paid in order for the option to convert to ordinary shares of the company, and will be determined by the Board, and will be subject to any adjustment under rule 7.3.

**Forfeiture Conditions** means, in relation to an Option, the conditions (if any) determined by the Board that will result in the Option lapsing if satisfied.

**Group** means the Company and each Associated Body Corporate of the Company.

**IPO Price** means the price per Share at which Shares are offered under the prospectus issued in connection with the initial public offering of Shares in the Company.

**Leaver** means a Participant who ceases employment and who is not a **Bad Leaver**. A Leaver will include, but is not limited to, a Participant who ceases employment due to resignation or retirement.

**Liquidation** means the passing of a resolution for voluntary winding up, or the making of an order for the compulsory winding up of the Company.

**Listing Rules** means the listing rules (as defined in the Corporations Act) made or adopted by the ASX.

**Market Price** means, in relation to an Option, the volume weighted average market price of Shares sold on the ASX on the 5 trading days immediately before the date of determination.

**Option** means a right to subscribe for or acquire a Share, subject to any adjustment under rule 7.4.

**Participant** means an Eligible Employee who has been invited to participate in the Plan and any other person who is nominated by that Eligible Employee (following receipt of an invitation by the Board under rule 3.1) and who is determined by the Board to be a Participant for the purposes of the Plan.

**Permanent Disability** means, in relation to a Participant, the inability, by reason of physical condition, mental illness or accident, of the Participant to perform substantially all of the duties of the position in which the Participant has been employed or appointed (as determined by the Board).

**Plan** means the Mesoblast Limited Employee Share Option Plan established and operated in accordance with these rules.

**Pro Rata Issue** means an issue which has been offered to all holders of Shares on a pro rata basis.

**Share** means a fully paid ordinary share in the capital of the Company.

**Vested Option** means an Option in respect of which all Exercise Conditions have been met or which are otherwise exercisable (including as contemplated by rules 5.3 and 6).

## 18.2 Interpretation

In these rules, unless the context otherwise requires:

- (a) a reference to any thing (including an amount or a provision of this document) is a reference to the whole and each part of it;
- (b) the singular includes the plural, and vice versa;
- (c) the word 'person' includes an individual, a body corporate, a firm, an unincorporated body, a society, an association and an authority;
- (d) a reference to a particular person includes their legal personal representatives, administrators, successors, substitutes and permitted assigns;
- (e) a reference to 'costs' includes charges, expenses and legal costs;
- (f) a reference to a "rule" or "these rules" is to the rule or these rules (as the case may be) as amended or replaced;
- (g) a reference to the Constitution includes a reference to any provision having substantially the same effect which is substituted for or replaces the Constitution;
- (h) where a Participant is a director of any member of the Group, but is not also an employee of any member of the Group, a reference to the employment with any member of the Group of that



Participant is a reference to that Participant holding office as a director of any member of the Group;

- (i) where a Participant is a person nominated by an Eligible Employee, a reference to the employment with any member of the Group of that Participant is a reference to the employment with any member of the Group of that Eligible Employee;
- (j) a Participant does not cease to be employed by any member of the Group where the Participant ceases to be employed by one member of the Group but commences employment with another member of the Group provided that the new employment commences within 60 days from the date of termination or such other period as the Board may determine by notice in writing;
- (k) a reference to 'law' means statute law, common law and equitable principles;
- (l) a reference to a particular law includes that law and any subordinate legislation (such as regulations) under it, in each case as amended, replaced, re-enacted or consolidated;
- (m) a reference to an accounting term is to that term as it is used in the Accounting Standards;
- (n) a reference to 'dollars', '\$' or 'A\$' is to the lawful currency of Australia;
- (o) a time means that time in Melbourne, Australia;
- (p) a reference to a day or a month means a calendar day or calendar month;
- (q) if a period of time starts from a given day (or event), it is to be calculated exclusive of that day (or the day the event occurs);
- (r) the masculine includes the feminine, and vice versa;
- (s) the meaning of any general language is not restricted by any accompanying example and the words 'includes', 'including' 'such as' or 'for example' (or similar phrases) are not words of limitation; and
- (t) headings in this document are for convenience only and do not affect its meaning.

If (but for this rule) a provision of this document would be illegal, void or unenforceable or contravene the law, this document is to be interpreted as if the provision was omitted.