

*Not for release to US wire services or distribution in the United States*

March 15, 2021

**Prospectus for Issue of Warrants in Connection with Previously Announced US\$110/A\$138 Million Financing Led By US Strategic Investor Group**

In connection with the US\$110 million private placement led by a strategic US investor group that was announced on Tuesday March 2, 2021, Mesoblast will issue warrants over 15 million shares at a price of A\$2.88 per share, a 25% premium to the placement price, which may raise up to a further A\$43.2 million, on or before 15 March 2028. Mesoblast has a right to call on these funds at any time during the term, subject to a share trading price of at least A\$4.32 for 45 consecutive days.

A prospectus for the warrants was lodged with ASIC today and is attached.

**Not an offer of securities**

This announcement is not for release to US wire services or distribution in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this announcement have not been registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions registered under the Securities Act or exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

Release authorized by the Chief Executive.

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# Mesoblast Limited

# ACN 109 431 870

ASX: MSB

Prospectus

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This Prospectus relates to an offer of 15,027,327 Warrants (**Offer Securities**) to the Investors, which Mesoblast is required to issue to the Investors in accordance with the US\$110 million capital raising announced on 2 March 2021 and the terms of the Subscription Agreements. This Prospectus has been prepared in accordance with Australian legal requirements. Please refer to the US and UK legends in Section 1.2 (if applicable). Only the Investors (or their nominee(s)) may apply for the Offer Securities.

#### **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 2001 (Cth)* (Australia). 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.

This Prospectus may not be released to US wire services or distributed in the United States except by Mesoblast to Approved US Shareholders.

# Mesoblast Limited ACN 109 431 870

## Prospectus

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# Corporate directory

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## Directors

Joseph Swedish (Chairman)  
Silviu Itescu  
William M Burns  
Donal O'Dwyer  
Eric Rose  
Michael Spooner  
Shawn Cline Tomasello

## Registered Office

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

## Company Secretary

Charlie Harrison and Niva Sivakumar

## 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 20, Collins Arch  
447 Collins Street,  
Melbourne, Victoria 3000  
Australia

# Summary

Topic	Details	Where to find more information
<b>What is the Offer?</b>	This Prospectus relates to the Offer to be made by Mesoblast to the Investors for the issue of the Offer Securities, being up to 15,027,327 Warrants, which Mesoblast is required to issue to the Investors in accordance with the terms of their respective Subscription Agreements.	Section 3.1
<b>Opening and Closing Dates</b>	The Opening Date is 15 March 2021 and the Closing Date is 5.00pm (Melbourne time) on 17 March 2021.	Section 3.7
<b>Application for Offer Securities</b>	<p>An application for the Offer Securities can only be made by an Investor 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.</p> <p>An application must also comply with any further requirements set out in the Subscription Agreements.</p>	Section 3.4
<b>What is the purpose of the Prospectus?</b>	<p>In accordance with the terms of the Subscription Agreements, Mesoblast is required to issue the Offer Securities, which are warrants to acquire Shares in accordance with the terms of the Subscription Agreements, under a prospectus.</p> <p>This Prospectus has been prepared in accordance with section 713 of the Corporations Act for the purpose of making available the Offer Securities to the Investors under this Prospectus and enabling all Shares acquired as a result of the Offer, including any Shares issued on exercise of the Offer Securities, to be freely traded and without restriction under section 707 of the Corporations Act in accordance with the terms of the Subscription Agreements.</p>	Section 3.1
<b>Risk factors</b>	<p>The key risks in relation to an investment in Mesoblast include but are not limited to:</p> <ul style="list-style-type: none"> <li>• product risk;</li> <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>	Section 7

Topic	Details	Where to find more information
	<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>	
<p><b>How do the Shares which may be issued on exercise of the Offer Securities rank in comparison to existing Shares?</b></p>	<p>Any Shares issued on exercise of the Offer Securities will rank equally in all respects with existing Shares from the date of their issue.</p>	<p>Sections 3.1 and 6.1</p>
<p><b>What is the effect of the Offer on Mesoblast?</b></p>	<p>The effect of the Offer on the capital structure and financial position of Mesoblast is described in Section 5. The Offer will not have a material effect on the control of Mesoblast.</p>	<p>Section 5</p>

# 1. Important notices

## 1.1 General

This Prospectus is dated 15 March 2021 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 the Offer Securities, being Warrants 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 an investor and professional advisers whom a potential investor 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.

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 Offer restrictions outside Australia

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 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.

### ***United States***

The Offer Securities have not been 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 the Offer Securities are registered under the US Securities Act or an exemption from such registration applies. Any offer, sale or resale of the Offer Securities within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act if made prior to 40 days after the issue of the Offer Securities or if purchased by a dealer in the Offer. 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 Offer may not be distributed in the United States, except by Mesoblast to Approved US Shareholders. Each applicant in the Offer will be taken to have represented, warranted and agreed on behalf of itself and each person for whom it is applying for Offer Securities as follows:

- if in the United States, it is an Approved US Shareholder who has executed a Subscription Agreement with Mesoblast with respect to the issuance of the Offer Securities;
- if outside Australia and the United States, it is not a US Person nor acting for the account or benefit of any US Persons;
- it has not distributed this Prospectus or any other written materials concerning the Offer to any person in the United States or to any US Persons; and
- it understands that the Offer Securities have not been 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 the Offer Securities are registered under the US Securities Act or an exemption from such registration applies.

### ***United Kingdom***

Neither this Prospectus nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Offer Securities.

The Offer Securities may not be offered or sold in the United Kingdom by means of this Prospectus or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This Prospectus is issued on a confidential basis in the United Kingdom to "qualified investors" within the meaning of

Article 2(e) of the UK Prospectus Regulation. This Prospectus may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Offer Securities has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this Prospectus is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investment to which this Prospectus relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document.

### **1.3 Risk factors**

An investment in the Offer Securities involves a number of risks, the key risk factors of which you should be aware are set out in Section 7. These risks, together with other general risks applicable to all investments in securities not specifically referred to, may affect the value of the Offer Securities.

## 2. Company information

### 2.1 Company overview

Mesoblast has developed a range of late stage product candidates derived from our first and second generation proprietary mesenchymal lineage cell therapy technology platforms.

Remestemcel-L is our first generation mesenchymal lineage stromal cell product platform and is in late stage development for treatment of systemic inflammatory diseases including:

- Pediatric steroid refractory acute Graft versus Host Disease (**SR-aGVHD**);
- Acute respiratory distress syndrome (**ARDS**); and
- Biologic refractory inflammatory bowel disease.

Rexlemestrocel-L is our second generation mesenchymal lineage precursor cell product platform and is in late stage development for treatment of:

- Advanced chronic heart failure (**CHF**); and
- Chronic low back pain due to degenerative disc disease.

Both platforms have life cycle management strategies with promising emerging pipelines.

Two products have been commercialized in Japan and Europe by Mesoblast's licensees, and the Company has established commercial partnerships in Europe and China for certain Phase 3 assets.

Mesoblast was listed on the Australian Securities Exchange (ASX:MSB) in December 2004. Mesoblast has an 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:

#### ***Joseph R. Swedish, non-executive chairman***

MHA

Mr Swedish has more than two decades of healthcare leadership experience as the CEO for major United States healthcare enterprises. Most recently, he has served as Executive Chairman, President and CEO of Anthem Inc., America's leading health benefits provider. For 12 consecutive years, Modern Healthcare named Mr Swedish as one of the 100 Most Influential People in Healthcare, ranking in the top 20 of the health sector's most senior level executives, high-level government administrators, elected officials, academics, and thought leaders for five consecutive years. Prior to joining Anthem, Mr Swedish was CEO

for several major integrated healthcare delivery systems, including Trinity Health and Colorado's Centura Health.

Mr Swedish has been a Mesoblast board member since June 2018, and also serves on the boards of IBM Corporation, CDW Corporation and Centrexion Therapeutics. He is also a partner of Concord Health Partners and a board member for Duke University's Fuqua School of Business Board of Visitors. Mr Swedish received a bachelor's degree from the University of North Carolina and his master's degree in health administration from Duke University.

Mr Swedish is a member of the Audit and Risk Committee.

Date of appointment: 19 June 2018 (appointed to the board), 22 March 2019 (appointed as Chairman)

***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 Chair of Molecular Partners and Vice-Chair of Vestergaard.

Mr Burns is a member of the Nomination and Remuneration 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.

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 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 and Orchestra BioMed.

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 US 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

***Shawn Cline Tomasello, non-executive director***

BS, MBA

With more than 30 years' experience in the pharmaceutical and biotech industries, Ms Tomasello has substantial commercial and transactional experience. Since 2015, Ms Tomasello has been Chief Commercial Officer at leading immuno-oncology cell therapy company Kite Pharma, where she played a pivotal role in the company's acquisition in 2017 by Gilead Sciences for \$11.9 billion. Prior to this she served as Chief Commercial Officer at Pharmacyclics, Inc., which was acquired in 2015 by AbbVie, Inc. for \$21 billion.

Ms Tomasello previously was President of the Americas, Hematology and Oncology at Celgene Corporation where she managed over \$4 billion in product revenues, and was instrumental in various global expansion and acquisition strategies. She has also held senior positions at Genentech, Pfizer Laboratories, Miles Pharmaceuticals and Procter & Gamble. Ms Tomasello currently serves on the Board of Directors of Centrexion Therapeutics, Urogen Pharma, Gamida Cell, TCR<sup>2</sup> Therapeutics Inc and 4D Molecular Therapeutics. She received a MBA from Murray State University and a B.S. in Marketing from the University of Cincinnati.

Ms Tomasello is a member of the Nomination and Remuneration Committee.

Date of Appointment: 11 July 2018

***Josh Muntner, chief financial officer***

BFA, MBA

Mr Muntner has accrued 20 years' experience in healthcare investment banking and corporate finance, and has been involved in a wide range of healthcare-related transactions with approximately \$11 billion in value. Most recently, he led corporate development and financial transactions at Nasdaq-listed biotechnology company, ContraFect Corporation. Previously, Mr Muntner served as Managing Director and Co-Head of Healthcare Investment Banking at Janney Montgomery Scott, and spent nine years at Oppenheimer & Co. and its U.S. predecessor, CIBC World Markets. He also served as an investment banker at Prudential Securities. Mr Muntner has a BFA from Carnegie Mellon and a MBA from the Anderson School at UCLA.

Date of Appointment: 31 May 2018

## **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.

Director	Number of Shares subject to direct or indirect interest	Number of outstanding unexercised Options
Silviu Itescu	68,958,928	3,085,334
William Burns	63,000	220,000
Joseph Swedish	Nil	500,000
Eric Rose	Nil	220,000
Donal O'Dwyer	1,234,392	100,000
Shawn Cline Tomasello	Nil	200,000
Michael Spooner	1,069,000	100,000

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 Offer; or
- (c) the Offer.

## 2.4 Interests of Directors – remuneration

The total maximum annual remuneration of non-executive Directors is set by resolution of Shareholders in a 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\$1.5 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 Offer.

## 2.5 Related party transactions

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

### 3. Details of the Offer

#### 3.1 Offer

The Offer is being made solely to, and may only be accepted by, the Investors up to the number of Warrants agreed to be issued under their respective Subscription Agreements.

Any Shares issued on exercise of the Offer Securities will rank equally with the Shares on issue at the date of issue of the Shares. Please refer to Section 6.1 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 15,027,327 Warrants may be issued under the Offer, being the Warrants which Mesoblast is required to issue to the Investors in accordance with the terms of the Subscription Agreements (further details of which are set out in Section 8.3).

The opening date of the Offer is 15 March 2021 (**Opening Date**) and the closing date of the Offer is 5.00pm (Melbourne time) on 17 March 2021 (**Closing Date**). Mesoblast reserves the right to extend the duration of the Offer or close the Offer early without notice.

The 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.

#### 3.2 Purpose of the Offer

As announced on the ASX on 2 March 2021, Mesoblast entered into the Subscription Agreements on or around 26 February 2021.

In accordance with the terms of the Subscription Agreements, Mesoblast must offer to each Investor a certain number of Warrants.

Among other things, unless the Investors agree, Mesoblast must ensure that the Warrants issued to the Investors are issued pursuant to a prospectus which complies with Chapter 6D of the Corporations Act to enable the relevant Warrants (including any Shares issued on exercise of the Warrants) to be freely traded and without restriction under section 707 of the Corporations Act.

Accordingly, the Offer is made by Mesoblast for the purpose of complying with its obligations under the Subscription Agreements, including by:

- (a) making available the Offer Securities to the Investors under a prospectus; and
- (b) enabling any Shares issued on exercise of the Offer Securities to be freely traded and without restriction under section 707 of the Corporations Act.

Mesoblast expects that all of the Offer Securities offered under this Prospectus will be applied for by, and issued to, the Investors (or their nominees) pursuant to Mesoblast's and the Investors' obligations under the Subscription Agreements.

Further details of the Subscription Agreements are set out in Mesoblast's ASX announcement dated 2 March 2021 and in Section 8.3.

### **3.3 Terms and conditions of the Offer**

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

Further information about the terms of the Subscription Agreements, including those that are relevant to the terms and conditions of the Offer, is set out in Section 8.3.

### **3.4 Acceptance of the Offer**

The Offer may only be accepted by an Investor (or its nominee(s)) in accordance with the terms of its relevant Subscription Agreement.

Applications for Offer Securities under the Offer must be made by Investors (or their nominee(s)) using the application form included in or accompanying this Prospectus in Appendix 1. The Directors reserve the right to issue the Offer Securities pursuant to the 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

Email to:                           Niva.Sivakumar@mesoblast.com and  
  Charlie.Harrison@mesoblast.com

### **3.5 ASX quotation**

The Offer Securities will not be quoted on ASX or any other financial market.

Mesoblast will apply to ASX for quotation of any Shares issued on exercise of the Offer Securities in accordance with the terms of the Subscription Agreement.

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

### **3.6 Allotment**

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

In accordance with the terms of the Subscription Agreements, Mesoblast expects that each Investor will apply for the Offer Securities offered under this Prospectus before the Closing Date.

### **3.7 Timetable**

Lodgement of the Prospectus with ASIC	15 March 2021
Opening Date	15 March 2021
Closing Date	5.00pm (Melbourne time) on 17 March 2021

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 and without notice.

## 4. Purpose and use of funds raised under the Offer

No funds will be raised immediately by the Offer.

The Offer is being made to satisfy Mesoblast's obligations under the Subscription Agreements. Mesoblast has previously issued 60,109,290 Shares at A\$2.30 per Share under the Subscription Agreements, to which it received an aggregate of approximately A\$138,251,368.

Mesoblast proposes to use the proceeds under the Subscription Agreements for:

- providing financial strength for operational and regulatory initiatives across multiple products as the company undertakes important late-stage meetings with FDA in the second and third quarters of this calendar year;
- investment in commercial supply of remestemcel-L ahead of potential approval for graft versus host disease in children and in optimized manufacturing for larger market opportunities;
- advancing manufacturing and development of rexlemestrocel-L platform to meet commercial objectives for chronic heart failure and chronic low back pain due to degenerative disc disease following the recent completion of Phase 3 trials in these indications; and
- working capital and general corporate purposes.

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

## 5. Effect on Mesoblast

### 5.1 Effect of the Offer

An issue of the Offer Securities under this Prospectus will have an effect on the capital structure and may have an effect on the financial position of Mesoblast.

As set out in Sections 3.1 and 3.2 of this Prospectus, the Offer is made by Mesoblast for the purpose of complying with its obligations under the Subscription Agreements. Funds may be made available to Mesoblast from the exercise of the Offer Securities which is at the discretion of the Investors, but no funds will be raised immediately under the Offer.

### 5.2 Effect on capital structure

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

The tables below assume that prior to the Closing Date there will be no other Shares or Warrants 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.

#### (a) Effect on capital structure of the Offer

Capital structure	Number on issue
Shares currently on issue	648,696,070
Incentive Rights currently on issue	1,500,000
Maximum number of Warrants to be issued under this Prospectus	15,027,327
Total number of unquoted Options	31,754,136
Maximum number of Shares issued on exercise of the Offer Securities offered under this Prospectus	15,027,327

### 5.3 Effect on financial position

Mesoblast's annual report was provided to the ASX on 26 October 2020 and is also available on Mesoblast's website ([www.mesoblast.com](http://www.mesoblast.com)).

Mesoblast provided an unaudited financial report for the period ended 31 December 2020 to the ASX on Form 6-K on 26 February 2021. The report is also available on Mesoblast's website ([www.mesoblast.com](http://www.mesoblast.com)).

To illustrate the effect of the Offer on the Company, Mesoblast's pro forma statement of financial position as at 31 December 2020 (set out below) has been prepared to reflect the proposed Offers, as if they occurred on 31 December 2020.

The pro forma financial information in this Section has been derived from Mesoblast's unaudited financial report for the period ended 31 December 2020. As per Note 1(i) Going Concern: the financial report was prepared on a going concern basis, notwithstanding that there was 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 below 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 balance sheet

*As of 31 December 2020*

	<b>Unaudited</b>	<b>Pro forma</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Assets</b>		
Cash and cash equivalents	77,528	186,823
Total assets (Total capitalisation)	<u>687,310</u>	<u>796,605</u>
<b>Liabilities</b>		
Current liabilities	91,040	91,040
Non-current liabilities	77,539	77,539
Total liabilities	<u>168,579</u>	<u>168,579</u>
<b>Equity</b>		
Issued capital	1,065,539	1,174,899
Reserves	52,186	52,186
Accumulated losses	(598,994)	(599,060)
Total equity	<u>518,731</u>	<u>628,026</u>

The pro-forma balance sheet above as at 31 December 2020 reflects the changes to Mesoblast's financial position assuming completion of the Offer as at that date noting the following:

- (a) issue of 60,109,290 new Shares on 2 March 2021 and 8 March 2021 for cash consideration of US\$110,000,001, less associated costs of US\$639,854;
- (b) no application monies are payable by the Investors for the Offer Securities offered under this Prospectus;
- (c) the issue of the Offer Securities is for nil consideration; and
- (d) management have determined that the Offer Securities are free standing financial instruments that are legally detachable and separately exercisable from Shares. The Offer Securities exchange a fixed number of the Company's Shares for a fixed amount of cash that is denominated in a foreign currency (Australian dollars) as compared to the functional currency (United States dollars). Therefore, the Offer Securities are classified as a derivative financial liability.

At the issue date of the Offer Securities, a financial liability is required to be recognised in the Company's consolidated balance sheet at the issue date at fair value.

The pro-forma consolidated balance sheet does not recognise the financial liability at the issue date at fair value as that is yet to be calculated.

The fair value of the Offer Securities will be determined by the 'Monte Carlo' simulation method. The Monte Carlo simulation will use the following inputs and assumptions when determining the fair value:

- market price of Shares;
- the exercise price of the Offer Securities;
- the Share market price volatility;
- the expected term of the Offer Securities;
- the market risk free rate;
- the dividend yield (if any) for Shares; and
- the terms of the Company's right to force exercise of the Offer Securities.

On completion of the valuation of the financial liability of the Offer Securities, the financial liability will be recognised in the Company's consolidated balance sheet as at the issue date and that liability may well be material. The financial liability recognised in the Company's consolidated balance sheet will be disclosed publicly when the Company announces in May 2021 its financial statements for the period ending 31 March 2021.

#### **5.4 Details of substantial holders**

Based on publicly available information as at 11 March 2021, 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 in last ASX notification
Professor Silviu Itescu	68,958,928
M&G Investment Group	51,752,865
Thorney Holdings	24,696,000

## 5.5 Impact on control of Mesoblast

The issue of the Offer Securities under the Offer is not expected to have any effect on the control of Mesoblast.

## 5.6 Expenses of the Offer

Mesoblast estimates that the total costs of the Offer will be approximately A\$82,437 (excluding GST). Administrative costs and Share Registry expenses are estimated to be approximately A\$47,437 (excluding GST) and legal fees are estimated to be approximately A\$35,000. Mesoblast will incur ASX and ASIC fees in connection with lodgement of the Prospectus and any Shares issued on exercise of the Offer Securities. These fees are included in the estimated administrative costs provided above.

## 6. Rights and liabilities attaching to any Shares issued on exercise of the Offer Securities

### 6.1 Shares

#### (a) General

Any Shares issued on exercise of the Offer Securities will be fully paid ordinary shares and will, as from their issue, rank equally in all respects with all Shares then on issue.

Any Shares issued on exercise of the Offer Securities 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 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 Offer Securities under this Prospectus, the applicant agrees that it and any Offer Securities 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, representative (in the case of a Shareholder who is a body corporate) or, if determined by the Directors for any meeting or class meeting, by delivering

the vote to the Company by post, fax or other electronic means approved by the Directors;

- (ii) on a show of hands, every Shareholder present in person, or by proxy, attorney or representative has one vote, however, if a Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes, neither proxy may vote on a show of hands;
- (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) in the case of an equality of votes, the Chairman does not have 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 Shares on which a dividend is declared or paid are entitled to participate in that dividend equally. Each partly paid share is entitled to a fraction of the dividend declared or paid on a Share, equivalent to the proportion of the amount paid (not credited) on the relevant share relative to the total amounts paid and payable on the relevant share.

Interest is not payable by Mesoblast on a dividend.

(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 assets of Mesoblast and may, for that purpose, carry out the division between the different classes of Shareholders but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

The liquidator may, with the sanction 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

Any Shares acquired on the exercise of the Offer Securities will be 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 are freely transferable, subject to satisfying the requirements of the ASX Listing Rules, the ASX Settlement Operating Rules and the Corporations Act.

The Directors may refuse to register any transfer of Shares or other securities that are not quoted by ASX or, in respect of Shares or securities quoted by ASX, refuse to register any transfer subject to the ASX Listing Rules.

(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.

(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 fully paid 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 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.

## 6.2 Warrants

The terms, including the rights and liabilities attaching to the Warrants, are summarised in 8.3 of this Prospectus.

## 7. Risk factors

### 7.1 Introduction

The Offer Securities offered under this Prospectus (and any Shares issued on exercise of the Offer Securities) 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 Offer Securities. The risks identified by the Directors are not exhaustive. Accordingly, you should read this Prospectus in full and obtain professional advice if you require further information on material risks when deciding whether to subscribe for the Offer Securities.

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 Offer Securities, will be achieved.

### 7.2 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.

The risk factors below are not exhaustive. For a more detailed discussion, see the "Risk Factors" section in Mesoblast's Current Report on Form 6-K for the three months and six months ended 31 December 2020. In addition, Mesoblast may face additional risks that are presently unknown to or that are believed to be immaterial as at the date of this Prospectus. Known and unknown risks and uncertainties may significantly impact and impair Mesoblast's business operations.

#### (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 relies on a limited number of 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) Mesoblast's products are not manufactured 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.

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 has incurred operating losses since its inception and anticipates that it may continue to incur 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 infringe on other parties' intellectual property rights. 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. Patent reform legislation and court decisions in the US and other major jurisdictions could increase the uncertainties and costs surrounding the prosecution of Mesoblast's patent applications and the enforcement or defence of its issued patents.

Furthermore, if Mesoblast does not obtain patent term extensions in the United States and other countries, 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.

### 7.3 General risks

An investment in the Offer Securities (including any Shares which are issued on exercise of the Offer Securities) 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 may rise or fall (and therefore the value of the Warrants), 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 value or price of the Offer Securities will increase, decrease or stay the same following the Shares issued on exercise of the Offer Securities, even if Mesoblast's earnings increase. In addition, the dual listing of Mesoblast's Shares and the American Depository Shares may adversely affect the liquidity and value of these securities.

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

As the Offer Securities are not transferable and will not be quoted on ASX, there is no market for the Offer Securities (i.e. they cannot be sold to a third party). You should also be aware that the exercise price of the Offer Securities 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 Offer Securities (and therefore the value of Shares). 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 Offer Securities involves tax considerations which may differ for each investor. You are 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 and value of the Offer Securities (and therefore the value of the Shares). 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 Offer Securities (and therefore the value of the Shares).

(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.

## 8. Additional information

### 8.1 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 Offer Securities (including the price or value of any Shares issued on exercise of the Offer Securities).

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 an investor 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 an investor and its 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.

## 8.2 Company announcements

An investor 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
09 Mar 2021	MSB Closes US\$110M Raise Led By US Strategic Investor Group
09 Mar 2021	Cleansing Notice and Appendix 2A
03 Mar 2021	Cleansing notice and Appendix 2A
02 Mar 2021	Proposed issue of Securities - MSB
02 Mar 2021	Mesoblast Raises US\$110M Led By US Strategic Investor Group
26 Feb 2021	Half Year Report and Accounts (including Appendix 4D)
26 Feb 2021	Trading Halt
17 Feb 2021	Remestemcel-L for COVID-19 MIS-C published in Pediatrics
11 Feb 2021	Mesoblast Phase 3 Chronic Low Back Pain Results
11 Feb 2021	Mesoblast Corporate Update Webcast
29 Jan 2021	Appendix 4C Quarterly Activity Report
12 Jan 2021	CHF Phase 3 Trial Results Presented at Investor Conference
12 Jan 2021	Mesoblast Healthcare Conference Investor Presentation
11 Jan 2021	Rexlemestrocel Reduces Heart Attacks/Strokes/CV Death in CHF
18 Dec 2020	Mesoblast Webcast
18 Dec 2020	Mesoblast Update on COVID-19 ARDS Trial
16 Dec 2020	Trading halt

<b>Date</b>	<b>Headline</b>
16 Dec 2020	Pause in Trading
15 Dec 2020	Mesoblast Phase 3 Chronic Heart Failure Results
15 Dec 2020	Mesoblast Corporate Update Webcast
07 Dec 2020	Remestemcel-L Reduces Biomarkers for Mortality in SR-aGVHD
02 Dec 2020	Remestemcel-L FDA Fast Track Designation for COVID-19 ARDS
27 Nov 2020	Appendix 2A
24 Nov 2020	Results of Meeting
24 Nov 2020	CEO Presentation to 2020 Annual General Meeting
24 Nov 2020	Mesoblast Chairman Message to 2020 AGM
20 Nov 2020	Novartis and Mesoblast Remestemcel-L Collaboration
20 Nov 2020	First Quarter Results Presentation
20 Nov 2020	MSB Q1 Financial Results and Operational Highlights
20 Nov 2020	First Quarter Financial Results on Form 6-K
20 Nov 2020	Mesoblast Corporate Update and Financial Results Webcast
11 Nov 2020	DSMB Analysis Recommends to Continue P3 COVID-19 ARDS Trial
29 Oct 2020	COVID-19 ARDS & GVHD Update, Quarterly Report & Appendix 4C
26 Oct 2020	Annual Report to shareholders
26 Oct 2020	Notice of Annual General Meeting and Proxy Form
26 Oct 2020	Appendix 4G and Corporate Governance Statement
22 Oct 2020	Remestemcel Controlled Study in Crohns & Ulcerative Colitis
13 Oct 2020	Phase 3 Trial in COVID-19 ARDS Surpasses 50% Enrollment
02 Oct 2020	Update on BLA for Graft Versus Host Disease
01 Oct 2020	Trading Halt
15 Sep 2020	MSB Wins Fierce Biotech Innovation Award for Remestemcel-L
10 Sep 2020	Appendix 2A
07 Sep 2020	Change in substantial holding
04 Sep 2020	DSMB Recommends Continuation of Phase 3 COVID-19 Trial
02 Sep 2020	Ethics Approval to Treat COVID-19 Patients in Australia
02 Sep 2020	Change in substantial holding
27 Aug 2020	MSB Annual Financial Results and Operational Progress
27 Aug 2020	Annual Financial Results Presentation
27 Aug 2020	Preliminary Final Report including Appendix 4E
26 Aug 2020	Mesoblast 2020 Full Year Financial Results Webcast
24 Aug 2020	Change in substantial holding
21 Aug 2020	Change in substantial holding

<b>Date</b>	<b>Headline</b>
20 Aug 2020	Appendix 2A and Appendix 3G
14 Aug 2020	ODAC Votes in Favor of Remestemcel-L for GvHD
13 Aug 2020	Trading Halt
12 Aug 2020	Change in substantial holding - Amendment
12 Aug 2020	Change in substantial holding - Amendment
11 Aug 2020	Update on Scheduled FDA Advisory Committee Meeting
10 Aug 2020	Change in substantial holding
07 Aug 2020	Change in substantial holding
06 Aug 2020	Appendix 2A
06 Aug 2020	Proposed issue of Securities - MSB
30 Jul 2020	COVID-19/GVHD Update, Quarterly Report and Appendix 4C
24 Jul 2020	Mesoblast Expands Executive Leadership Team
21 Jul 2020	FDA Advisory Committee Sets Review Date for Remestemcel-L
07 Jul 2020	Appendix 3B, 2A with prospectus- Kentgrove Capital
06 Jul 2020	EAP for Remestemcel-L in Children with MIS-C due to COVID-19
30 Jun 2020	Appendix 2A
24 Jun 2020	Appendix 3G with 3Ys
16 Jun 2020	Appendix 2A
12 Jun 2020	S&P DJI Announces June 2020 Quarterly Rebalance
01 Jun 2020	Appendix 2A
01 Jun 2020	Remestemcel-L Improves Outcomes in Inflammatory Lung Disease
28 May 2020	MSB Reports Q3 Financial Results and Operational Highlights
28 May 2020	Third Quarter Results Presentation
28 May 2020	Third Quarter Financial Results on Form 6-K
27 May 2020	Change in substantial holding
25 May 2020	3 Articles on RYONCIL GvHD Trial Results Published in BBMT
19 May 2020	Change in substantial holding
18 May 2020	Cleansing Notice
15 May 2020	Appendix 2As
13 May 2020	Proposed issue of Securities - MSB
13 May 2020	MSB Completes Financing For Covid-19 ARDS Manufacturing
11 May 2020	Trading Halt
06 May 2020	First Patients Dosed in Phase 2/3 Trial for COVID-19 ARDS
30 Apr 2020	Phase 2/3 Trial in COVID-19 ARDS Begins Enrollment
29 Apr 2020	Appendix 4C - quarterly

Date	Headline
24 Apr 2020	83% Survival in COVID-19 ARDS Patients with Remestemcel-L
17 Apr 2020	Inflammatory Lung Disease Outcomes For Presentation at ISCT
09 Apr 2020	US NIH Trials Network to Conduct COVID-19 Phase 2/3 Trial
06 Apr 2020	FDA Clears IND for Remestemcel Use in COVID-19 ARDS Patients
01 Apr 2020	FDA Accepts BLA for RYONCIL and Agrees to Priority Review
30 Mar 2020	Ischemic End Stage HF Outcomes at Virtual ACC Annual Meeting
20 Mar 2020	Change of Director's Interest Notice
17 Mar 2020	Appendix 2A

### 8.3 Subscription Agreements and Warrant terms and conditions

#### **Overview**

As announced to the ASX on 2 March 2021, the Company entered into separate Subscription Agreements with each Investor on or around 26 February 2021.

The Subscription Agreements are private treaty agreements between the Company and each Investor, which were entered to effect the private placement of Shares and Warrants (being the subject of this Prospectus) to raise US\$110 million. The Subscription Agreements contain customary terms and conditions for documents of that nature, including warranties and representations by the Company and Investors. Further details of the private placement were announced to ASX on 2 March 2021.

In accordance with the terms of the Subscription Agreements, Mesoblast previously issued 60,109,290 Shares to the Investors at a price of A\$2.30 per Share.

Under the Subscription Agreements, Mesoblast must issue to each Investor the number of Warrants, on the basis of 0.25 Warrants for each Share that the relevant Investor subscribed for under its Subscription Agreement. The maximum number of Warrants being offered under this Prospectus, in accordance with the terms of the Subscription Agreements, is 15,027,327.

The full terms and conditions applicable to the Warrants are set out in the Subscription Agreements. Below is a summary of the material terms and conditions of the Warrants.

#### **Expiry**

Each Warrant has an expiry date of seven years from the date of its issue (**Exercise Period**).

The Company proposes to issue the Offer Securities validly applied for under this Prospectus on or about 17 March 2021.

#### **Exercise Price**

Each Warrant will have an exercise price of A\$2.88 (**Exercise Price**) and convert into one Share.

### ***Exercise***

During the Exercise Period, each Investor may exercise (in whole or in part) their Warrants by:

- (a) delivering to the Company written notice in the prescribed form of the Investor's election to exercise the Warrant; and
- (b) paying to the Company an amount equal to the Exercise Price multiplied by the number of Warrants being exercised.

### ***Issue of Shares***

On or before the second Trading Day following the Company's receipt of an Investor's valid exercise of some or all of its Warrants (including payment of the relevant aggregate Exercise Price), the Company will issue and allot to the Investor the relevant number of Shares.

### ***Adjustments***

In the event of any re-organisation of the Company, including reconstruction, consolidation, subdivision, reduction or return of capital or pro rata issue to Shareholders, the Warrants will be adjusted in accordance with their terms and the ASX Listing Rules.

### ***Participation rights and entitlements***

Warrant holders are not entitled to any participation rights or entitlements in respect of the Company, including the right to vote or receive dividends from the Company or be deemed to be a Shareholder, except after exercise of the Warrants and issue of the relevant Shares.

### ***Transferability***

Each Warrant is transferable by the Investor to a third party subject to the transfer and transferee satisfying the transfer requirements under the Subscription Agreement, including formally assigning and novating the Subscription Agreement on the same terms and conditions to the transferee and the transferee being able to make substantially similar warranties to those contained in the Subscription Agreement.

### ***Company's right to force exercise of the Warrants***

If the closing price of Shares on the ASX exceeds A\$4.32 for 45 consecutive trading days then, for as long as the price exceeds that threshold, the Company may give notice to the Investor that the Investor must exercise all its Warrants within 30 Business Days.

## **8.4 Litigation**

In October 2020, in light of the Complete Response Letter released by the FDA and the decline in the market price of our ADS, a purported class action lawsuit was filed in the

U.S. Federal District Court for the Southern District of New York on behalf of purchasers or acquirers of our ADSs against the Company, its Chief Executive Officer and its Chief Financial Officer for alleged violations of the U.S. Securities Exchange Act of 1934. The Company cannot provide any assurance as to the possible outcome or cost to us from the lawsuit, particularly as it is at an early stage. Further, the Company cannot provide any assurance as to how long it may take to resolve such lawsuit.

## **8.5 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 Offer and any significant related party transactions.

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

## **8.6 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 Offer; or
- (f) the Offer,

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 Offer.

MinterEllison has acted as Australian legal advisers to Mesoblast in relation to the Offer. Mesoblast estimates it will pay MinterEllison approximately A\$35,000 (excluding GST and disbursements) for these services. Further amounts may be paid to MinterEllison in accordance with its usual time based charge out rates.

## 8.7 Consents

Each of the parties referred to in this Section 8.7:

- (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.

Link Market Services Limited has given its written consent, and has not withdrawn its consent, to be named as Share Registry in the form and context in which it is named in this Prospectus. Link Market Services Limited has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registrar to Mesoblast. Link Market Services Limited has not authorised or caused the issue of, and expressly disclaims and takes not responsibility for, any part of the Prospectus.

## 8.8 No investor involvement in preparation of this Prospectus

The Investors have had no responsibility or obligation in connection with the preparation, form or content of this Prospectus, have not been involved in its authorisation or release and accept no liability for this Prospectus.

## 8.9 Restricted securities

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

## 8.10 Broker handling fees

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

## 8.11 Taxation

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

## 8.12 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, an investor's 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 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.

### **8.13 Authorisation**

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

### **8.14 Governing Law**

This Prospectus is governed by the law of Victoria.

# Glossary

Term	Definition
<b>\$ and A\$</b>	means the currency of Australia.
<b>AASB</b>	means the Australian Accounting Standards Board.
<b>Approved US Shareholders</b>	means the investors associated with SurgCenter Development who are “accredited investors” (as defined in Rule 501(a) of the US Securities Act).
<b>ASIC</b>	means the Australian Securities and Investments Commission.
<b>ASX or Australian Securities Exchange</b>	means ASX Limited ACN 008 624 691 or the financial market known as the Australian Securities Exchange operated by it, as the context requires.
<b>ASX Listing Rules</b>	means the listing rules of the ASX.
<b>ASX Settlement</b>	means ASX Settlement Pty Limited ABN 49 008 504 532.
<b>ASX Settlement Operating Rules</b>	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.
<b>Board</b>	means the board of Directors unless the context indicates otherwise.
<b>CEO</b>	means the Chief Executive Officer.
<b>CFO</b>	means the Chief Financial Officer.
<b>Closing Date</b>	means 5.00pm (Melbourne time) on 17 March 2021 (unless extended).
<b>Company or Mesoblast</b>	means Mesoblast Limited ACN 109 431 870.
<b>Constitution</b>	means the constitution of Mesoblast as at the date of this Prospectus.
<b>Corporations Act</b>	means the <i>Corporations Act 2001</i> (Cth).
<b>Directors</b>	means the directors of Mesoblast as at the date of this Prospectus.
<b>Exchange Act</b>	means the <i>Securities Exchange Act of 1934</i> (US).
<b>GST</b>	means goods and services tax.
<b>FDA</b>	means the United States Food & Drug Administration.
<b>Investors</b>	means the respective counterparties under each of the Subscription Agreements, or their nominee(s).
<b>Lonza</b>	means collectively Lonza Walkersville, Inc. and Lonza Bioscience Singapore Pte. Ltd.
<b>Offer</b>	means the offer of the Offer Securities described in Section 3 of this Prospectus.
<b>Offer Securities</b>	means the securities offered to the Investors under this Prospectus, being up to the 15,027,327 Warrants.
<b>Official Quotation</b>	means official quotation on ASX.
<b>Opening Date</b>	means 15 March 2021.
<b>Option</b>	means an option to acquire by way of issue a Share.

Term	Definition
<b>Prospectus</b>	means this prospectus dated 15 March 2021.
<b>Prospectus Expiry Date</b>	means 15 April 2022.
<b>Section</b>	means a section of this Prospectus.
<b>Share(s)</b>	means a fully paid ordinary share in the capital of Mesoblast.
<b>Share Registry</b>	means Link Market Services Limited.
<b>Shareholder</b>	means a holder of one or more Shares.
<b>Subscription Agreements</b>	means the subscription agreements dated on or around 26 February 2021 between Mesoblast and each counterparty.
<b>Warrants</b>	means warrants issued by Mesoblast in accordance with the terms of the Subscription Agreements as described in Section 8.3, and includes where the context requires, any Shares that may be issued on exercise of those Warrants.