

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

FORM 20-F

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended June 30, 2022
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
 SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report
For the transition period from _____ to _____
Commission file number 001-37626

MESOBLAST LIMITED
(Exact name of Registrant as specified in its charter)

N/A
(Translation of Registrant's name into English)
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(Jurisdiction of incorporation or organization)
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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
American Depositary Shares, each representing five Ordinary Shares*	MESO	The NASDAQ Global Select Market

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

650,454,551 Ordinary Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer
Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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INTRODUCTION AND USE OF CERTAIN TERMS

Mesoblast Limited and its consolidated subsidiaries publish consolidated financial statements expressed in U.S. dollars, unless otherwise indicated. This Annual Report on Form 20-F is presented in U.S. dollars, unless otherwise indicated. Our consolidated financial statements found in Item 18 of this Annual Report on Form 20-F are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and Australian equivalents to International Financial Reporting Standards as issued by the Australian Accounting Standards Board.

Except where the context requires otherwise and for purposes of this Form 20-F only:

- “ADSS” refers to our American depository shares, each of which represents ordinary shares, and “ADRs” refers to the American depository receipts that evidence our ADSs.
- “Mesoblast,” “we,” “us” or “our” refer to Mesoblast Limited and its subsidiaries.
- “AS” or “Australian dollar” refers to the legal currency of Australia.
- “AIFRS” refers to the Australian equivalents to International Financial Reporting Standards as issued by the Australian Accounting Standards Board, or AASB.
- “CHF” refers to the legal currency of Switzerland.
- “FDA” refers to the United States Food and Drug Administration.
- “GBP” refers to the legal currency of the United Kingdom.
- “IFRS” refers to the International Financial Reporting Standards as issued by the International Accounting Standards Board, or IASB.
- “S\$” or “SGD” or “Singapore dollar” refers to the legal currency of Singapore.
- “U.S. GAAP” refers to the Generally Accepted Accounting Principles in the United States.
- “US\$” or “U.S. dollars” refers to the legal currency of the United States.
- “U.S.” or “United States” refers to the United States of America.
- “€” or “Euro” refers to the legal currency of the European Union.

Australian Disclosure Requirements

Our ordinary shares are primarily quoted on the Australian Securities Exchange (“ASX”) in addition to our listing of our ADSs on The Nasdaq Global Select Market. As part of our ASX listing, we are required to comply with various disclosure requirements as set out under the Australian *Corporations Act 2001* and the *ASX Listing Rules*. Information furnished under the sub-heading “Australian Disclosure Requirements” is intended to comply with ASX listing and *Corporations Act 2001* disclosure requirements and is not intended to fulfill information required by this Annual Report on Form 20-F.

FORWARD-LOOKING STATEMENTS

This Form 20-F includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are based on our current expectations, assumptions, estimates and projections about the Company, our industry, economic conditions in the markets in which we operate, and certain other matters. These statements include, among other things, the discussions of our business strategy and expectations concerning our market position, future operations, margins, profitability, liquidity and capital resources. These statements are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Words such as, but not limited to, “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan,” “target,” “likely,” “will,” “would,” “could,” “should,” “may,” “goal,” “objective” and similar expressions or phrases identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and future events and financial trends that we believe may affect our financial condition, results of operation, business strategy and financial needs. Forward-looking statements include, but are not limited to, statements about:

- the initiation, timing, progress and results of our preclinical and clinical studies, and our research and development programs;
- our ability to advance product candidates into, enroll and successfully complete, clinical studies, including multi-national clinical trials;
- our ability to advance our manufacturing capabilities;
- the timing or likelihood of regulatory filings and approvals, manufacturing activities and product marketing activities, if any;
- our ability to take advantage of the potential benefits of the 21st Century Cures Act;
- the impact that the COVID-19 pandemic could have on business operations;
- the commercialization of our product candidates, if approved;
- regulatory or public perceptions and market acceptance surrounding the use of cell based therapies;
- the potential for our product candidates, if any are approved, to be withdrawn from the market due to patient adverse events or deaths;
- the potential benefits of strategic collaboration agreements and our ability to enter into and maintain established strategic collaborations;
- our ability to establish and maintain intellectual property on our product candidates and our ability to successfully defend these in cases of alleged infringement;
- the scope of protection we are able to establish and maintain for intellectual property rights covering our product candidates and technology;
- our ability to obtain additional financing;
- estimates of our expenses, future revenues, capital requirements and our needs for additional financing;
- our financial performance;
- developments relating to our competitors and our industry;
- the pricing and reimbursement of our product candidates, if approved; and
- other risks and uncertainties, including those listed under the caption “Risk Factors”.

You should read this Form 20-F and the documents that we refer to herein thoroughly with the understanding that our actual future results may be materially different from and/or worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements. Other sections of this Form 20-F include additional factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

This Form 20-F also contains third-party data relating to the biopharmaceutical market that includes projections based on a number of assumptions. The biopharmaceutical market may not grow at the rates projected by market data, or at all. The failure of this market to grow at the projected rates may have a material adverse effect on our business and the market price of our ordinary shares and ADSs. Furthermore, if any one or more of the assumptions underlying the market data turns out to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. The forward-looking statements made in this Form 20-F relate only to events or information as of the date on which the statements are made in this Form 20-F. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information**3.A [Reserved]****3.B Capitalization and Indebtedness**

Not applicable.

3.C Reasons for the offer and use of proceeds

Not applicable.

3.D Risk Factors

You should carefully consider the risks described below and all other information contained in this Annual Report on Form 20-F before making an investment decision. If any of the following risks actually occur, our business, financial condition and results of operations could be materially and adversely affected. In that event, the trading price of our ordinary shares and ADSs could decline, and you may lose part or all of your investment. This Annual Report on Form 20-F also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including the risks described below and elsewhere in this Annual Report on Form 20-F.

Risks Related to Our Financial Position and Capital Requirements

We have incurred operating losses since our inception and anticipate that we will continue to incur substantial operating losses for the foreseeable future. We may never achieve or sustain profitability.

We are a clinical-stage biotechnology company and we have not yet generated significant revenues. We have incurred net losses during most of our fiscal periods since our inception. Our net loss for the year ended June 30, 2022 was \$91.3 million. As of June 30, 2022, we have an accumulated deficit of \$738.9 million since our inception. We do not know whether or when we will become profitable. Our losses have resulted principally from costs incurred in clinical development and manufacturing activities.

We anticipate that our expenses will increase as we move toward commercialization, including the scaling up of our manufacturing activities and our establishment of infrastructure and logistics necessary to support potential product launches. Biopharmaceutical product development is a highly speculative undertaking and involves a substantial degree of risk. To achieve and maintain profitability, we must successfully develop our product candidates, obtain regulatory approval, and manufacture, market and sell those products for which we obtain regulatory approval. If we obtain regulatory approval to market a product candidate, our future revenue will depend upon the size of any markets in which our product candidates may receive approval, and our ability to achieve and maintain sufficient market acceptance, pricing, reimbursement from third-party payors, and adequate market share for our product candidates in those markets. We may not succeed in these activities, and we may never generate revenue from product sales that is significant enough to achieve profitability. Our failure to become or remain profitable would depress our market value and could impair our ability to raise capital, expand our business, discover or develop other product candidates or continue our operations. A decline in the value of our company could cause you to lose part or all of your investment.

We have never generated revenue from product sales and may never be profitable.

Our ability to generate revenue and achieve profitability depends on our ability, either alone or with strategic collaboration partners, to successfully complete the development of, and obtain the regulatory approvals necessary to commercialize, our product candidates. We do not currently generate revenues from product sales (other than licensing revenue from sales of TEMCELL® HS. Inj. ("TEMCELL"), a registered trademark of JCR Pharmaceuticals Co., Ltd. ("JCR"), by JCR in Japan, and royalty revenue from net

sales of Alofisel® a registered trademark of TiGenix NV (“TiGenix”), previously known as Cx601, an adipose-derived mesenchymal stromal cell product developed by TiGenix, now a wholly owned subsidiary of Takeda Pharmaceutical Company Limited (“Takeda”) and approved for marketing in the EU), and we may never generate product sales. Our ability to generate future revenues from product sales depends heavily on our success in a number of areas, including:

- completing research, preclinical and clinical development of our product candidates;
- seeking and obtaining regulatory and marketing approvals for product candidates for which we complete clinical studies;
- establishing and maintaining supply and manufacturing relationships with third parties that can provide adequate (in amount and quality) products and services to support clinical development and the market demand for our product candidates, if approved;
- launching and commercializing product candidates for which we obtain regulatory and marketing approval, either by collaborating with a partner or, if launched independently, by establishing commercial and distribution capabilities necessary to effectively seek and maintain market access and ensure compliance with legal and regulatory requirements relating to interactions with healthcare providers, healthcare organizations and government agencies;
- obtaining market acceptance of our product candidates as viable treatment options;
- addressing competing technological and market developments;
- obtaining and sustaining an adequate level of reimbursement from payors;
- identifying and validating new cell therapy product candidates;
- negotiating favorable terms in any collaboration, licensing or other arrangements into which we may enter;
- maintaining, protecting and expanding our portfolio of intellectual property rights, including patents, trade secrets, know-how and trademarks;
- attracting, hiring and retaining qualified personnel; and
- implementing additional internal systems and infrastructure, as needed.

Even if one or more of the product candidates that we develop is approved for commercial sale, we anticipate incurring significant costs associated with commercializing and distributing any approved product candidate. Our expenses could increase beyond expectations if we are required by the United States Food and Drug Administration (“FDA”), the European Medicines Agency (“EMA”), or other regulatory agencies, to perform clinical and other studies in addition to those that we currently anticipate. We may not become profitable and may need to obtain additional funding to continue operations.

We require substantial additional financing to achieve our goals, and our failure to obtain this necessary capital or establish and maintain strategic partnerships to provide funding support for our development programs could force us to delay, limit, reduce or terminate our product development or commercialization efforts.

Our operations have consumed substantial amounts of cash since inception. As of June 30, 2022, our cash and cash equivalents were \$60.4 million. We expect to continue to incur significant expenses and increase our cumulative operating losses for the foreseeable future in connection with our planned research, development and product commercialization efforts. In addition, we will require additional financing to achieve our goals and our failure to do so could adversely affect our commercialization efforts. We anticipate that our expenses will increase if and as we:

- continue the research and clinical development of our product candidates, including MPC-150-IM (Class II-IV Chronic Heart Failure (“CHF”)), MPC-06-ID (Chronic Low Back Pain (“CLBP”)), remestemcel-L and MPC-300-IV (inflammatory conditions) product candidates;
- seek to identify, assess, acquire, and/or develop other and combination product candidates and technologies;
- seek regulatory and marketing approvals in multiple jurisdictions for our product candidates that successfully complete clinical studies and identify and apply for regulatory designations to facilitate development and ultimate commercialization of our products;
- establish and maintain collaborations and strategic partnerships with third parties for the development and commercialization of our product candidates, or otherwise build and maintain a sales, marketing and distribution infrastructure and/or external logistics to commercialize any products for which we may obtain marketing approval;
- further develop and implement our proprietary manufacturing processes in both planar technology and our bioreactor programs and expand our manufacturing capabilities and resources for commercial production;

- seek coverage and reimbursement from third-party payors, including government and private payors for future products;
- make milestone or other payments under our agreements pursuant to which we have licensed or acquired rights to intellectual property and technology;
- seek to maintain, protect and expand our intellectual property portfolio;
- seek to attract and retain skilled personnel; and
- develop the compliance and other infrastructure necessary to support product commercialization and distribution.

If we were to experience any delays or encounter issues with any of the above, including clinical holds, failed studies, inconclusive or complex results, safety or efficacy issues, or other regulatory challenges that require longer follow-up of existing studies, additional studies, or additional supportive studies in order to pursue marketing approval, it could further increase the costs associated with the above. Further, the net operating losses we incur may fluctuate significantly from quarter to quarter and year to year, such that a period-to-period comparison of our results of operations may not be a good indication of our future performance.

To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest may be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a shareholder or as a holder of the ADSs. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take certain actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through strategic collaborations or partnerships, or marketing, distribution or licensing arrangements with third parties, we may be required to do so at an earlier stage than would otherwise be ideal and/or may have to limit valuable rights to our intellectual property, technologies, product candidates or future revenue streams, or grant licenses or other rights on terms that are not favorable to us. Furthermore, any additional fundraising efforts may divert our management from their day-to-day activities, which may adversely affect our ability to develop and commercialize our product candidates.

As of June 30, 2022, we held total cash reserves of \$60.4 million. On August 9, 2022, we raised additional gross proceeds of \$45.0 million. We continue our focus on maintaining tight control of net cash outflows from operating activities, which were \$65.8 million for the 12 months ended June 30, 2022. We believe that our existing cash reserves are sufficient to meet our next 12 months of expenditure requirements, including expenditure needed for the BLA approval process of remestemcel-L for SR-aGVHD, from the issuance date of the consolidated financial statements.

If we obtain first product approval and launch within the next 12 months, we will be able to access funds from our existing loan arrangements. If we are delayed, additional cash inflows from strategic partnerships, product specific financing, debt or equity capital markets will be required. Because of the uncertainty on whether we can achieve cash inflows, this creates material uncertainty related to events or conditions that may cast significant doubt (or raise substantial doubt as contemplated by Public Company Accounting Oversight Board (“PCAOB”) standards) on our ability to continue as a going concern and, therefore, that we may be unable to realize our assets and discharge our liabilities in the normal course of business. Our consolidated financial statements do not include any adjustments that may result from the outcome of this uncertainty. If we are unable to obtain adequate funding or partnerships beyond the 12-month period we may not be able to continue as a going concern, and our shareholders and holders of the ADSs may lose some or all of their investment in Mesoblast. See Note 1(i) of our accompanying financial statements.

The terms of our loan facilities with funds associated with Oaktree Capital Management, L.P. (“Oaktree”) and NovaQuest Capital Management, L.L.C. (“NovaQuest”) could restrict our operations, particularly our ability to respond to changes in our business or to take specified actions.

On November 19, 2021, we entered into a loan agreement and guaranty with Oaktree, for a \$90.0 million, five-year credit facility. We drew the first tranche of \$60.0 million at closing, a further \$30.0 million may be drawn on or before December 31, 2022, subject to certain milestones. On June 29, 2018, we entered into a loan and security agreement with NovaQuest for a \$40.0 million non-dilutive, eight-year term credit facility, repayable from net sales of our allogeneic product candidate remestemcel-L in pediatric patients with steroid-refractory acute graft versus host disease (“SR-aGVHD”), in the United States and other geographies excluding Asia. We drew the first tranche of \$30.0 million on closing. Our loan facilities with Oaktree and NovaQuest contain a number of covenants that impose operating restrictions on us, which may restrict our ability to respond to changes in our business or take specified actions. Under the terms of our Oaktree agreement the minimum unrestricted cash balance we need to maintain is \$35.0 million, this may increase as further tranches are drawn or in certain other circumstances. Our ability to comply with the various covenants under the agreements may be affected by events beyond our control, and we may not be able to continue to meet the covenants. Upon the occurrence of an event of default, Oaktree or NovaQuest could elect to declare all amounts outstanding under the loan facility to be immediately due and payable and terminate all commitments to extend further credit. If Oaktree or NovaQuest accelerates the repayment, we may not have sufficient funds to repay our existing debt. If we were unable to repay the owed amounts, Oaktree or NovaQuest could proceed against the collateral granted to it to secure such indebtedness. We have pledged substantially all of our assets as collateral under the loan facility with Oaktree, and a portion of our assets relating to the SR-aGVHD product candidate as collateral under the loan facility with NovaQuest.

We are subject to risks associated with currency fluctuations, and changes in foreign currency exchange rates could impact our results of operations.

Historically, a substantial portion of our operating expenses has been denominated in U.S. dollars and our main currency requirements are U.S. dollars, Australian dollars and Singapore dollars. Approximately 97% of our cash and cash equivalents as of June 30, 2022 were denominated in U.S. dollars and 3% were denominated in Australian dollars. Because we have multiple functional currencies across different jurisdictions, changes in the exchange rate between these currencies and the foreign currencies of the transactions recorded in our accounts could materially impact our reported results of operations and distort period-to-period comparisons. For example, a portion of our research and clinical trials are undertaken in Australia. As such, payment will be made in Australian dollar currency, and may exceed the budgeted expenditure if there are adverse currency fluctuations against the U.S. dollar.

More specifically, if we decide to convert our Australian dollars into U.S. dollars for any business purpose, appreciation of the U.S. dollar against the Australian dollar would have a negative effect on the U.S. dollar amount available to us. Appreciation or depreciation in the value of the Australian dollar relative to the U.S. dollar would affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results of operations. As a result of such foreign currency fluctuations, it could be more difficult to detect underlying trends in our business and results of operations.

Unfavorable global economic or political conditions could adversely affect our business, financial condition or results of operations.

Our results of operations could be adversely affected by general conditions in the global economy and in the global financial markets. A global financial crisis or a global or regional political disruption could cause extreme volatility in the capital and credit markets. A severe or prolonged economic downturn or political disruption could result in a variety of risks to our business, including weakened demand for our product candidates, if approved, and our ability to raise additional capital when needed on acceptable terms, if at all. A weak or declining economy or political disruption could also strain our manufacturers or suppliers, possibly resulting in supply disruption. Any of the foregoing could harm our business and we cannot anticipate all of the ways in which the political or economic climate and financial market conditions could adversely impact our business.

Risks Related to Clinical Development and Regulatory Review and Approval of Our Product Candidates

Our product candidates are based on our novel mesenchymal lineage cell technology, which makes it difficult to accurately and reliably predict the time and cost of product development and subsequently obtaining regulatory approval. At the moment, no industrially manufactured, non-hematopoietic, allogeneic cell products have been approved in the United States.

Other than with respect to sales of products by our licensees, we have not commercially marketed, distributed or sold any products. The success of our business depends on our ability to develop and commercialize our lead product candidates. We have concentrated our product research and development efforts on our mesenchymal lineage cell platform, a novel type of cell therapy. Our future success depends on the successful development of this therapeutic approach. There can be no assurance that any development problems we experience in the future related to our mesenchymal lineage cell platform will not cause significant delays or unanticipated costs, or that such development problems can be solved. We may also experience delays in developing sustainable, reproducible and scalable manufacturing processes or transferring these processes to collaborators, which may prevent us from completing our clinical studies or commercializing our products on a timely or profitable basis, if at all.

In addition, the clinical study requirements of the FDA, the EMA and other regulatory agencies and the criteria these regulators use to determine the safety and efficacy of a product candidate vary substantially according to the type, complexity, novelty and intended use and market of the potential product candidates. The regulatory approval process for novel product candidates such as ours can be more expensive and take longer to develop than for other, better known or extensively studied pharmaceutical or other product candidates. In addition, adverse developments in clinical trials of cell therapy products conducted by others may cause the FDA or other regulatory bodies to change the requirements for approval of any of our product candidates.

We may fail to demonstrate safety and efficacy to the satisfaction of applicable regulatory agencies.

We must conduct extensive testing of our product candidates to demonstrate their safety and efficacy, including both preclinical animal testing and evaluation in human clinical trials, before we can obtain regulatory approval to market and sell them. Conducting such testing is a lengthy, time-consuming, and expensive process and there is a high rate of failure.

Our current and completed preclinical and clinical results for our product candidates are not necessarily predictive of the results of our ongoing or future clinical trials. Promising results in preclinical studies of a product candidate may not be predictive of similar results in humans during clinical trials, and successful results from early human clinical trials of a product candidate may not be replicated in later and larger human clinical trials or in clinical trials for different indications. If the results of our or our collaborators' ongoing or future clinical trials are negative or inconclusive with respect to the efficacy of our product candidates, or if these trials do

not meet the clinical endpoints with statistical significance, or if there are safety concerns or adverse events associated with our product candidates, we or our collaborators may be prevented or delayed in obtaining marketing approval for our product candidates.

Even if ongoing or future clinical studies meet the clinical endpoints with statistical significance, the FDA or other regulatory agencies may still find the data insufficient to support marketing approval based on other factors.

We may encounter substantial delays in our clinical studies, including as a result of the COVID-19 or any future pandemic.

We cannot guarantee that any preclinical testing or clinical trials will be conducted as planned or completed on schedule, if at all. As a result, we may not achieve our expected clinical milestones. A failure can occur at any stage of testing. Events that may prevent successful or timely commencement, enrollment or completion of clinical development include:

- problems which may arise as a result of our transition of research and development programs from licensors or previous sponsors;
- delays in raising, or inability to raise, sufficient capital to fund the planned trials;
- delays by us or our collaborators in reaching a consensus with regulatory agencies on trial design;
- changes in trial design;
- inability to identify, recruit and train suitable clinical investigators;
- inability to add new clinical trial sites;
- delays in reaching agreement on acceptable terms for the performance of the trials with contract research organizations (“CROs”), and clinical trial sites;
- delays in obtaining required Institutional Review Board (“IRB”), approval at each clinical trial site;
- delays in recruiting suitable clinical sites and patients (i.e., subjects) to participate in clinical trials and delays in accruing medical events necessary to complete any events-driven trial;
- imposition of a clinical hold by regulatory agencies for any reason, including negative clinical results, safety concerns or as a result of an inspection of manufacturing or clinical operations or trial sites;
- failure by CROs, other third parties or us or our collaborators to adhere to clinical trial requirements;
- failure to perform in accordance with the FDA’s current Good Clinical Practices (“cGCP”), or applicable regulatory guidelines in other countries;
- delays in testing, validation, manufacturing and delivery of a product candidate to clinical trial sites;
- delays caused by patients not completing participation in a trial or not returning for post-treatment follow-up;
- delays caused by clinical trial sites not completing a trial;
- failure to demonstrate adequate efficacy;
- occurrence of serious adverse events in clinical trials that are associated with a product candidates and that are viewed to outweigh its potential benefits;
- changes in regulatory requirements and guidance that require amending or submitting new clinical protocols; or
- disagreements between us and the FDA or other regulatory agencies regarding a clinical trial design, protocol amendments, or interpreting the data from our clinical trials.

In addition, our ongoing clinical trials may be affected by delays in monitoring and data collection as a result of the COVID-19 pandemic, including due to prioritization of hospital resources, travel restrictions, and the inability to access sites for patient monitoring. In addition, some patients may be unable to comply with clinical trial protocols if quarantines or stay at home orders impede patient movement or interrupt health services.

Delays, including delays caused by the above factors, can be costly and could negatively affect our or our collaborators’ ability to complete clinical trials for our product candidates. If we or our collaborators are not able to successfully complete clinical trials or are not able to do so in a timely and cost-effective manner, we will not be able to obtain regulatory approval and/or will not be able to commercialize our product candidates and our commercial partnering opportunities will be harmed.

We may find it difficult to enroll patients in our clinical trials, which could delay or prevent development of our product candidates.

Identifying and qualifying patients to participate in clinical trials of our product candidates is critical to our success. The timing of our clinical trials depends on the speed at which we can recruit patients to participate in testing our product candidates as well as completion of required follow-up periods. In general, if patients are unwilling to participate in our cell therapy trials because of negative publicity from adverse events in the biotechnology or cell therapy industries or for other reasons, including competitive clinical trials for similar patient populations, the timeline for recruiting patients, conducting trials and obtaining regulatory approval for our product candidates may be delayed. Additionally, we or our collaborators generally will have to run multi-site and potentially multi-national trials, which can be time consuming, expensive and require close coordination and supervision. If we have difficulty enrolling a sufficient number of patients or otherwise conducting clinical trials as planned, we or our collaborators may need to delay, limit or terminate ongoing or planned clinical trials, any of which would have an adverse effect on our business.

If there are delays in accumulating the required number of trial subjects or, in trials where clinical events are a primary endpoint, if the events needed to assess performance of our clinical candidates do not accrue at the anticipated rate, there may be delays in completing the trial. These delays could result in increased costs, delays in advancing development of our product candidates, including delays in testing the effectiveness, or even termination of the clinical trials altogether.

Patient enrollment and completion of clinical trials are affected by factors including:

- size of the patient population, particularly in orphan diseases;
- severity of the disease under investigation;
- design of the trial protocol;
- eligibility criteria for the particular trial;
- perceived risks and benefits of the product candidate being tested;
- proximity and availability of clinical trial sites for prospective patients;
- availability of competing therapies and clinical trials;
- efforts to facilitate timely enrollment in clinical trials;
- patient referral practices of physicians and level and effectiveness of study site recruitment efforts; and
- ability to monitor patients adequately during and after treatment.

Once enrolled, patients may choose to discontinue their participation at any time during the trial, for any reason. Participants also may be terminated from the study at the initiative of the investigator, for example if they experience serious adverse clinical events or do not follow the study directions. If we are unable to maintain an adequate number of patients in our clinical trials, we may be required to delay or terminate an ongoing clinical trial, which would have an adverse effect on our business.

We may conduct multinational clinical trials, which present additional and unique risks.

We plan to seek initial marketing approval for our product candidates in the United States and in select non-U.S. jurisdictions such as Europe, Japan and Canada. Conducting trials on a multinational basis requires collaboration with foreign medical institutions and healthcare providers. Our ability to successfully initiate, enroll and complete a clinical trial in multiple countries is subject to numerous risks unique to conducting business internationally, including:

- difficulty in establishing or managing relationships with physicians, sites and CROs;
- standards within different jurisdictions for conducting clinical trials and recruiting patients;
- our ability to effectively interface with non-US regulatory authorities;
- our inability to identify or reach acceptable agreements with qualified local consultants, physicians and partners;
- the potential burden of complying with a variety of foreign laws, medical standards and regulatory requirements, including the regulation of pharmaceutical and biotechnology products and treatments, and anti-corruption/anti-bribery laws;
- differing genotypes, average body weights and other patient profiles within and across countries from our donor profile may impact the optimal dosing or may otherwise impact the results of our clinical trials; and
- the COVID-19 pandemic limiting our ability to commence and conduct studies, including recruiting patients.

The complexity of conducting multinational clinical trials could negatively affect our or our collaborators' ability to complete trials as intended which could have an adverse effect on our business.

Serious adverse events or other safety risks could require us to abandon development and preclude, delay or limit approval of our product candidates, or limit the scope of any approved indication or market acceptance.

Participants in clinical trials of our investigational cell therapy products may experience adverse reactions or other undesirable side effects. While some of these can be anticipated, others may be unexpected. We cannot predict the frequency, duration, or severity of adverse reactions or undesirable side effects that may occur during clinical investigation of our product candidates. If any of our product candidates, prior to or after any approval for commercial sale, cause serious adverse events or are associated with other safety risks, a number of potentially significant negative consequences could result, including:

- regulatory authorities may suspend (e.g., through a clinical hold) or terminate clinical trials;
- regulatory authorities may deny regulatory approval of our product candidates;
- regulators may restrict the indications or patient populations for which a product candidate is approved;
- regulatory authorities may require certain labeling statements, such as warnings or contraindications or limitations on the indications for use, and/or impose restrictions on distribution in the form of a risk evaluation and mitigation strategy ("REMS"), in connection with approval, if any;
- regulatory authorities may withdraw their approval, require more onerous labeling statements or impose a more restrictive REMS than any product that is approved;
- we may be required to change the way the product is administered or conduct additional clinical trials;
- patient recruitment into our clinical trials may suffer;
- our relationships with our collaborators may suffer;
- we could be required to provide compensation to subjects for their injuries, e.g., if we are sued and found to be liable or if required by the laws of the relevant jurisdiction or by the policies of the clinical site; or
- our reputation may suffer.

There can be no assurance that adverse events associated with our product candidates will not be observed, in such settings where no prior adverse events have occurred. As is typical in clinical development, we have a program of ongoing toxicology studies in animals for our clinical-stage product candidates and cannot provide assurance that the findings from such studies or any ongoing or future clinical trials will not adversely affect our clinical development activities.

We may voluntarily suspend or terminate our clinical trials if at any time we believe that they present an unacceptable risk to participants or if preliminary data demonstrate that our product candidates are unlikely to receive regulatory approval or unlikely to be successfully commercialized. In addition, regulatory agencies, IRBs or data safety monitoring boards may at any time recommend the temporary or permanent discontinuation of our clinical trials or request that we cease using investigators in the clinical trials if they believe that the clinical trials are not being conducted in accordance with applicable regulatory requirements, or that they present an unacceptable safety risk to participants. If we elect or are forced to suspend or terminate a clinical trial for any of our product candidates, the commercial prospects for that product as well as our other product candidates may be harmed and our ability to generate product revenue from these product candidates may be delayed or eliminated. Furthermore, any of these events could prevent us or our collaborators from achieving or maintaining market acceptance of the affected product and could substantially increase the costs of commercializing our product candidates and impair our ability to generate revenue from the commercialization of these product candidates either by us or by our collaborators.

Several of our product candidates are being evaluated for the treatment of patients who are extremely ill, and patient deaths that occur in our clinical trials could negatively impact our business even if they are not shown to be related to our product candidates.

We are developing MPC-150-IM, which will focus on patients with heart failure with reduced ejection fraction associated with ischemic and/or diabetic etiology, and remestemcel-L, which will focus on SR-aGVHD. We have also been developing remestemcel-L in COVID-19 infected patients with moderate to severe acute respiratory distress syndrome ("ARDS") on ventilator support. The patients who receive our product candidates are very ill due to their underlying diseases.

Generally, patients remain at high risk following their treatment with our product candidates and may more easily acquire infections or other common complications during the treatment period, which can be serious and life threatening. As a result, it is likely that we will observe severe adverse outcomes in patients during our Phase 3 and other trials for these product candidates,

including patient death. If a significant number of study subject deaths were to occur, regardless of whether such deaths are attributable to our product candidates, our ability to obtain regulatory approval for the applicable product candidate may be adversely impacted and our business could be materially harmed. Should studies of a candidate product result in regulatory approval, any association with a significant number of study subject deaths could limit the commercial potential of an approved product candidate, or negatively impact the medical community's willingness to use our product with patients.

The requirements to obtain regulatory approval of the FDA and regulators in other jurisdictions can be costly, time-consuming, and unpredictable. If we or our collaborators are unable to obtain timely regulatory approval for our product candidates, our business may be substantially harmed.

The regulatory approval process is expensive and the time and resources required to obtain approval from the FDA or other regulatory authorities in other jurisdictions to sell any product candidate is uncertain and approval may take years. Whether regulatory approval will be granted is unpredictable and depends upon numerous factors, including the discretion of the regulatory authorities. For example, governing legislation, approval policies, regulations, regulatory policies, or the type and amount of preclinical and clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions. It is possible that none of our existing or future product candidates will ever obtain regulatory approval, even if we expend substantial time and resources seeking such approval.

Further, regulatory requirements governing cell therapy products in particular have changed and may continue to change in the future. For example, in December 2016, the 21st Century Cures Act ("Cures Act") was signed into law in the United States. This law is designed to advance medical innovation, and includes a number of provisions that may impact our product development programs. For example, the Cures Act establishes a new "regenerative medicine advanced therapy" designation ("RMAT"), and creates a pathway for increased interaction with FDA for the development of products which obtain designations. Although the FDA issued guidance documents in 2019, it remains unclear how and when the FDA will fully implement all deliverables under the Cures Act.

Any regulatory review committees and advisory groups and any contemplated new guidelines may lengthen the regulatory review process, require us to perform additional studies, increase our development costs, lead to changes in regulatory positions and interpretations, delay or prevent approval and commercialization of our product candidates or lead to significant post-approval limitations or restrictions. As we advance our product candidates, we will be required to consult with these regulatory and advisory groups, and comply with applicable guidelines. If we fail to do so, we may be required to delay or discontinue development of our product candidates. Delay or failure to obtain, or unexpected costs in obtaining, the regulatory approval necessary to bring a product candidate to market could decrease our ability to generate sufficient revenue to maintain our business.

The FDA and other regulatory bodies globally have issued numerous guidances regarding the impact of the COVID-19 pandemic on their operations. For example, FDA inspectors have been unable to travel or limited in their ability to travel during the pandemic due to border closures and various stay at home orders. After falling significantly behind in scheduled site inspections FDA has issued guidance for additional tools to support inspections, called "Remote Regulatory Assessments". These assessments do not replace in-person inspections but can be of assistance to gather important information. In addition, requested meetings with FDA are delayed by a minimum of 3 months while the public health crisis is in effect, due to the increased workload burden on agency staff. These and other guidances applied during the pandemic have the potential to delay the development process for all of Mesoblast candidates.

Our product candidates could fail to receive regulatory approval for many reasons, including the following:

- we may be unable to successfully complete our ongoing and future clinical trials of product candidates;
- we may be unable to demonstrate to the satisfaction of the FDA or other regulatory authorities that a product candidate is safe, pure, and potent for any or all of a product candidate's proposed indications;
- we may be unable to demonstrate that a product candidate's benefits outweigh the risk associated with the product candidate;
- the FDA or other regulatory authorities may disagree with the design or implementation of our clinical trials;
- the results of clinical trials may not meet the level of statistical significance required by the FDA or other regulatory authorities for approval;
- the FDA or other regulatory authorities may disagree with our interpretation of data from preclinical studies or clinical trials;
- a decision by the FDA, other regulatory authorities or us to suspend or terminate a clinical trial at any time;

- the data collected from clinical trials of our product candidates may be inconclusive or may not be sufficient to support the submission of a Biologics License Application (“BLA”), or other submission or to obtain regulatory approval in the United States or elsewhere;
- our third party manufacturers of supplies needed for manufacturing product candidates may fail to satisfy FDA or other regulatory requirements and may not pass inspections that may be required by FDA or other regulatory authorities;
- the failure to comply with applicable regulatory requirements following approval of any of our product candidates may result in the refusal by the FDA or similar foreign regulatory agency to approve a pending BLA or supplement to a BLA submitted by us for other indications or new product candidates; and
- the approval policies or regulations of the FDA or other regulatory authorities outside of the United States may significantly change in a manner rendering our clinical data insufficient for approval.

We or our collaborators may gain regulatory approval for any of our product candidates in some but not all of the territories available and any future approvals may be for some but not all of the target indications, limiting their commercial potential. Regulatory requirements and timing of product approvals vary from country to country and some jurisdictions may require additional testing beyond what is required to obtain FDA approval. Approval by the FDA does not ensure approval by regulatory authorities in other countries or jurisdictions, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other countries or by the FDA. The foreign regulatory approval process may include all of the risks associated with obtaining FDA approval.

Our drug candidates may not benefit from an expedited approval path for cellular medicines designated as Regenerative Medicine Advanced Therapies (RMATs) under the 21st Century Cures Act.

On December 21, 2017, the FDA granted RMAT designation for our novel MPC therapy in the treatment of heart failure patients with left ventricular systolic dysfunction and left ventricular assist devices. While the Cures Act offers several potential benefits to drugs designated as RMATs, including eligibility for increased agency support and advice during development, priority review on filing, a potential pathway for accelerated or full approval based on surrogate or intermediate endpoints, and the potential to use patient registry data and other sources of real world evidence for post approval confirmatory studies, there is no assurance that any of these potential benefits will either apply to any or all of our drug candidates or, if applicable, accelerate marketing approval. RMAT designation does not change the evidentiary standards of safety and effectiveness needed for marketing approval.

Furthermore, there is no certainty as to whether any of our product candidates that have not yet received RMAT designation under the Cures Act will receive such designation under the Cures Act. Designation as an RMAT is within the discretion of the FDA. Accordingly, even if we believe one of our products or product candidates meets the criteria for RMAT designation, the FDA may disagree. Additionally, for any product candidate that receives RMAT designation, we may not experience a faster development, review or approval process compared to conventional FDA procedures. The FDA may withdraw RMAT designation if it believes that the product no longer meets the qualifying criteria for designation.

Even if we obtain regulatory approval for our product candidates, our products will be subject to ongoing regulatory scrutiny.

Any of our product candidates that are approved in the United States or in other jurisdictions will continue to be subject to ongoing regulatory requirements relating to the quality, identity, strength, purity, safety, efficacy, testing, manufacturing, marketing, advertising, promotion, distribution, sale, storage, packaging, pricing, import or export, record-keeping and submission of safety and other post-market information for all approved product candidates. In the United States, this includes both federal and state requirements. In particular, as a condition of approval of a BLA, the FDA may require a REMS, to ensure that the benefits of the drug outweigh the potential risks. REMS can include medication guides, communication plans for healthcare professionals and elements to assure safe use (“ETASU”). ETASU can include, but are not limited to, special training or certification for prescribing or dispensing, dispensing only under certain circumstances, special monitoring, and the use of patient registries. Moreover, regulatory approval may require substantial post-approval (Phase 4) testing and surveillance to monitor the drug’s safety or efficacy. Delays in the REMS approval process could result in delays in the BLA approval process. In addition, as part of the REMS, the FDA could require significant restrictions, such as restrictions on the prescription, distribution and patient use of the product, which could significantly impact our ability to effectively commercialize our product candidates, and dramatically reduce their market potential thereby adversely impacting our business, results of operations and financial condition. Post-approval study requirements could add additional burdens, and failure to timely complete such studies, or adverse findings from those studies, could adversely affect our ability to continue marketing the product.

Any failure to comply with ongoing regulatory requirements, as well as post-approval discovery of previously unknown problems, including adverse events of unanticipated severity or frequency, or with manufacturing operations or processes, may significantly and adversely affect our ability to generate revenue from our product candidates, and may result in, among other things:

- restrictions on the marketing or manufacturing of the product candidates, withdrawal of the product candidates from the market, or voluntary or mandatory product recalls;
- suspension or withdrawal of regulatory approval;
- costly regulatory inspections;
- fines, warning letters, or holds on clinical trials;
- refusal by the FDA to approve pending applications or supplements to approved applications filed by us or our collaborators, or suspension or revocation of BLAs;
- restrictions on our operations;
- product seizure or detention, or refusal to permit the import or export of products; or
- injunctions or the imposition of civil or criminal penalties by FDA or other regulatory bodies.

If regulatory sanctions are applied or if regulatory approval is withdrawn, the value of our business and our operating results will be adversely affected.

The FDA's policies, or that of the applicable regulatory bodies in other jurisdictions, may change, and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States or abroad. If we or our collaborators are not able to maintain regulatory compliance, are slow or unable to adopt new requirements or policies, or effect changes to existing requirements, we or our collaborators may no longer be able to lawfully market our product, and we may not achieve or sustain profitability, which would adversely affect our business.

Ethical and other concerns surrounding the use of embryonic stem cell-based therapy may negatively affect regulatory approval or public perception of our non-embryonic stem cell product candidates, which could reduce demand for our products or depress our share price.

The use of embryonic stem cells ("ESCs"), for research and therapy has been the subject of considerable public debate, with many people voicing ethical, legal and social concerns related to their collection and use. Our cells are not ESCs, which have been the predominant focus of this public debate and concern in the United States and elsewhere. However, the distinction between ESCs and non-ESCs, such as our mesenchymal lineage cells, may be misunderstood by the public. Negative public attitudes toward cell therapy and publicity and harm from cell therapy usage clinically by others could also result in greater governmental regulation of cell therapies, which could harm our business. The improper use of cells could give rise to ethical and social commentary adverse to us, which could harm the market demand for new products and depress the price of our ordinary shares and ADSs. Ongoing lack of understanding of the difference between ESCs and non-ESCs could negatively impact the public's perception of our company and product candidates and could negatively impact us.

Additional government-imposed restrictions on, or concerns regarding possible government regulation of, the use of cell therapies in research, development and commercialization could also cause an adverse effect on us by harming our ability to establish important partnerships or collaborations, delaying or preventing the development of certain product candidates, and causing a decrease in the price of our ordinary shares and ADSs, or by otherwise making it more difficult for us to raise additional capital. For example, concerns regarding such possible regulation could impact our ability to attract collaborators and investors. Also, existing and potential government regulation of cell therapies may lead researchers to leave the field of cell therapy research altogether in order to assure that their careers will not be impeded by restrictions on their work. This may make it difficult for us to find and retain qualified scientific personnel.

Orphan drug designation may not ensure that we will benefit from market exclusivity in a particular market, and if we fail to obtain or maintain orphan drug designation or other regulatory exclusivity for some of our product candidates, our competitive position would be harmed.

A product candidate that receives orphan drug designation can benefit from potential commercial benefits following approval. Under the Orphan Drug Act, the FDA may designate a product candidate as an orphan drug if it is intended to treat a rare disease or condition, defined as affecting (1) a patient population of fewer than 200,000 in the United States, (2) a patient population greater than 200,000 in the United States where there is no reasonable expectation that the cost of developing the drug will be recovered from sales in the United States, or (3) an "orphan subset" of a patient population greater than 200,000 in the United States. In the European Union ("EU"), the EMA's Committee for Orphan Medicinal Products grants orphan drug designation to promote the development of

products that are intended for the diagnosis, prevention or treatment of a life-threatening or chronically debilitating condition affecting not more than 10,000 persons in the EU. Currently, this designation provides market exclusivity in the U.S. and the EU for seven years and ten years, respectively, if a product is the first such product approved for such orphan indication. This market exclusivity does not, however, pertain to indications other than those for which the drug was specifically designated in the approval, nor does it prevent other types of drugs from receiving orphan designations or approvals in these same indications. Further, even after an orphan drug is approved, the FDA can subsequently approve a drug with similar chemical structure for the same condition if the FDA concludes that the new drug is clinically superior to the orphan product or a market shortage occurs. In the EU, orphan exclusivity may be reduced to six years if the drug no longer satisfies the original designation criteria or can be lost altogether if the marketing authorization holder consents to a second orphan drug application or cannot supply enough drug, or when a second applicant demonstrates its drug is “clinically superior” to the original orphan drug.

Our remestemcel-L product candidate has received orphan drug designation for the treatment of aGVHD by the FDA and EMA, and our CHF product candidate, rexlemestrocel-L has received orphan drug designation from the FDA for prevention of post-implantation mucosal bleeding in end-stage CHF patients who require a left ventricular assist device (“LVAD”). If we seek orphan drug designations for other product candidates in other indications, we may fail to receive such orphan drug designations and, even if we succeed, such orphan drug designations may fail to result in or maintain orphan drug exclusivity upon approval, which would harm our competitive position.

We may face competition from biosimilars due to changes in the regulatory environment.

In the United States, the Biologics Price Competition and Innovation Act of 2009 created an abbreviated approval pathway for biological products that are demonstrated to be “highly similar”, or biosimilar, to or “interchangeable” with an FDA-approved innovator (original) biological product. This pathway could allow competitors to reference data from innovator biological products already approved after 12 years from the time of approval. For several years the annual budget requests of President Obama’s administration included proposals to cut this 12-year period of exclusivity down to seven years. Those proposals were not adopted by Congress. Under President Biden’s administration, it is unclear if a similar change will be pursued in the future. In Europe, the European Commission has granted marketing authorizations for several biosimilars pursuant to a set of general and product class-specific guidelines for biosimilar approvals issued over the past few years. In Europe, a competitor may reference data from biological products already approved, but will not be able to get on the market until ten years after the time of approval. This 10-year period will be extended to 11 years if, during the first eight of those 10 years, the marketing authorization holder obtains an approval for one or more new therapeutic indications that bring significant clinical benefits compared with existing therapies. In addition, companies may be developing biosimilars in other countries that could compete with our products. If competitors are able to obtain marketing approval for biosimilars referencing our products, our products may become subject to competition from such biosimilars causing the price for our products and our potential market share to suffer, resulting in lower product sales.

Our completed BLA submission for pediatric SR-aGVHD may not be approved and even if it is approved, we will continue to be closely regulated by FDA.

As a biological product, our allogeneic cellular medicine, remestemcel-L, for the treatment of pediatrics with SR-aGVHD, requires regulatory approval from the FDA before it may legally be distributed in U.S. commerce. In particular, remestemcel-L will require FDA approval of a BLA under Section 351 of the Public Health Service Act to be commercialized.

We have received Fast Track designation from the FDA for remestemcel-L in pediatrics with SR-aGVHD. Fast Track designation may provide for a more streamlined development or approval process but it does not change the standards for approval and may be rescinded by the FDA if the product no longer meets the qualifying criteria. A biologic product that receives Fast Track designation can be eligible for regulatory benefits, including rolling BLA review. Rolling review of a BLA enables individual modules of the application to be submitted to and reviewed by the FDA on an ongoing basis, rather than waiting for all sections of a BLA to be completed before submission.

Remestemcel-L had been accepted for Priority Review by the FDA with an action date of September 30, 2020, under the Prescription Drug User Fee Act (“PDUFA”). In August 2020, the Oncologic Drugs Advisory Committee (“ODAC”) of the FDA voted in favor that available data from a single-arm Phase 3 trial and evidence from additional studies support the efficacy of remestemcel-L in pediatric patients with SR-aGVHD. Although the FDA considers the recommendation of the panel, the final decision regarding the approval of the product is made solely by the FDA, and the recommendations by the panel are non-binding. On September 30, 2020, the FDA issued a Complete Response Letter to our BLA for remestemcel-L for the treatment of pediatric SR-aGVHD. Despite the overwhelming ODAC vote, the FDA recommended that we conduct at least one additional randomized, controlled study in adults and/or children to provide further evidence of the effectiveness of remestemcel-L for SR-aGVHD.

We have initiated and continue to have discussion with the FDA through a well-established FDA process aimed towards supporting a resubmission of the current BLA with a six-month review period.

The FDA reviews a BLA to determine, among other things, whether a product is safe, pure and potent and the facility in which it is manufactured, processed, packed, or held meets standards designed to assure the product's continued safety, purity and potency. During the course of review of our BLA, the FDA may request or require additional preclinical, clinical, chemistry and manufacturing, controls (or CMC), or other data and information. The development and provision of these data and information may be time consuming and expensive. Our failure to comply, or the failure of our contract manufacturers to satisfy, applicable FDA CMC requirements could result in a delay or failure to obtain approval of our BLA. If the FDA determines that the application, manufacturing process or manufacturing facilities are not acceptable, it will outline the deficiencies in our submission and may request additional testing or information. The testing and approval process requires substantial time, effort and financial resources, and may take several years to complete. In addition, the FDA or other regulatory agencies may find the data from our clinical studies insufficient to support marketing approval. For example, our Phase 3 study for remestemcel-L for the treatment of pediatric SR-aGVHD, which met the primary clinical endpoint with statistical significance, was conducted as a single-arm study due to the seriousness of the condition, the rapid clinical deterioration of affected patients, the mounting literature suggesting a meaningful treatment effect, and the position in the medical community that a randomized controlled trial was neither feasible nor ethical in this patient population. While we have provided the FDA with comparator outcomes from control subjects, it is possible that the FDA may not find the data sufficient for approval. In addition, new government requirements, including those resulting from new legislation, may be established, or the FDA's policies may change, which could delay or prevent regulatory approval of our products under development.

It is possible that we will have to participate in other Advisory Committee proceedings for other of our product candidates. FDA Advisory Committees are convened to conduct public hearings on matters of importance that come before the FDA, to review the issues involved, and to provide advice and recommendations to the FDA. New product candidates may be referred for review by Advisory Committees whether the FDA has identified issues or concerns in respect of such candidates or not. Advisory Committee input and recommendations may be used at the discretion of the FDA. Advisory Committee proceedings are in part conducted publicly. While the recommendations made by Advisory Committees in respect of marketing applications for any product are not dispositive, such determinations and recommendations are often influential, and may be made available publicly and to the advantage of our competitors. In addition, it is possible that safety findings and recommendations as well as other concerns and considerations raised by Advisory Committee members, who constitute a multi-disciplinary group of experts (including representatives and/or advocates from the consumer sector), may impact the FDA's review of our product candidate submissions or labeling unfavorably. Furthermore, commentary from Advisory Committee proceedings can figure into future product and other litigation.

Even if we receive regulatory approval for our remestemcel-L product, such approval may entail limitations on the indicated uses for which such product may be marketed and/or require post-marketing testing and surveillance to monitor safety or efficacy of our product. The FDA may limit further marketing of our product based on the results of post-marketing studies, if compliance with pre- and post-marketing regulatory standards is not maintained, or if problems occur after our product reaches the marketplace such as later discovery of previously unknown problems or concerns with our product, including adverse events of unanticipated severity or frequency, or with our manufacturing processes.

The COVID-19 pandemic could adversely impact the BLA review process for remestemcel-L.

The FDA has accepted for Priority Review our BLA for remestemcel-L for the treatment of pediatric SR-aGVHD. The FDA reviews a BLA to determine, among other things, whether a product is safe, pure and potent and the facility in which it is manufactured, processed, packed, or held meets standards designed to assure the product's continued safety, purity and potency.

Our contract manufacturing partner, Lonza, manufactures remestemcel-L at its facility in Singapore. Singapore is experiencing a number of COVID-19 cases in its population and the DORSCON level remained at orange until April 26, 2022 when it was lowered to yellow.

If the business continuity at Lonza's Singaporean facility is negatively affected, the FDA could be unable to assess the compliance of such facility with the standards required to assure remestemcel-L's continued safety, purity and potency. In this case, the BLA review process for remestemcel-L could be negatively affected.

The ability of FDA inspectors to visit the site to conduct GMP inspections has been impacted by regional travel restrictions, and other COVID-19 measures. The FDA may in general have slower response times in assessing our BLA filing. Such an impact may delay the approval of the BLA. FDA has issued guidance for remote inspections – called Remote Interactive Evaluations. It is not clear that such an evaluation during the pandemic will be offered by FDA or considered adequate for a pre-approval inspection of the manufacturing site and process.

Risks Related to Collaborators

We rely on third parties to conduct our nonclinical and clinical studies and perform other tasks for us. If these third parties do not successfully carry out their contractual duties, meet expected deadlines, or comply with regulatory requirements, we may not be able to obtain regulatory approval for or commercialize our product candidates in a timely and cost-effective manner or at all, and our business could be substantially harmed.

We have relied upon and plan to continue to rely upon third-party entities, including CROs, academic institutions, hospitals and other third-party collaborators, to monitor, support, conduct and/or oversee preclinical and clinical studies of our current and future product candidates. We rely on these parties for execution of our nonclinical and clinical studies, and control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our studies is conducted in accordance with the applicable protocol, legal, regulatory, and scientific standards and our reliance on the CROs does not relieve us of our regulatory responsibilities. If we or any of these third-parties fail to comply with the applicable protocol, legal, regulatory, and scientific standards, the clinical data generated in our clinical studies may be deemed unreliable and the FDA, EMA or comparable foreign regulatory authorities may require us to perform additional clinical studies before approving our marketing applications.

If any of our relationships with these third parties terminate, we may not be able to enter into arrangements with alternative parties or do so on commercially reasonable terms. In addition, these parties are not our employees, and except for remedies available to us under our agreements with such third parties, we cannot control whether or not they devote sufficient time and resources to our on-going nonclinical and clinical programs. If third parties do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the data they obtain is compromised due to the failure to adhere to our protocols, regulatory requirements, or for other reasons, our clinical studies may be extended, delayed, or terminated and we may not be able to obtain regulatory approval for or successfully commercialize our product candidates. Third parties may also generate higher costs than anticipated. As a result, our results of operations and the commercial prospects for our product candidates would be harmed, our costs could increase, and our ability to generate revenue could be delayed.

Switching or adding additional third parties involves additional cost and requires management time and focus. In addition, there is a natural transition period when a new third party commences work. As a result, delays occur, which can materially impact our ability to meet our desired clinical development timelines. Though we carefully manage our relationships with these third parties, there can be no assurance that we will not encounter similar challenges or delays in the future or that these delays or challenges will not have a material adverse impact on our business, financial condition, and prospects.

Our existing product development and/or commercialization arrangements, and any that we may enter into in the future, may not be successful, which could adversely affect our ability to develop and commercialize our product candidates.

We are a party to, and continue to seek additional, collaboration arrangements with biopharmaceutical companies for the development and/or commercialization of our current and future product candidates. We may enter into new arrangements on a selective basis depending on the merits of retaining certain development and commercialization rights for ourselves as compared to entering into selective collaboration arrangements with leading pharmaceutical or biotechnology companies for each product candidate, both in the United States and internationally. To the extent that we decide to enter into collaboration agreements, we will face significant competition in seeking appropriate collaborators. Any failure to meet our clinical milestones with respect to an unpartnered product candidate would make finding a collaborator more difficult. Moreover, collaboration arrangements are complex, costly and time consuming to negotiate, document and implement, and we cannot guarantee that we can successfully maintain such relationships or that the terms of such arrangements will be favorable to us. If we fail to establish and implement collaboration or other alternative arrangements, the value of our business and operating results will be adversely affected.

We may not be successful in our efforts to establish, implement and maintain collaborations or other alternative arrangements if we choose to enter into such arrangements. The terms of any collaboration or other arrangements that we may establish may not be favorable to us. The management of collaborations may take significant time and resources that distract our management from other matters.

Our ability to successfully collaborate with any existing or future collaborators may be impaired by multiple factors including:

- a collaborator may shift its priorities and resources away from our programs due to a change in business strategies, or a merger, acquisition, sale or downsizing of its company or business unit;
- a collaborator may cease development in therapeutic areas which are the subject of our strategic alliances;
- a collaborator may change the success criteria for a particular program or product candidate thereby delaying or ceasing development of such program or candidate;
- a significant delay in initiation of certain development activities by a collaborator will also delay payments tied to such activities, thereby impacting our ability to fund our own activities;

- a collaborator could develop a product that competes, either directly or indirectly, with our current or future products, if any;
- a collaborator with commercialization obligations may not commit sufficient financial or human resources to the marketing, distribution or sale of a product;
- a collaborator with manufacturing responsibilities may encounter regulatory, resource or quality issues and be unable to meet demand requirements;
- a collaborator may exercise its rights under the agreement to terminate our collaboration;
- a dispute may arise between us and a collaborator concerning the research or development of a product candidate or commercialization of a product resulting in a delay in milestones, royalty payments or termination of a program and possibly resulting in costly litigation or arbitration which may divert management attention and resources;
- the results of our clinical trials may not match our collaborators' expectations, even if statistically significant;
- a collaborator may not adequately protect or enforce the intellectual property rights associated with a product or product candidate; and
- a collaborator may use our proprietary information or intellectual property in such a way as to invite litigation from a third party.

Any such activities by our current or future collaborators could adversely affect us financially and could harm our business reputation.

Risks Related to Our Manufacturing and Supply Chain

We have no experience manufacturing our product candidates at a commercial scale. We may not be able to manufacture our product candidates in quantities sufficient for development and commercialization if our product candidates are approved, or for any future commercial demand for our product candidates.

We have manufactured clinical and commercial quantities of our mesenchymal lineage cell product candidates in manufacturing facilities owned by Lonza Walkersville, Inc. and Lonza Bioscience Singapore Pte. Ltd. (collectively referred to as "Lonza"). We have commenced manufacture of commercial batches in preparation for a successful BLA review, and subsequent launch. We anticipate a Pre-Approval Inspection of the facilities and our testing laboratories by the FDA. In the event that the inspections result in observations that need to be corrected, it may delay the approval and launch of this product.

In addition, the production of any biopharmaceutical, particularly cell-based therapies, involves complex processes and protocols. We cannot provide assurance that such production efforts will enable us to manufacture our product candidates in the quantities and with the quality needed and in a timely manner for clinical trials, regulatory approval(s), and/or any resulting commercialization.

If we are unable to do so, our clinical trials and commercialization efforts, if any, may not proceed in a timely fashion and our business will be adversely affected. If any of our product candidates are approved for commercialization and marketing, we may be required to manufacture the product in large quantities to meet demand. Producing product in commercial quantities requires developing and adhering to complex manufacturing processes that are different from the manufacture of a product in smaller quantities for clinical trials, including adherence to additional and more demanding regulatory standards. Although we believe that we have developed processes and protocols that will enable us to consistently manufacture commercial-scale quantities of product, we cannot provide assurance that such processes and protocols will enable us to manufacture our product candidates in quantities that may be required for commercialization of the product with yields and at costs that will be commercially attractive. If we are unable to establish or maintain commercial manufacture of the product or are unable to do so at costs that we currently anticipate, our business will be adversely affected.

We are focusing on the introduction of novel manufacturing approaches with the potential to result in efficiency and yield improvements to our current process. Certain of these novel approaches include modifying the media used in cell production. Another approach includes the development of 3-dimensional ("3D") bioreactor-based production for mesenchymal lineage cells. There is no guarantee that we will successfully complete either of these processes or meet all applicable regulatory requirements. This may be due to multiple factors, including the failure to produce sufficient quantities and the inability to produce cells that are equivalent in physical and therapeutic properties as compared to the products produced using our current manufacturing processes. In the event our transition to these improved manufacturing processes is unsuccessful, we may not be able to produce certain of our products in a cost-efficient manner and our business may be adversely affected.

The COVID-19 pandemic may adversely impact the manufacturing and commercialization of remestemcel-L, and other product candidates.

On October 17, 2019, we announced that we had entered into a manufacturing service agreement with Lonza Bioscience Singapore Pte. Ltd. for the supply of commercial product for the potential approval and launch of remestemcel-L. We currently also manufacture our other product candidates with Lonza Singapore.

Due to the COVID-19 pandemic, and recent geopolitical instability, countries in which we have operations, including Singapore – have experienced some challenges in the ability of our suppliers and contractors to source, supply or acquire raw materials or components needed for our manufacturing process and supply chain. As a result, the manufacturing and commercialization of remestemcel-L and other product candidates could be adversely affected.

We rely on contract manufacturers to supply and manufacture our product candidates. Our business could be harmed if Lonza fails to provide us with sufficient quantities of these product candidates or fails to do so at acceptable quality levels or prices.

We do not currently have, nor do we plan to acquire, the infrastructure or capability internally to manufacture our mesenchymal lineage cell product candidates for use in the conduct of our clinical trials, and we currently lack the internal resources and the capability to manufacture any of our product candidates on a clinical or commercial scale. As a result, we currently depend on Lonza to manufacture our mesenchymal lineage cell product candidates. Relying on Lonza to manufacture our mesenchymal lineage cell product candidates entails risks, and Lonza may:

- cease or reduce production or deliveries, raise prices or renegotiate terms;
- be unable to meet any product specifications and quality requirements consistently;
- delay or be unable to procure or expand sufficient manufacturing capacity, which may harm our reputation or frustrate our customers;
- not have the capacity sufficient to support the scale-up of manufacturing for our product candidates;
- have manufacturing and product quality issues related to scale-up of manufacturing;
- experience costs and validation of new equipment facilities requirement for scale-up that it will pass on to us;
- fail to comply with cGMP and similar international standards;
- lose its manufacturing facility in Singapore, stored inventory or laboratory facilities through fire or other causes, or other loss of materials necessary to manufacture our product candidates;
- experience disruptions to its operations by conditions unrelated to our business or operations, including the bankruptcy or interruptions of its suppliers;
- experience carrier disruptions or increased costs that it will pass on to us;
- fail to secure adequate supplies of essential ingredients in our manufacturing process;
- experience failure of third parties involved in the transportation, storage or distribution of our products, including the failure to deliver supplies it uses for the manufacture of our product candidates under specified storage conditions and in a timely manner;
- terminate agreements with us; and
- appropriate or misuse our trade secrets and other proprietary information.

Any of these events could lead to delays in the development of our product candidates, including delays in our clinical trials, or failure to obtain regulatory approval for our product candidates, or it could impact our ability to successfully commercialize our current product candidates or any future products. Some of these events could be the basis for FDA or other regulatory action, including injunction, recall, seizure or total or partial suspension of production.

In addition, the lead time needed to establish a relationship with a new manufacturer can be lengthy and expensive, and we may experience delays in meeting demand in the event we must switch to a new manufacturer. We are expanding our manufacturing collaborations in order to meet future demand and to provide back-up manufacturing options, which also involves risk and requires significant time and resources. Our future collaborators may need to expand their facilities or alter the facilities to meet future demand and changes in regulations. These activities may lead to delays, interruptions to supply, or may prove to be more costly than anticipated. Any problems in our manufacturing process could have a material adverse effect on our business, results of operations and financial condition.

We may not be able to manufacture or commercialize our product candidates in a profitable manner.

We intend to implement a business model under which we control the manufacture and supply of our product candidates, including but not exclusively, through our product suppliers, including Lonza. We and the suppliers of our product candidates, including Lonza, have no experience manufacturing our product candidates at commercial scale. Accordingly, there can be no assurance as to whether we and our suppliers will be able to scale-up the manufacturing processes and implement technological improvements in a manner

that will allow the manufacture of our product candidates in a cost effective manner. Our or our collaborators' inability to sell our product candidates at a price that exceeds our cost of manufacture by an amount that is profitable for us will have a material adverse result on the results of our operations and our financial condition.

Collaborators' ability to identify, test and verify new donor tissue in order to create new master cell banks involves many risks.

The initial stage of manufacturing involves obtaining mesenchymal lineage cell-containing bone marrow from donors, for which we currently rely on our suppliers. Mesenchymal lineage cells are isolated from each donor's bone marrow and expanded to create a master cell bank. Each individual master cell bank comes from a single donor. A single master cell bank can source many production runs, which in turn can produce up to thousands of doses of a given product, depending on the dose level. The process of identifying new donor tissue, testing and verifying its validity in order to create new master cell banks and validating such cell bank with the FDA and other regulatory agencies is time consuming, costly and prone to the many risks involved with creating living cell products. There could be consistency or quality control issues with any new master cell bank. Although we believe we and our collaborators have the necessary know-how and processes to enable us to create master cell banks with consistent quality and within the timeframe necessary to meet projected demand and we have begun doing so, we cannot be certain that we or our collaborators will be able to successfully do so, and any failure or delays in creating new master cell banks may have a material adverse impact on our business, results of operations, financial conditions and growth prospects and could result in our inability to continue operations.

We and our collaborators depend on a limited number of suppliers for our product candidates' materials, equipment or supplies and components required to manufacture our product candidates. The loss of these suppliers, or their failure to provide quality supplies on a timely basis, could cause delays in our current and future capacity and adversely affect our business.

We and our collaborators depend on a limited number of suppliers for the materials, equipment and components required to manufacture our product candidates, as well as various "devices" or "carriers" for some of our programs (e.g., the catheter for use with MPC-150-IM, and the hyaluronic acid used for chronic lower back pain). The main consumable used in our manufacturing process is our media, which currently is sourced from fetal bovine serum ("FBS"). This material comes from limited sources, and as a result is expensive. Consequently, we or our collaborators may not be able to obtain sufficient quantities of our product candidates or other critical materials equipment and components in the future, at affordable prices or at all. A delay or interruption by our suppliers may also harm our business, and operating results. In addition, the lead time needed to establish a relationship with a new supplier can be lengthy, and we or our collaborators may experience delays in meeting demand in the event we must switch to a new supplier. The time and effort to qualify for and, in some cases, obtain regulatory approval for a new supplier could result in additional costs, diversion of resources or reduced manufacturing yields, any of which would negatively impact our operating results. Our and our collaborators' dependence on single-source suppliers exposes us to numerous risks, including the following:

- our or our collaborators' suppliers may cease or reduce production or deliveries, raise prices or renegotiate terms;
- our or our collaborators' suppliers may not be able to source materials, equipment or supplies and components required to manufacture our product candidates as a result of the COVID-19 outbreak or geopolitical and/or economic instability adversely affecting the supply chain;
- we or our collaborators may be unable to locate suitable replacement suppliers on acceptable terms or on a timely basis, or at all; and
- delays caused by supply issues may harm our reputation, frustrate our customers and cause them to turn to our competitors for future needs.

We and our collaborators and Lonza are subject to significant regulation with respect to manufacturing our product candidates. The Lonza manufacturing facilities on which we rely may not continue to meet regulatory requirements or may not be able to meet supply demands.

All entities involved in the preparation of therapeutics for clinical studies or commercial sale, including our existing manufacturers, including Lonza, are subject to extensive regulation. Components of a finished therapeutic product approved for commercial sale or used in late-stage clinical studies must be manufactured in accordance with current international Good Manufacturing Practice and other international regulatory requirements. These regulations govern manufacturing processes and procedures (including record keeping) and the implementation and operation of quality systems to control and assure the quality of investigational products and products approved for sale. Poor control of production processes can lead to the introduction of contaminants or to inadvertent changes in the properties or stability of our product candidates. We, our collaborators, or suppliers must supply all necessary documentation in support of a BLA on a timely basis and must adhere to current Good Laboratory Practice and current Good Manufacturing Practice regulations enforced by the FDA and other regulatory agencies through their facilities inspection program. Lonza and other suppliers have never produced a commercially approved cellular therapeutic product and therefore have not yet obtained the requisite regulatory authority approvals to do so.

Before we can begin commercial manufacture of our products for sale in the United States, we must obtain FDA regulatory approval for the product, in addition to the approval of the processes and quality systems associated with the manufacturing of such product, which requires a successful FDA inspection of the facility handling the manufacturing of our product, including Lonza's manufacturing facilities. The novel nature of our product candidates creates significant challenges in regards to manufacturing. For example, the U.S. federal and state governments and other jurisdictions impose restrictions on the acquisition and use of tissue, including those incorporated in federal Good Tissue Practice regulations. We may not be able to identify or develop sources for the cells necessary for our product candidates that comply with these laws and regulations.

In addition, the regulatory authorities may, at any time before or after product approval, audit or inspect a manufacturing facility involved with the preparation of our product candidates or raw materials or the associated quality systems for compliance with the regulations applicable to the activities being conducted. Although we oversee each contract manufacturer involved in the production of our product candidates, we cannot control the manufacturing process of, and are dependent on, the contract manufacturer for compliance with the regulatory requirements. If the contract manufacturer is unable to comply with manufacturing regulations, we may be subject to fines, unanticipated compliance expenses, recall or seizure of any approved products, total or partial suspension of production and/or enforcement actions, including injunctions, and criminal or civil prosecution. These possible sanctions would adversely affect our business, results of operations and financial condition. If the manufacturer fails to maintain regulatory compliance, the FDA or other applicable regulatory authority can impose regulatory sanctions including, among other things, refusal to approve a pending application for a new drug product or biologic product, withdrawal of an approval, or suspension of production. As a result, our business, financial condition, and results of operations may be materially harmed.

We will rely on third parties to perform many necessary services for the commercialization of our product candidates, including services related to the distribution, storage and transportation of our products.

We will rely upon third parties for certain storage, distribution and other logistical services. In accordance with certain laws, regulations and specifications, our product candidates must be stored and transported at extremely low temperatures within a certain range. If these environmental conditions deviate, our product candidates' remaining shelf-lives could be impaired or their efficacy and safety could become adversely affected, making them no longer suitable for use. If any of the third parties that we intend to rely upon in our storage, distribution and other logistical services process fail to comply with applicable laws and regulations, fail to meet expected deadlines, or otherwise do not carry out their contractual duties to us, or encounter physical damage or natural disaster at their facilities, our ability to deliver product to meet commercial demand may be significantly impaired. In addition, as our cellular therapies will constitute a new form of product, experience in commercial distribution of such therapies in the United States is extremely limited, and as such is subject to execution risk. While we intend to work closely with our selected distribution logistics providers to define appropriate parameters for their activities to ensure product remains intact throughout the process, there is no assurance that such logistics providers will be able to maintain all requirements and handle and distribute our products in a manner that does not significantly impair them, which may impact our ability to satisfy commercial demand.

Product recalls or inventory losses caused by unforeseen events may adversely affect our operating results and financial condition.

Our product candidates are manufactured, stored and distributed using technically complex processes requiring specialized facilities, highly specific raw materials and other production constraints. The complexity of these processes, as well as strict company and government standards for the manufacture, storage and distribution of our product candidates, subjects us to risks. For example, during the manufacturing process we have from time to time experienced several different types of issues that have led to a rejection of various batches. Historically, the most common reasons for batch rejections include major process deviations during the production of a specific batch and failure of manufactured product to meet one or more specifications. While product candidate batches released for the use in clinical trials or for commercialization undergo sample testing, some latent defects may only be identified following product release. In addition, process deviations or unanticipated effects of approved process changes may result in these product candidates not complying with stability requirements or specifications. The occurrence or suspected occurrence of production and distribution difficulties can lead to lost inventories, and in some cases product recalls, with consequential reputational damage and the risk of product liability. The investigation and remediation of any identified problems can cause production delays, substantial expense, lost sales and delays of new product launches. In the event our production efforts require a recall or result in an inventory loss, our operating results and financial condition may be adversely affected.

Risks Related to Commercialization of Our Product Candidates

Our future commercial success depends upon attaining significant market acceptance of our product candidates, if approved, among physicians, patients and healthcare payors.

Even when product development is successful and regulatory approval has been obtained, our ability to generate significant revenue depends on the acceptance of our products by physicians, payors and patients. Many potential market participants have limited knowledge of, or experience with, cell therapy-based products, so gaining market acceptance and overcoming any safety or

efficacy concerns may be more challenging than for more traditional therapies. Our efforts to educate the medical community and third-party payors on the benefits of our product candidates may require significant resources and may never be successful. Such efforts to educate the marketplace may require more or different resources than are required by the conventional therapies marketed by our competitors. We cannot assure you that our products will achieve the expected market acceptance and revenue if and when they obtain the requisite regulatory approvals. Alternatively, even if we obtain regulatory approval, that approval may be for indications or patient populations that are not as broad as intended or desired or may require labeling that includes significant use or distribution restrictions or safety warnings. The market acceptance of each of our product candidates will depend on a number of factors, including:

- the efficacy and safety of the product candidate, as demonstrated in clinical trials;
- the clinical indications for which the product is approved, and the label approved by regulatory authorities for use with the product, including any warnings or contraindications that may be required on the label;
- acceptance by physicians, patients, and with pediatric indications by parents/caregivers of the product as a safe and effective treatment;
- the cost, safety and efficacy of treatment in relation to alternative treatments;
- the continued projected growth of markets for our various indications;
- relative convenience and ease of administration;
- the prevalence and severity of adverse side effects;
- the effectiveness of our, and our collaborators' sales and marketing efforts; and
- sufficient third-party insurance and other payor (e.g., governmental) coverage and reimbursement.

Market acceptance is critical to our ability to generate significant revenue. Any product candidate, if approved and commercialized, may be accepted in only limited capacities or not at all. If any approved products are not accepted by the market to the extent that we expect, we may not be able to generate significant revenue and our business would suffer.

If, in the future, we are unable to establish our own commercial capabilities across sales, marketing and distribution, or enter into licensing or collaboration agreements for these purposes, we may not be successful in independently commercializing any future products.

We have limited sales, marketing or distribution infrastructure and experience. Commercializing our product candidates, if such product candidates obtain regulatory approval, would require significant sales, distribution and marketing capabilities. Where and when appropriate, we may elect to utilize contract sales forces or distribution collaborators to assist in the commercialization of our product candidates. If we enter into arrangements with third parties to perform sales, marketing and distribution/price reporting services for our product candidates, the resulting revenue or the profitability from this revenue to us may be lower than if we had sold, marketed and distributed that product ourselves. In addition, we may not be successful in entering into arrangements with third parties to sell, market and distribute any future products or may be unable to do so on terms that are favorable to us. We may have little control over such third parties, and any of these third parties may fail to devote the necessary resources and attention to sell, market and distribute our current or any future products effectively.

To the extent we are unable to engage third parties to assist us with these functions, we will have to invest significant amounts of financial and management resources, some of which will need to be committed prior to any confirmation that any of our proprietary product candidates will be approved. For any future products for which we decide to perform sales, marketing and distribution functions ourselves, we could face a number of additional risks, including:

- our inability to recruit and retain adequate numbers of effective sales and marketing personnel or to develop alternative sales channels;
- the inability of sales personnel to obtain access to physicians or persuade adequate numbers of physicians to prescribe any future products;
- the inability of account teams to obtain formulary acceptance for our products, allowing for reimbursement and hence patient access;
- the lack of complementary products to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with multiple products; and
- unforeseen costs and expenses associated with creating and maintaining an independent sales and marketing organization.

We face substantial competition, which may result in others discovering, developing or commercializing products before, or more successfully, than we do.

The biopharmaceutical industry is highly competitive and subject to rapid change. The industry continues to expand and evolve as an increasing number of competitors and potential competitors enter the market. Many of our potential competitors have significantly greater development, financial, manufacturing, marketing, technical and human resources than we do. Large pharmaceutical companies, in particular, have extensive experience in conducting clinical trials, obtaining regulatory approvals, manufacturing pharmaceutical and biologic products and commercializing such therapies. Recent and potential future merger and acquisition activity in the biotechnology and pharmaceutical industries may result in even more resources being concentrated among a smaller number of our competitors. Established pharmaceutical companies may also invest heavily to accelerate discovery and development of novel compounds that could make our product candidates obsolete. As a result of all of these factors, our competitors may succeed in obtaining patent protection and/or FDA approval or discovering, developing and commercializing our product candidates or competitors to our product candidates before we do. Specialized, smaller or early-stage companies may also prove to be significant competitors, particularly those with a focus and expertise in cell therapies. In addition, any new product that competes with an approved product must demonstrate compelling advantages in efficacy, convenience, tolerability and safety in order to overcome price competition and to be commercially successful. If we are not able to compete effectively against potential competitors, our business will not grow and our financial condition and results of operations will suffer.

Our marketed products may be used by physicians for indications that are not approved by the FDA. If the FDA finds that we marketed our products in a manner that promoted off-label use, we may be subject to civil or criminal penalties.

Under the Federal Food, Drug and Cosmetic Act ("FDCA"), and other laws and regulations, if any of our product candidates are approved by the FDA, we would be prohibited from promoting our products for off-label uses. This means, for example, that we would not be able to make claims about the use of our marketed products outside of their approved indications, and we would not be able to proactively discuss or provide information on off-label uses of such products, with very specific and limited exceptions. The FDA does not, however, prohibit physicians from prescribing products for off-label uses in the practice of medicine. Should the FDA determine that our activities constituted the promotion of off-label use, the FDA could issue a warning or untitled letter or, through the Department of Justice, bring an action for seizure or injunction, and could seek to impose fines and penalties on us and our executives. In addition, failure to follow FDA rules and guidelines relating to promotion and advertising can result in, among other things, the FDA's refusal to approve a product, the suspension or withdrawal of an approved product from the market, product recalls, fines, disgorgement of money, operating restrictions, injunctions or criminal prosecutions, and also may figure into civil litigation against us.

Healthcare legislative reform measures may have a material adverse effect on our business and results of operations.

In the United States, there have been and continue to be a number of legislative initiatives to contain healthcare costs. For example, in 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively, the Affordable Care Act, was passed. The Affordable Care Act is a sweeping law intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add new transparency requirements for healthcare and the health insurance industry, impose new taxes and fees on the healthcare industry and impose additional health policy reforms. There have been a number of judicial and congressional challenges to certain aspects of the Affordable Care Act. We can provide no assurance that laws such as the Affordable Care Act, as currently enacted or as amended in the future, will not adversely affect our business and financial results, and we cannot predict how future federal or state legislative or administrative changes relating to healthcare reform will affect our business.

Currently, the outcome of potential reforms and changes to government negotiation/regulation to healthcare costs are unknown. If changes in policy limit reimbursements that we are able to receive through federal programs, it could negatively impact reimbursement levels from those payors and private payors, and our business, revenues or profitability could be adversely affected.

If we or our collaborators fail to obtain and sustain an adequate level of reimbursement for our products by third-party payors, sales and profitability would be adversely affected.

Our and our collaborators' ability to commercialize any products successfully will depend, in part, on the extent to which coverage and reimbursement for our products and related treatments will be available from government healthcare programs, private health insurers, managed care plans, and other organizations. Additionally, even if there is a commercially viable market, if the level of third-party reimbursement is below our expectations, our revenue and profitability could be materially and adversely affected.

Third-party payors, such as government programs, including Medicare or Medicaid in the United States, or private healthcare insurers, carefully review and increasingly question the coverage of, and challenge the prices charged for medical products and services, and many third-party payors limit or delay coverage of or reimbursement for newly approved healthcare products.

Reimbursement rates from private health insurance companies vary depending on the company, the insurance plan and other factors, including the third-party payor's determination that use of a product is:

- a covered benefit under its health plan;
- safe, effective and medically necessary;
- appropriate for the specific patient;
- cost-effective; and
- neither experimental nor investigational.

A current trend in the U.S. healthcare industry as well as in other countries around the world is toward cost containment. Large public and private payors, managed care organizations, group purchasing organizations and similar organizations are exerting increasing influence on decisions regarding the use of, and reimbursement levels for, particular treatments. In particular, third-party payors may limit the covered indications. Cost-control initiatives could decrease the price we might establish for any product, which could result in product revenue and profitability being lower than anticipated.

There may be significant delays in obtaining coverage and reimbursement for newly approved drugs, and coverage may be more limited than the purposes for which the drug is approved by the FDA or other regulatory authorities. Moreover, eligibility for coverage and reimbursement does not imply that a drug will be paid for in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution expenses. Interim reimbursement levels for new drugs, if applicable, may also be insufficient to cover our and any collaborator's costs and may not be made permanent. Reimbursement rates may vary according to the use of the drug and the clinical setting in which it is used, may be based on reimbursement levels already set for lower cost drugs and may be incorporated into existing payments and treatment codes for other services. Our inability to promptly obtain coverage and profitable payment rates from both government-funded and private payors for any approved products that we develop could have a material adverse effect on our operating results, our ability to raise capital needed to commercialize products and our overall financial condition.

Furthermore, reimbursement systems in international markets vary significantly by country and by region, and reimbursement approvals must be obtained on a country-by-country basis. Our existing or future collaborators, if any, may elect to reduce the price of our products in order to increase the likelihood of obtaining reimbursement approvals which could adversely affect our revenues and profits. In many countries, including for example in Japan, products cannot be commercially launched until reimbursement is approved. Further, the post-approval price negotiation process in some countries can exceed 12 months. In addition, pricing and reimbursement decisions in certain countries can be affected by decisions taken in other countries, which can lead to mandatory price reductions and/or additional reimbursement restrictions across a number of other countries, which may thereby adversely affect our sales and profitability. In the event that countries impose prices which are not sufficient to allow us or our collaborators to generate a profit, our collaborators may refuse to launch the product in such countries or withdraw the product from the market, which would adversely affect sales and profitability.

Due to the novel nature of our cell therapy and the potential for our product candidates to offer therapeutic benefit in a single administration, we face uncertainty related to pricing and reimbursement for these product candidates.

Our target patient populations for some of our product candidates may be relatively small, and as a result, the pricing and reimbursement of our product candidates, if approved, must be adequate to support commercial infrastructure. If we are unable to obtain adequate levels of reimbursement, our ability to successfully market and sell our product candidates will be adversely affected. Due to the novel nature of our cell therapy technology, the manner and level at which reimbursement is provided for services related to our product candidates (e.g., for administration of our product to patients) is uncertain. Inadequate reimbursement for such services may lead to physician resistance and adversely affect our ability to market or sell our products. Further, if the results of our clinical trials and related cost benefit analyses do not clearly demonstrate the efficacy or overall value of our product candidates in a manner that is meaningful to prescribers and payors, our pricing and reimbursement may be adversely affected.

Price controls may be imposed in foreign markets, which may adversely affect our future profitability.

In some countries, particularly EU member states, Japan, Australia and Canada, the pricing of prescription drugs is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after receipt of marketing approval for a product. In addition, there can be considerable pressure by governments and other stakeholders on prices and reimbursement levels, including as part of cost containment measures. Political, economic and regulatory developments may further complicate pricing negotiations, and pricing negotiations may continue after reimbursement has been obtained. Reference pricing used by various EU member states and parallel distribution, or arbitrage between low-priced and high-priced member states, can further reduce prices. In some countries, we or our collaborators may be required to conduct a clinical trial or other studies that compare the

cost-effectiveness of our product candidates to other available therapies in order to obtain or maintain reimbursement or pricing approval. Publication of discounts by third-party payors or authorities may lead to further pressure on the prices or reimbursement levels within the country of publication and other countries. If reimbursement of our products is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, our business, revenues or profitability could be adversely affected.

If the market opportunities for our product candidates are smaller than we believe they are, our revenues may be adversely affected and our business may suffer. Because the target patient populations of certain of our product candidates are small, we must be able to successfully identify physicians with access to appropriate patients and achieve a significant market share to maintain profitability and growth.

Our projections of the number of people with diseases targeted by our product candidates are based on estimates. These estimates may prove to be incorrect and new studies may change the estimated incidence or prevalence of these diseases. In addition, physicians who we believe have access to patients in need of our products may in fact not often treat the diseases targeted by our product candidates, and may not be amenable to use of our product. Further, the number of patients in the United States, Europe and elsewhere may turn out to be lower than expected, may not be otherwise amenable to treatment with our products, or new patients may become increasingly difficult to identify or gain access to, all of which would adversely affect our results of operations and our business.

We are exposed to risks related to our licensees and our international operations, and failure to manage these risks may adversely affect our operating results and financial condition.

We and our subsidiaries operate out of Australia, the United States, Singapore, the United Kingdom and Switzerland. We have licensees, with rights to commercialize products based on our MSC technology, including JCR in Japan. Our primary manufacturing collaborator, Lonza, serves us primarily out of their facilities in Singapore, and through contractual relationships with third parties, has access to storage facilities in the U.S., Europe, Australia and Singapore. As a result, a significant portion of our operations are conducted by and/or rely on entities outside the markets in which certain of our trials take place, our suppliers are sourced, our product candidates are developed, and, if any such product candidates obtain regulatory approval, our products may be sold. Accordingly, we import a substantial number of products and/or materials into such markets. We may be denied access to our customers, suppliers or other collaborators or denied the ability to ship products from any of these sites as a result of a closing of the borders of the countries in which we operate, or in which these operations are located, due to economic, legislative, political, health or military conditions in such countries. If any of our product candidates are approved for commercialization, we may enter into agreements with third parties to market them on a worldwide basis or in more limited geographical regions. We expect that we will be subject to additional risks related to entering into international business relationships, including:

- unexpected changes in tariffs, trade barriers and regulatory requirements;
- economic weakness, including inflation, or political instability in particular foreign economies and markets;
- logistics and regulations associated with shipping cell samples and other perishable items, including infrastructure conditions and transportation delays;
- potential import and export issues and other trade barriers and restrictions with the U.S. Customs and Border Protection and similar bodies in other jurisdictions;
- compliance with tax, employment, immigration and labor laws for employees living or traveling abroad;
- workforce uncertainty in countries where labor unrest is more common than in the United States;
- reduced protection for intellectual property rights in some countries and practical difficulties of enforcing intellectual property and contract rights abroad;
- changes in diplomatic and trade relationships, including new tariffs, trade protection measures, import or export licensing requirements, trade embargoes and other trade barriers;
- tariffs imposed by the U.S. on goods from other countries, including the recently implemented tariffs and additional tariff that have been proposed by the U.S. government on various imports from China and the EU and by the governments of these jurisdictions on certain U.S. goods, and any other possible tariffs that may be imposed on products such as ours, the scope and duration of which, if implemented, remains uncertain;
- deterioration of political relations, for example between Russia and other nations, and between the U.K. and members of the EU, which could have a material adverse effect on our sales and operations in these countries;
- changes in social, political and economic conditions or in laws, regulations and policies governing foreign trade, manufacturing, development and investment both domestically as well as in the other countries and jurisdictions into which we sell our products;

- fluctuations in currency exchange rates and the related effect on our results of operations;
- increased financial accounting and reporting burdens and complexities;
- potential increases on tariffs or restrictions on trade generally;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and
- business interruptions resulting from geopolitical actions, including war (such as Russia's invasion of Ukraine) and terrorism, or natural disasters including earthquakes, typhoons, floods and fires.

Use of animal-derived materials could harm our product development and commercialization efforts.

Some of the manufacturing materials and/or components that we use in, and which are critical to, implementation of our technology involve the use of animal-derived products, including FBS. Suppliers or regulatory changes may limit or restrict the availability of such materials for clinical and commercial use. While FBS is commonly used in the production of various marketed biopharmaceuticals, the suppliers of FBS that meet our strict quality standards are limited in number and region. As such, to the extent that any such suppliers or regions face an interruption in supply (for example, if there is a new occurrence of so-called "mad cow disease"), it may lead to a restricted supply of the serum currently required for our product manufacturing processes. Any restrictions on these materials would impose a potential competitive disadvantage for our products or prevent our ability to manufacture our cell products. The FDA has issued regulations for controls over bovine material in animal feed. These regulations do not appear to affect our ability to purchase the manufacturing materials we currently use. However, the FDA may propose new regulations that could affect our operations. Our inability to develop or obtain alternative compounds would harm our product development and commercialization efforts. There are certain limitations in the supply of certain animal-derived materials, which may lead to delays in our ability to complete clinical trials or eventually to meet the anticipated market demand for our cell products.

If product liability lawsuits are brought against us, we may incur substantial liabilities and may be required to limit commercialization of our product candidates.

We face an inherent risk of product liability as a result of the human clinical use of our product candidates and will face an even greater risk if we commercialize any products. For example, we may be sued if any product we develop allegedly causes injury or is found to be otherwise unsuitable during product design, testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability, and a breach of warranties. Claims could also be asserted under state consumer protection and other acts. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities or be required to limit commercialization of our product candidates. Even a successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for our products, even if such products are approved;
- injury to our reputation;
- withdrawal of clinical trial participants;
- costs to defend the related litigations;
- a diversion of management's time and our resources;
- substantial monetary awards to trial participants or patients;
- product recalls, withdrawals, or labeling, marketing or promotional restrictions;
- increased cost of liability insurance;
- loss of revenue;
- the inability to commercialize our product candidates; and
- a decline in our ordinary share price.

Failure to obtain and retain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of products we develop. Additionally, our insurance policies have various exclusions, and we may be subject to a product liability claim for which we have no coverage or reduced coverage. Any claim that may be brought against us could result in a court judgment or settlement in an amount that is not covered, in whole or in part, by our insurance or that is in excess of the limits of our insurance coverage. We will have to pay any amounts awarded by a court or

negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts.

Risks Related to Our Intellectual Property

We may not be able to protect our proprietary technology in the marketplace.

Our success will depend, in part, on our ability to obtain patents, protect our trade secrets and operate without infringing on the proprietary rights of others. We rely upon a combination of patents, trade secret protection, and confidentiality agreements to protect the intellectual property of our product candidates. Patents might not be issued or granted with respect to our patent applications that are currently pending, and issued or granted patents might later be found to be invalid or unenforceable, be interpreted in a manner that does not adequately protect our current product or any future products, or fail to otherwise provide us with any competitive advantage. As such, we do not know the degree of future protection that we will have on our proprietary products and technology, if any, and a failure to obtain adequate intellectual property protection with respect to our product candidates and proprietary technology could have a material adverse impact on our business.

Filing, prosecuting and defending patents throughout the world would be prohibitively expensive, so our policy is to patent technology in jurisdictions with significant or otherwise relevant commercial opportunities or activities. However, patent protection may not be available for some of the products or technology we are developing. If we must spend significant time and money protecting or enforcing our patents, designing around patents held by others or licensing, potentially for large fees, patents or other proprietary rights held by others, our business, results of operations and financial condition may be harmed.

The patent positions of biopharmaceutical products are complex and uncertain.

The scope and extent of patent protection for our product candidates are particularly uncertain. To date, our principal product candidates have been based on specific subpopulations of known and naturally occurring adult stem cells. We anticipate that the products we develop in the future will continue to include or be based on the same or other naturally occurring stem cells or derivatives or products thereof. Although we have sought and expect to continue to seek patent protection for our product candidates, their methods of use and methods of manufacture, any or all of them may not be subject to effective patent protection. Publication of information related to our product candidates by us or others may prevent us from obtaining or enforcing patents relating to these products and product candidates. Furthermore, others may independently develop similar products, may duplicate our products, or may design around our patent rights. In addition, any of our issued patents may be declared invalid. If we fail to adequately protect our intellectual property, we may face competition from companies who attempt to create a generic product to compete with our product candidates. We may also face competition from companies who develop a substantially similar product to our other product candidates that may not be covered by any of our patents.

Filing, prosecuting and defending patents on product candidates in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the U.S. can be less extensive than those in the U.S. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the U.S. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the U.S., or from selling or importing products made using our inventions in and into the U.S. or other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and further, may export otherwise infringing products to territories where we have patent protection, but enforcement is not as strong as that in the U.S. These products may compete with our current or future products, if any, and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries do not favor the enforcement of patents, trade secrets and other intellectual property protection, particularly those relating to biotechnology products, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

We may be unable to adequately prevent disclosure of trade secrets and other proprietary information.

We maintain certain of our proprietary know-how and technological advances as trade secrets, especially where we do not believe patent protection is appropriate or obtainable, including, but not exclusively, with respect to certain aspects of the

manufacturing of our products. However, trade secrets are difficult to protect. We take a number of measures to protect our trade secrets including, limiting disclosure, physical security and confidentiality and non-disclosure agreements. We enter into confidentiality agreements with our employees, consultants, outside scientific collaborators, contract manufacturing partners, sponsored researchers and other advisors and third parties to protect our trade secrets and other proprietary information. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover our trade secrets and proprietary information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights. Failure to obtain or maintain trade secret protection, or failure to adequately protect our intellectual property could enable competitors to develop generic products or use our proprietary information to develop other products that compete with our products or cause additional, material adverse effects upon our business, results of operations and financial condition.

We may be forced to litigate to enforce or defend our intellectual property rights, and/or the intellectual property rights of our licensors.

We may be forced to litigate to enforce or defend our intellectual property rights against infringement by competitors, and to protect our trade secrets against unauthorized use. In so doing, we may place our intellectual property at risk of being invalidated, unenforceable, or limited or narrowed in scope and may no longer be used to prevent the manufacture and sale of competitive product. Further, an adverse result in any litigation or other proceedings before government agencies such as the United States Patent and Trademark Office (“USPTO”), may place pending applications at risk of non-issuance. Further, interference proceedings, derivation proceedings, entitlement proceedings, ex parte reexamination, inter partes reexamination, inter partes review, post-grant review, and opposition proceedings provoked by third parties or brought by the USPTO or any foreign patent authority may be used to challenge inventorship, ownership, claim scope, or validity of our patent applications. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential and proprietary information could be compromised by disclosure during this type of litigation.

Intellectual property disputes could cause us to spend substantial resources and distract our personnel from their normal responsibilities.

Even if resolved in our favor, litigation or other legal proceedings relating to intellectual property claims may cause us to incur significant expenses, and could distract our technical and/or management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the market price of our ADSs and ordinary shares. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities. We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of our competitors may be able to sustain the costs of litigation proceedings more effectively than we can because of their greater financial resources and personnel. In addition, the uncertainties associated with litigation could have a material adverse effect on our ability to raise the funds necessary to conduct our clinical trials, continue our internal research programs, in-license needed technology or enter into strategic collaborations that would help us bring our product candidates to market. As a result, uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace.

U.S. patent reform legislation and court decisions could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued U.S. patents.

Changes in either the patent laws or interpretation of the patent laws in the United States could increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of issued patents. Under the current patent laws, a third party that files a patent application in the USPTO before us for a particular invention could therefore be awarded a patent covering such invention even if we had made that invention before it was made by such third party. This requires us to be cognizant of the time from invention to filing of a patent application.

The current US legislation allows third party submissions of prior art to the USPTO during patent prosecution and additional procedures for attacking the validity of a patent through USPTO administered post-grant proceedings, including post-grant review, *inter partes* review, and derivation proceedings. Because a lower evidentiary standard applies in USPTO proceedings compared to the evidentiary standards applied in United States federal courts in actions seeking to invalidate a patent claim, a third party could potentially provide evidence in a USPTO proceeding sufficient for the USPTO to hold a claim invalid even though the same evidence would be insufficient to invalidate the claim if challenged in a district court action. Accordingly, a third party may attempt to use available USPTO procedures to invalidate our patent claims that would not otherwise have been invalidated if first challenged by the third party in a district court action. These post-grant review (PGR) proceedings, which are similar to European “opposition” proceedings and provide third-party petitioners with the ability to challenge the validity of a patent on more expansive grounds than those permitted in other USPTO proceedings, allow for validity to be examined by the USPTO based not only on prior

art patents and publications, but also on prior invalidating public use and sales, the presence of non-statutory subject matter in the patent claims and inadequate written description or lack of enablement. Discovery for PGR proceedings is accordingly likely to be expansive given that the issues addressed in PGR are more comprehensive than those addressed in other USPTO proceedings.

As compared to intellectual property-reliant companies generally, the patent positions of companies in the development and commercialization of biologics and pharmaceuticals are particularly uncertain. Recent U.S. Supreme Court rulings have narrowed the scope of patent protection available in certain circumstances and weakened the rights of patent owners in certain situations. These rulings have created uncertainty with respect to the validity and enforceability of patents, even once obtained. Depending on future actions by the U.S. Congress, the federal courts, and the USPTO, the laws and regulations governing patents could change in unpredictable ways that could have a material adverse effect on our existing patent portfolio and our ability to protect and enforce our intellectual property in the future.

If third parties claim that intellectual property used by us infringes upon their intellectual property, commercialization of our product candidates and our operating profits could be adversely affected.

There is a substantial amount of litigation, both within and outside the United States, involving patent and other intellectual property rights in the biopharmaceutical industry. We may, from time to time, be notified of claims that we are infringing upon patents, trademarks, copyrights, or other intellectual property rights owned by third parties, and we cannot provide assurances that other companies will not, in the future, pursue such infringement claims against us or any third-party proprietary technologies we have licensed. Any such claims could also be expensive and time consuming to defend and divert management's attention and resources, and could delay or prevent us from commercializing our product candidates. Our competitive position could suffer as a result. Although we have reviewed certain third-party patents and patent filings that we believe may be relevant to our product candidates, we have not conducted a freedom-to-operate search or analysis for our product candidates, and we may not be aware of patents or pending or future patent applications that, if issued, would block us from commercializing our product candidates. Thus, we cannot guarantee that our product candidates, or our commercialization thereof, do not and will not infringe any third party's intellectual property.

If we do not obtain patent term extension in the United States under the Hatch-Waxman Act and in foreign countries under similar legislation, thereby potentially extending the term of our marketing exclusivity of our product candidates, our business may be materially harmed.

Depending on the timing, duration and specifics of FDA marketing approval of our product candidates, if any, one of the U.S. patents covering each of such approved product(s) or the use thereof may be eligible for up to five years of patent term restoration under the Hatch-Waxman Act. The Hatch-Waxman Act allows a maximum of one patent to be extended per FDA approved product. Patent term extension also may be available in certain foreign countries upon regulatory approval of our product candidates, including by the EMA in the EU or the PMDA in Japan. Nevertheless, we may not be granted patent term extension either in the United States or in any foreign country because of, for example, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents or otherwise failing to satisfy applicable requirements. Moreover, the term of extension, as well as the scope of patent protection during any such extension, afforded by the governmental authority could be less than we request. In addition, if a patent we wish to extend is owned by another party and licensed to us, we may need to obtain approval and cooperation from our licensor to request the extension.

If we are unable to obtain patent term extension or restoration, or the term of any such extension is less than we request, the period before we might face generic or follow-on competition could be shortened and we may not be able to stop our competitors from launching competing products following our patent expiration, and our revenue could be reduced, possibly materially.

Risks Related to Our Business and Industry

If we fail to attract and keep senior management and key scientific, commercial, regulatory affairs and other personnel, we may be unable to successfully develop our product candidates, conduct our clinical trials and commercialize our product candidates.

We are highly dependent on members of our executive management, particularly Dr. Silviu Itescu, our Chief Executive Officer. Dr. Itescu was an early pioneer in the study and clinical development of cell therapeutics and is globally recognized in the field of regenerative medicine. The loss of the services of Dr. Itescu or any other member of the executive management team could impede the achievement of our research, development and commercialization objectives.

Recruiting and retaining qualified scientific, clinical, manufacturing, regulatory affairs, sales and marketing personnel will also be critical to our success. We may not be able to attract and retain these personnel on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions.

Our employees, principal investigators, consultants and collaboration partners may engage in misconduct or other improper activities, including noncompliance with laws and regulatory standards and requirements and insider trading.

We are exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include failures to comply with FDA regulations, to provide accurate information to the FDA, to comply with manufacturing standards we have established, to comply with federal and state healthcare fraud and abuse laws and regulations, to report financial information or data accurately or to disclose unauthorized activities to us. In particular, sales, marketing and business arrangements (including arrangements with healthcare providers, opinion leaders, research institutions, distributors and payors) in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, kickbacks, self-dealing and other abusive practices. These laws and regulations restrict or prohibit a wide range of activity relating to pricing, discounting, marketing and promotion, sales commissions, customer incentive programs and other business arrangements. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation, or, given we are a listed company in Australia and the United States, breach of insider trading or other securities laws and regulations. It is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions.

We may acquire other companies or assets which could divert our management's attention, result in additional dilution to our shareholders and otherwise disrupt our operations and harm our operating results.

We have in the past and may in the future seek to acquire businesses, products or technologies that we believe could complement or expand our product offerings, enhance our technical capabilities or otherwise offer growth opportunities. For example, we acquired MSC assets from Osiris Therapeutics, Inc. in 2013. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated. If we acquire additional businesses, we may not be able to integrate the acquired personnel, operations and technologies successfully, or effectively manage the combined business following the acquisition. We also may not achieve the anticipated benefits from the acquired business due to a number of factors, including:

- incurrence of acquisition-related costs;
- diversion of management's attention from other business concerns;
- unanticipated costs or liabilities associated with the acquisition;
- harm to our existing business relationships with collaborators as a result of the acquisition;
- harm to our brand and reputation;
- the potential loss of key employees;
- use of resources that are needed in other parts of our business; and
- use of substantial portions of our available cash to consummate the acquisition.

In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results arising from the impairment assessment process. Acquisitions may also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. In addition, if an acquired business fails to meet our expectations, our business, results of operations and financial condition may be adversely affected.

We and our collaborators must comply with environmental laws and regulations, and failure to comply with these laws and regulations could expose us to significant liabilities.

We and our collaborators are subject to various federal, state and local environmental laws, rules and regulations, including those relating to the discharge of materials into the air, water and ground, the manufacture, storage, handling, use, transportation and disposal of hazardous and biological materials, and the health and safety of employees with respect to laboratory activities required for the development of products and technologies. In the event of contamination or injury, or failure to comply with environmental, occupational health and safety and export control laws and regulations, it could cause an interruption of our commercialization efforts, research and development efforts, or business operations, and we could be held liable for any resulting damages and any such liability could exceed our assets and resources.

We work with outside scientists and their institutions in developing product candidates. These scientists may have other commitments or conflicts of interest, which could limit our access to their expertise and harm our ability to leverage our discovery platform.

We work with scientific advisors and collaborators at academic research institutions in connection with our product development. These scientific advisors serve as our link to the specific pools of trial participants we are targeting in that these advisors may:

- identify individuals as potential candidates for study;
- obtain their consent to participate in our research;
- perform medical examinations and gather medical histories;
- conduct the initial analysis of suitability of the individuals to participate in our research based on the foregoing; and
- collect data and biological samples from trial participants periodically in accordance with our study protocols.

These scientists and collaborators are not our employees, rather they serve as either independent contractors or the primary investigators under research collaboration agreements that we have with their sponsoring academic or research institution. Such scientists and collaborators may have other commitments that would limit their availability to us. Although our scientific advisors generally agree not to do competing work, if an actual or potential conflict of interest between their work for us and their work for another entity arises, we may lose their services. It is also possible that some of our valuable proprietary knowledge may become publicly known through these scientific advisors if they breach their confidentiality agreements with us, which would cause competitive harm to our business.

If our ability to use cumulative carry forward net operating losses is or becomes subject to certain limitations or if certain tax incentive credits from which we may benefit expire or no longer apply to us, our business, results of operations and financial condition may be adversely affected.

We are an Australian company subject to taxation in Australia and other jurisdictions. As of June 30, 2022, our cumulative operating losses have a total potential tax benefit of \$191.7 million at local tax rates (excluding other temporary differences). These losses may be available for use once we are in a tax profitable position. These losses were incurred in different jurisdictions and can only be offset against profits earned in the relevant jurisdictions. Tax losses are able to be carried forward at their nominal amount indefinitely in Australia and in Singapore, and for up to 20 years in the U.S. as long as certain conditions are met; however, new tax reform legislation in the United States allows for indefinite carryforward of any net operating loss arising in a tax year ending after December 31, 2018, subject to certain conditions. In order to use these tax losses, it is necessary to satisfy certain tests and, as a result, we cannot assure you that the tax losses will be available to offset profits if and when we earn them. Utilization of our net operating loss and research and development credit carryforwards in the U.S. may be subject to substantial annual limitation due to ownership change limitations that could occur in the future generally provided by Section 382 of the Internal Revenue Code of 1986, as amended. In addition, U.S. tax reform introduced a limitation on the amount of net operating losses arising in taxable years beginning after December 31, 2017, that a corporation may deduct in a single tax year equal to the lesser of the available net operating loss carryover or 80 percent of a taxpayer's pre-net operating loss deduction taxable income. With respect to carryforward net operating losses in the U.S. that are subject to the 20-year carry-forward limit, our carry forward net operating losses first start to expire in 2032.

In addition, we may be eligible for certain research and development tax incentive refundable credits in Australia that may increase our available cash flow. The Australian federal government's Research and Development Tax Incentive grant is available for eligible research and development purposes based on the filing of an annual application. The Australian government may in the future decide to modify the requirements of, reduce the amounts of the research and development tax incentive credits available under, or discontinue its research and development tax incentive program. For instance, the Australian government undertook a review of its Research and Development Tax Incentive program in the May 2020 Federal budget and in October 2020 introduced new legislation for the refundable tax offset applicable to eligible companies for income tax years commencing from July 1, 2021. One of the legislation changes made was to allow a refundable tax offset for companies with an aggregated turnover of AS\$20.0 million or more. For companies with an aggregated turnover of AS\$20.0 million or more, the rate of the refundable tax offset is the company's corporate tax rate plus a rate between 8.5% and 16.5% depending on the proportion of research and development expenditures in relation to total expenditures. For companies with an aggregated turnover below AS\$20.0 million, the rate of the refundable research and development tax offset was increased to 48.5% for the year ended June 30, 2022 from 43.5% for the year ended June 30, 2021. If the Research and Development Tax program incentives are revoked or modified, or if we are no longer eligible for such incentives due to other circumstances, our business, results of operations and financial condition may be adversely affected.

For the years ended June 30, 2022 and 2021, we were eligible for the refundable tax offset for the research and development tax incentive and management is currently assessing if our research and development activities were eligible under the incentive scheme

and therefore have not applied for a tax offset. Consequently, no income has been recognized from the Research and Development Tax Incentive program for the years ended June 30, 2022 and 2021. There can be no assurances that we will benefit from these incentives in the future if our activities are not eligible under the incentive scheme or that the tax incentive credit programs will not be revoked or modified in any way in the future.

Taxing authorities could reallocate our taxable income within our subsidiaries, which could increase our consolidated tax liability.

We conduct operations in multiple tax jurisdictions and the tax laws of those jurisdictions generally require that the transfer pricing between affiliated companies in different jurisdictions be the same as those between unrelated companies dealing at arms' length, and that such prices are supported by contemporaneous documentation. While we believe that we operate in compliance with applicable transfer pricing laws and intend to continue to do so, our transfer pricing procedures are not binding on applicable tax authorities. If tax authorities in any of these countries were to successfully challenge our transfer pricing as not reflecting arms' length transactions, they could require us to adjust our transfer pricing and thereby reallocate our income to reflect these revised transfer pricing, which could result in a higher tax liability to us, and possibly interest and penalties, and could adversely affect our business, results of operations and financial condition.

The pharmaceutical industry is highly regulated and pharmaceutical companies are subject to various federal and state fraud and abuse laws, including, without limitation, the federal Anti-Kickback Statute and the federal False Claims Act.

Healthcare fraud and abuse regulations are complex and can be subject to varying interpretations as to whether or not a statute has been violated. The laws that may affect our ability to operate include:

- the federal Anti-Kickback Statute which prohibits, among other things, the knowing and willful payment of remuneration to induce or reward patient referrals, prescribing or recommendation of products, or the generation of business involving any item or service which may be payable by the federal health care programs (e.g., drugs, supplies, or health care services for Medicare or Medicaid patients);
- the federal False Claims Act which prohibits, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment for government funds (e.g., payment from Medicare or Medicaid) or knowingly making, using, or causing to be made or used a false record or statement, material to a false or fraudulent claim for government funds;
- the federal *Health Insurance Portability and Accountability Act of 1996* ("HIPAA"), as amended by the *Health Information Technology for Economic and Clinical Health Act*, and its implementing regulations, imposes certain requirements relating to the privacy, security and transmission of individually identifiable health information. Among other things, HIPAA imposes civil and criminal liability for the wrongful access or disclosure of protected health information;
- the federal *Physician Payments Sunshine Act*, created under Section 6002 of the *Patient Protection and Affordable Care Act* ("ACA"), as amended, requires certain manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with certain exceptions) to report information related to certain payments or other transfers of value made or distributed to physicians and teaching hospitals, or to entities or individuals at the request of, or designated on behalf of, those physicians and teaching hospitals and to report annually certain ownership and investment interests held by physicians and their immediate family members;
- the FDCA, which, among other things, regulates the testing, development, approval, manufacture, promotion and distribution of drugs, devices and biologics. The FDCA prohibits manufacturers from selling or distributing "adulterated" or "misbranded" products. A drug product may be deemed misbranded if, among other things, (i) the product labeling is false or misleading, fails to contain requisite information or does not bear adequate directions for use; (ii) the product is manufactured at an unregistered facility; or (iii) the product lacks the requisite FDA clearance or approval;
- the U.S. *Foreign Corrupt Practices Act* ("FCPA"), which prohibits corrupt payments, gifts or transfers of value to non-U.S. officials; and
- non-U.S. and U.S. state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payor, including commercial insurers.

Any failure to comply with these laws, or the regulations adopted thereunder, could result in administrative, civil, and/or criminal penalties, and could result in a material adverse effect on our reputation, business, results of operations and financial condition.

The federal fraud and abuse laws have been interpreted to apply to arrangements between pharmaceutical manufacturers and a variety of health care professionals and healthcare organizations. Although the federal Anti-Kickback Statute has several statutory

exemptions and regulatory safe harbors protecting certain common activities from prosecution, all elements of the potentially applicable exemption or safe harbor must be met in order for the arrangement to be protected, and prosecutors have interpreted the federal healthcare fraud statutes to attack a wide range of conduct by pharmaceutical companies. In addition, most states have statutes or regulations similar to the federal anti-kickback and federal false claims laws, which apply to items and services covered by Medicaid and other state programs, or, in several states, apply regardless of the payor. Administrative, civil and criminal sanctions may be imposed under these federal and state laws.

Further, the ACA, among other things, amended the intent standard under the Anti-Kickback Statute such that a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. In addition, the ACA makes clear that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim under the federal False Claims Act. Any violations of these laws, or any action against us for violation of these laws, even if we successfully defend against it, could result in a material adverse effect on our reputation, business, results of operations and financial condition.

A failure to adequately protect private health information could result in severe harm to our reputation and subject us to significant liabilities, each of which could have a material adverse effect on our business.

Throughout the clinical trial process, we may obtain the private health information of our trial subjects. There are a number of state, federal and international laws protecting the privacy and security of health information and personal data. As part of the *American Recovery and Reinvestment Act 2009* ("ARRA"), Congress amended the privacy and security provisions of HIPAA. HIPAA imposes limitations on the use and disclosure of an individual's healthcare information by healthcare providers conducting certain electronic transactions, healthcare clearinghouses, and health insurance plans, collectively referred to as covered entities. The HIPAA amendments also impose compliance obligations and corresponding penalties for non-compliance on certain individuals and entities that provide services to or perform certain functions on behalf of healthcare providers and other covered entities involving the use or disclosure of individually identifiable health information, collectively referred to as business associates. ARRA also made significant increases in the penalties for improper use or disclosure of an individual's health information under HIPAA and extended enforcement authority to state attorneys general. The amendments also create notification requirements to federal regulators, and in some cases local and national media, for individuals whose health information has been inappropriately accessed or disclosed. Notification is not required under HIPAA if the health information that is improperly used or disclosed is deemed secured in accordance with certain encryption or other standards developed by the U.S. Department of Health and Human Services, or HHS. Most states have laws requiring notification of affected individuals and state regulators in the event of a breach of personal information, which is a broader class of information than the health information protected by HIPAA. Many state laws impose significant data security requirements, such as encryption or mandatory contractual terms to ensure ongoing protection of personal information. Activities outside of the U.S. implicate local and national data protection standards, impose additional compliance requirements and generate additional risks of enforcement for non-compliance. The EU's General Data Protection Regulation, Canada's *Personal Information Protection and Electronic Documents Act* and other data protection, privacy and similar national, state/provincial and local laws and regulations may also restrict the access, use and disclosure of patient health information abroad. We may be required to expend significant capital and other resources to ensure ongoing compliance with applicable privacy and data security laws, to protect against security breaches and hackers or to alleviate problems caused by such breaches, and the failure to so comply may lead to fines or penalties.

Our operations are subject to anti-corruption laws, including Australian bribery laws, the United Kingdom Bribery Act, and the FCPA and other anti-corruption laws that apply in countries where we do business.

Anti-corruption laws generally prohibit us and our employees and intermediaries from bribing, being bribed or making other prohibited payments to government officials or other persons to obtain or retain business or gain some other business advantage. Although we believe that we have adequate policies and enforcement mechanisms to ensure legal and regulatory compliance with the FCPA, the U.K. Bribery Act 2010 and other similar regulations, we participate in collaborations and relationships with third parties, and it is possible that any of our employees, subcontractors, agents or partners may violate any such legal and regulatory requirements, which may expose us to criminal or civil enforcement actions, including penalties and suspension or disqualification from U.S. federal procurement contracting. In addition, we cannot predict the nature, scope or effect of future regulatory requirements to which our international operations might be subject or the manner in which existing laws might be administered or interpreted.

There is no assurance that we will be completely effective in ensuring our compliance with all applicable anti-corruption laws or other laws including trade related laws. If we are not in compliance with these laws, we may be subject to criminal and civil penalties, disgorgement and other sanctions and remedial measures, and legal expenses, which could have an adverse impact on our business, financial condition, results of operations and liquidity. Likewise, any investigation of any potential violations of these laws by respective government bodies could also have an adverse impact on our reputation, our business, results of operations and financial condition.

We may lose our foreign private issuer status, which would then require us to comply with the Exchange Act's domestic reporting regime and cause us to incur additional legal, accounting and other expenses.

In order to maintain our current status as a foreign private issuer, either (1) a majority of our ordinary shares must be either directly or indirectly owned of record by non-residents of the United States or (2) (a) a majority of our executive officers or directors must not be U.S. citizens or residents, (b) more than 50 percent of our assets cannot be located in the U.S. and (c) our business must be administered principally outside the U.S. If we lost this status, we would be required to comply with the Exchange Act reporting and other requirements applicable to U.S. domestic issuers, which are more detailed and extensive than the requirements for foreign private issuers. We may also be required to make changes in our corporate governance practices in accordance with various SEC rules and Nasdaq listing standards. Further, we would be required to comply with U.S. GAAP, as opposed to IFRS, in the preparation and issuance of our financial statements for historical and current periods. The regulatory and compliance costs to us under U.S. securities laws if we are required to comply with the reporting requirements applicable to a U.S. domestic issuer may be higher than the cost we would incur as a foreign private issuer. As a result, we expect that a loss of foreign private issuer status would increase our legal and financial compliance costs.

If we fail to maintain proper internal controls, our ability to produce accurate financial statements or comply with applicable regulations could be impaired.

Section 404(a) of the *Sarbanes-Oxley Act of 2002* (the "Sarbanes-Oxley Act") requires that our management assess and report annually on the effectiveness of our internal controls over financial reporting and identify any material weaknesses in our internal controls over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight.

If either we are unable to conclude that we have effective internal controls over financial reporting or our independent auditors are unwilling or unable to provide us with an unqualified report on the effectiveness of our internal controls over financial reporting as required by Section 404(b) of the Sarbanes-Oxley Act, investors may lose confidence in our operating results, the price of the ADSs could decline and we may be subject to litigation or regulatory enforcement actions. In addition, if we are unable to meet the requirements of Section 404 of the Sarbanes-Oxley Act, we may not be able to remain listed on Nasdaq Global Select Market ("Nasdaq").

We have incurred and will continue to incur significant increased costs as a result of operating as a company whose ADSs are publicly traded in the United States, and our management will continue to be required to devote substantial time to compliance initiatives.

As a company whose ADSs are publicly traded in the United States, we have incurred and will continue to incur significant legal, accounting, insurance and other expenses. The Sarbanes-Oxley Act, Dodd-Frank Wall Street Reform and Consumer Protection Act and related rules implemented by the SEC and Nasdaq, have imposed various requirements on public companies including requiring establishment and maintenance of effective disclosure and financial controls. Our management and other personnel will need to continue to devote a substantial amount of time to these compliance initiatives, and we will need to add additional personnel and build our internal compliance infrastructure. Moreover, these rules and regulations have increased and will continue to increase our legal and financial compliance costs and will make some activities more time-consuming and costly. These laws and regulations could also make it more difficult and expensive for us to attract and retain qualified persons to serve on our board of directors, our board committees or as our senior management. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of the ADSs, fines, sanctions and other regulatory action and potentially regulatory investigations and enforcement and/or civil litigation.

We have never declared or paid dividends on our ordinary shares, and we do not anticipate paying dividends in the foreseeable future. Therefore, you must rely on price-appreciation of our ordinary shares or ADSs for a return on your investment.

We have never declared or paid cash dividends on our ordinary shares. For the foreseeable future, we currently intend to retain all available funds and any future earnings to support our operations and to finance the growth and development of our business. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to compliance with applicable laws and covenants under the loan facilities with Oaktree and NovaQuest or other current or future credit facilities, which may restrict or limit our ability to pay dividends, and will depend on our financial condition, operating results, capital requirements, general business conditions and other factors that our board of directors may deem relevant. We do not anticipate paying any cash dividends on our ordinary shares in the foreseeable future. As a result, a return on your investment in our ordinary shares or ADSs will likely only occur if our ordinary share or ADS price appreciates. There is no guarantee that our ordinary shares or ADSs will appreciate in value in the future.

Australian takeover laws may discourage takeover offers being made for us or may discourage the acquisition of a significant position in our ordinary shares or ADSs.

We are incorporated in Australia and are subject to the takeover laws of Australia. Among other things, we are subject to the Australian *Corporations Act 2001* (the “Corporations Act”). Subject to a range of exceptions, the Corporations Act prohibits the acquisition of a direct or indirect interest in our issued voting shares if the acquisition of that interest will lead to a person’s voting power in us increasing to more than 20%, or increasing from a starting point that is above 20% and below 90%. Australian takeover laws may discourage takeover offers being made for us or may discourage the acquisition of a significant position in our ordinary shares. This may have the ancillary effect of entrenching our board of directors and may deprive or limit our shareholders’ opportunity to sell their ordinary shares or ADSs and may further restrict the ability of our shareholders to obtain a premium from such transactions.

Significant disruptions of information technology systems, data security breaches or unauthorized disclosure of sensitive data could adversely affect our business by exposing us to liability and affect our business and reputation.

The Company is increasingly dependent on critical, complex, and interdependent information technology systems (IT systems), including cloud based software and external servers, some of which are managed or hosted by third parties, to support business processes as well as internal and external communications. The information and data processed and stored in our IT systems, and those of our research collaborators, CROs, contract manufacturers, suppliers, distributors, or other third parties for which we depend to operate our business, may be vulnerable to cybersecurity breaches from unauthorized activity by our employees, contractors or malware, hacking, business email compromise, phishing or other cyberattacks directed by other parties. Such breaches can result in loss, damage, denial-of-service, unauthorized access or misappropriation and may pose a risk that sensitive data, including our intellectual property, trade secrets or personal information of our employees, patients, customers or other business partners may be exposed to unauthorized persons or to the public. In addition, our increased reliance on personnel working from home may negatively impact productivity, or disrupt, delay, or otherwise adversely impact our business. The increase in working remotely could increase our cybersecurity risk, create data accessibility concerns, and make us more susceptible to communication disruptions, any of which could adversely impact our business operations or delay necessary interactions with local and federal regulators, manufacturing sites, clinical trial sites, and other third parties.

The rapidly moving nature of technology and the increasing sophistication of cybersecurity threats, may mean our measures to prevent, respond to and minimize such risks may be ineffective. If a material incident or interruption were to occur, it could result in a disruption of our development programs and future commercial operations, including due to a loss, corruption or unauthorized disclosure of our proprietary or sensitive information. Additionally, the costs to the company to investigate and mitigate cybersecurity incidents could be significant. Any disruption, security breach, or action by the company, its employees, or contractors that might be inconsistent with the rapidly evolving data privacy and security laws and regulations applicable within Australia and the United States and elsewhere where we conduct business, could result in; enforcement actions by both countries state and federal governments or foreign governments, liability or sanctions under data privacy laws including healthcare laws such as the Privacy Act or HIPAA that protect certain types of sensitive information, regulatory penalties, other legal proceedings such as but not limited to private litigation, the incurrence of significant remediation costs, disruptions to our development programs, business operations and collaborations, diversion of management efforts and damage to our reputation which could harm our business and operations.

Risks Related to Our Trading Markets

The market price and trading volume of our ordinary shares and ADSs may be volatile and may be affected by economic conditions beyond our control. Such volatility may lead to securities litigation.

The market price of our ordinary shares and ADSs may be highly volatile and subject to wide fluctuations. In addition, the trading volume of our ordinary shares and ADSs may fluctuate and cause significant price variations to occur. We cannot assure you that the market price of our ordinary shares and ADSs will not fluctuate or significantly decline in the future.

Some specific factors that could negatively affect the price of our ordinary shares and ADSs or result in fluctuations in their price and trading volume include:

- results of clinical trials of our product candidates;
- results of clinical trials of our competitors’ products;
- regulatory actions with respect to our products or our competitors’ products;
- actual or anticipated fluctuations in our quarterly operating results or those of our competitors;
- publication of research reports by securities analysts about us or our competitors in the industry;

- our failure or the failure of our competitors to meet analysts' projections or guidance that we or our competitors may give to the market;
- fluctuations of exchange rates between the U.S. dollar and the Australian dollar;
- additions to or departures of our key management personnel;
- issuances by us of debt or equity securities;
- litigation or investigations involving our company, including: shareholder litigation; investigations or audits by regulators into the operations of our company; or proceedings initiated by our competitors or clients;
- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- the passage of legislation or other regulatory developments affecting us or our industry;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- changes in trading volume of ADSs on the Nasdaq and of our ordinary shares on the ASX;
- sales or perceived potential sales of the ADSs or ordinary shares by us, our directors, senior management or our shareholders in the future;
- short selling or other market manipulation activities;
- announcement or expectation of additional financing efforts;
- terrorist acts, acts of war or periods of widespread civil unrest (such as Russia's invasion of Ukraine);
- natural disasters, the impact of climate change and other calamities;
- changes in market conditions for biopharmaceutical companies; and
- conditions in the U.S. or Australian financial markets or changes in general economic conditions.

In the past, following periods of volatility in the market price of a company's securities, shareholders often instituted securities class action litigation against that company. If we were involved in a class action suit, it could divert the attention of senior management, require significant expenditure for defense costs, and, if adversely determined, could have a material adverse effect on our results of operations and financial condition. 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, its former Chief Financial Officer and its former Chief Medical Officer for alleged violations of the U.S. Securities Exchange Act of 1934. The parties have reached an agreement in principle to settle the securities class action on a class wide basis for \$2.0 million, with no admission of liability. This settlement was paid by the Company's insurer in May 2022, other than the minimum excess as per the Company's insurance policy. The settlement is subject to final documentation, notice to the class members, and approval of the court. The court granted preliminary approval of the settlement on April 8, 2022 and final approval on August 15, 2022.

A class action proceeding in the Federal Court of Australia was served on the Company in May 2022 by the law firm William Roberts Lawyers on behalf of persons who, between February 22, 2018 and December 17, 2020, acquired an interest in Mesoblast shares, American Depository Receipts, and/or related equity swap arrangements. In June 2022, the firm Phi Finney McDonald commenced a second shareholder class action against the Company in the Federal Court of Australia asserting similar claims arising during the same period. Like the class action lawsuit from October 2020 filed in the U.S. Federal District Court for the Southern District of New York, the Australian class actions relate to the Complete Response Letter released by the FDA; they also, unlike the U.S. action, relate to certain representations made by the Company in relation to our COVID-19 product candidate and the decline in the market price of our ordinary shares in December 2020. The Australian class actions have been assigned to Justice Beach, who has set a hearing date of October 25, 2022 to rule on whether to consolidate the Australian class actions into one lawsuit. Justice Beach has ordered that the Company need not file a defense until further order. The Company will continue to vigorously defend against both proceedings. The Company cannot provide any assurance as to the possible outcome or cost to us from the lawsuits, particularly as they are at an early stage, nor how long it may take to resolve such lawsuits. Thus, the Company has not accrued any amounts in connection with such legal proceedings.

The dual listing of our ordinary shares and the ADSs may adversely affect the liquidity and value of these securities.

Our ADSs are listed on the Nasdaq and our ordinary shares are listed on the ASX. We cannot predict the effect of this dual listing on the value of our ordinary shares and ADSs. However, the dual listing of our ordinary shares and ADSs may dilute the liquidity of these securities in one or both markets and may adversely affect the development of an active trading market for the ADSs

in the United States. The price of the ADSs could also be adversely affected by trading in our ordinary shares on the ASX, and vice versa.

If securities or industry analysts do not publish research reports about our business, or if they issue an adverse opinion about our business, the market price and trading volume of our ordinary shares and/or ADSs could decline.

The trading market for our ordinary shares and ADSs could be influenced by the research and reports that securities or industry analysts publish about us or our business. Securities and industry analysts may discontinue research on our company, to the extent such coverage currently exists, or in other cases, may never publish research on our company. If too few securities or industry analysts commence coverage of our company, the trading price for our ordinary shares and ADSs would likely be negatively impacted. If one or more of the analysts who cover us downgrade our ordinary shares or ADSs or publish inaccurate or unfavorable research about our business, the market price of our ADSs would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our ordinary shares and/or ADSs could decrease, which might cause our price and trading volume to decline.

Risks Related to Ownership of Our ADSs

An active trading market for the ADSs may not develop in the United States.

Our ADSs are listed in the United States on the Nasdaq under the symbol "MESO." However, we cannot assure you that an active public market in the United States for the ADSs will develop on that exchange, or if developed, that this market will be sustained.

We currently report our financial results under IFRS, which differs in certain significant respect from U.S. GAAP.

Currently we report our financial statements under IFRS. There have been and there may in the future be certain significant differences between IFRS and U.S. GAAP, including differences related to revenue recognition, intangible assets, share-based compensation expense, income tax and earnings per share. As a result, our financial information and reported earnings for historical or future periods could be significantly different if they were prepared in accordance with U.S. GAAP. In addition, we do not intend to provide a reconciliation between IFRS and U.S. GAAP unless it is required under applicable law. As a result, you may not be able to meaningfully compare our financial statements under IFRS with those companies that prepare financial statements under U.S. GAAP.

As a foreign private issuer, we are permitted and expect to follow certain home country corporate governance practices in lieu of certain Nasdaq requirements applicable to domestic issuers and we are permitted to file less information with the Securities and Exchange Commission than a company that is not a foreign private issuer. This may afford less protection to holders of our ADSs.

As a "foreign private issuer", as defined in Rule 405 under the *Securities Exchange Act of 1933*, as amended (the "Securities Act"), whose ADSs will be listed on the Nasdaq, we will be permitted to, and plan to, follow certain home country corporate governance practices in lieu of certain Nasdaq requirements. For example, we may follow home country practice with regard to certain corporate governance requirements, such as the composition of the board of directors and quorum requirements applicable to shareholders' meetings. This difference may result in a board that is more difficult to remove and less shareholder approvals required generally. In addition, we may follow home country practice instead of the Nasdaq Global Select Market requirement to hold executive sessions and to obtain shareholder approval prior to the issuance of securities in connection with certain acquisitions or private placements of securities. The above differences may result in less shareholder oversight and requisite approvals for certain acquisition or financing related decisions. Further, we may follow home country practice instead of the Nasdaq Global Select Market requirement to obtain shareholder approval prior to the establishment or amendment of certain share option, purchase or other compensation plans. This difference may result in less shareholder oversight and requisite approvals for certain company compensation related decisions. A foreign private issuer must disclose in its annual reports filed with the Securities and Exchange Commission, or SEC, and the Nasdaq Global Select Market, the requirements with which it does not comply followed by a description of its applicable home country practice. The Australian home country practices described above may afford less protection to holders of the ADSs than that provided under the Nasdaq Global Select Market rules.

Further, as a foreign private issuer, we are exempt from certain rules under the "Exchange Act", that impose disclosure requirements as well as procedural requirements for proxy solicitations under Section 14 of the Exchange Act. In addition, our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act. Moreover, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as a company that files as a domestic issuer whose securities are registered under the Exchange Act, nor are we generally required to comply with the SEC's Regulation FD, which restricts the selective disclosure of material non-public information. Accordingly, the information may not be disseminated in as timely a manner, or there may be less information publicly available concerning us generally than there is for a company that files as a domestic issuer.

ADS holders may be subject to additional risks related to holding ADSs rather than ordinary shares.

ADS holders do not hold ordinary shares directly and, as such, are subject to, among others, the following additional risks.

- As an ADS holder, we will not treat you as one of our shareholders and you will not be able to exercise shareholder rights, except through the American depositary receipt, or ADR, depositary as permitted by the deposit agreement.
- Distributions on the ordinary shares represented by your ADSs will be paid to the ADR depositary, and before the ADR depositary makes a distribution to you on behalf of your ADSs, any withholding taxes that must be paid will be deducted. Additionally, if the exchange rate fluctuates during a time when the ADR depositary cannot convert the foreign currency, you may lose some or all of the value of the distribution.
- We and the ADR depositary may amend or terminate the deposit agreement without the ADS holders' consent in a manner that could prejudice ADS holders.

ADS holders must act through the ADR depositary to exercise your voting rights and, as a result, you may be unable to exercise your voting rights on a timely basis.

As a holder of ADSs (and not the ordinary shares underlying your ADSs), we will not treat you as one of our shareholders, and you will not be able to exercise shareholder rights. The ADR depositary will be the holder of the ordinary shares underlying your ADSs, and ADS holders will be able to exercise voting rights with respect to the ordinary shares represented by the ADSs only in accordance with the deposit agreement relating to the ADSs. There are practical limitations on the ability of ADS holders to exercise their voting rights due to the additional procedural steps involved in communicating with these holders. For example, holders of our ordinary shares will receive notice of shareholders' meetings by mail or email and will be able to exercise their voting rights by either attending the shareholders meeting in person or voting by proxy. ADS holders, by comparison, will not receive notice directly from us. Instead, in accordance with the deposit agreement, we will provide notice to the ADR depositary of any such shareholders meeting and details concerning the matters to be voted upon. As soon as practicable after receiving notice from us of any such meeting, the ADR depositary will mail to holders of ADSs the notice of the meeting and a statement as to the manner in which voting instructions may be given by ADS holders. To exercise their voting rights, ADS holders must then instruct the ADR depositary as to voting the ordinary shares represented by their ADSs. Due to these procedural steps involving the ADR depositary, the process for exercising voting rights may take longer for ADS holders than for holders of ordinary shares. The ordinary shares represented by ADSs for which the ADR depositary fails to receive timely voting instructions will not be voted. Under Australian law and our Constitution, any resolution to be considered at a meeting of the shareholders shall be decided on a show of hands unless a poll is demanded by the shareholders at or before the declaration of the result of the show of hands. Under voting by a show of hands, multiple "yes" votes by ADS holders will only count as one "yes" vote and will be negated by a single "no" vote, unless a poll is demanded.

If we are or become classified as a passive foreign investment company, our U.S. securityholders may suffer adverse tax consequences.

Based upon an analysis of our income and assets for the taxable year ended June 30, 2022, we do not believe we were a passive foreign investment company (a "PFIC") for our most recent tax year. In general, if at least 75% of our gross income for any taxable year consists of passive income or at least 50% of the average quarterly value of assets is attributable to assets that produce passive income or are held for the production of passive income, including cash, then we will be classified as a PFIC for U.S. federal income tax purposes. Passive income for this purpose generally includes dividends, interest, certain royalties and rents, and gains from commodities and securities transactions. Passive assets for this purpose generally includes assets held for the production of passive income. Accordingly, passive assets generally include any cash, cash equivalents and cash invested in short-term, interest bearing, debt instruments or bank deposits that are readily convertible into cash. Since PFIC status depends upon the composition of our income and assets and the market value of our assets from time to time, and since the determination of PFIC status must be made annually at the end of each taxable year, there can be no assurance that we will not be considered a PFIC for any future taxable year. Investors should be aware that our gross income for purposes of the PFIC income test depends on the receipt of active revenue, and there can be no assurances that such active revenue will continue, or that we will receive other gross income that is not considered passive for purposes of the PFIC income test. If we were a PFIC for any taxable year during a U.S. investor's holding period for the ordinary shares or ADSs, we would ordinarily continue to be treated as a PFIC for each subsequent year during which the U.S. investor owned the ordinary shares or ADSs. If we were treated as a PFIC, U.S. investors would be subject to special punitive tax rules with respect to any "excess distribution" received from us and any gain realized from a sale or other disposition (including a pledge) of the ordinary shares or ADSs unless a U.S. investor made a timely "qualified electing fund" or "mark-to-market" election. For a more detailed discussion of the U.S. tax consequences to U.S. investors if we were classified as a PFIC, see Item 10.E- "Taxation — Certain Material U.S. Federal Income Tax Considerations to U.S. Holders — Passive Foreign Investment Company".

Changes in foreign currency exchange rates could impact amounts you receive as a result of any dividend or distribution we declare on our ordinary shares.

Any significant change in the value of the Australian dollar may impact amounts you receive in U.S. dollars as a result of any dividend or distribution we declare on our ordinary shares as a holder of our ADSs. More specifically, any dividends that we pay on our ordinary shares will be in Australian dollars. The depository for the ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on our ordinary shares or other deposited securities after deducting its fees and expenses, including any such fees or expenses incurred to convert any such Australian dollars into U.S. dollars. You will receive these distributions in U.S. dollars in proportion to the number of our ordinary shares your ADSs represent. Depreciation of the U.S. dollar against the Australian dollar would have a negative effect on any such distribution payable to you.

You may not receive distributions on our ordinary shares represented by the ADSs or any value for such distribution if it is illegal or impractical to make them available to holders of ADSs.

While we do not anticipate paying any dividends on our ordinary shares in the foreseeable future, if such a dividend is declared, the depository for the ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on our ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of our ordinary shares your ADSs represent. However, in accordance with the limitations set forth in the deposit agreement, it may be unlawful or impractical to make a distribution available to holders of ADSs. We have no obligation to take any other action to permit the distribution of the ADSs, ordinary shares, rights or anything else to holders of the ADSs. This means that you may not receive the distributions we make on our ordinary shares or any value from them if it is unlawful or impractical to make them available to you. These restrictions may have a material adverse effect on the value of your ADSs.

You may be subject to limitations on transfers of your ADSs.

ADSs are transferable on the books of the depository. However, the depository may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depository may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depository are closed, or at any time if we or the depository deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

U.S. investors may have difficulty enforcing civil liabilities against our company, our directors or members of our senior management.

Several of our officers and directors are non-residents of the United States, and a substantial portion of the assets of such persons are located outside the U.S. As a result, it may be impossible to serve process on such persons in the United States or to enforce judgments obtained in U.S. courts against them based on civil liability provisions of the securities laws of the U.S. Even if you are successful in bringing such an action, there is doubt as to whether Australian courts would enforce certain civil liabilities under U.S. securities laws in original actions or judgments of U.S. courts based upon these civil liability provisions. In addition, awards of punitive damages in actions brought in the U.S. or elsewhere may be unenforceable in Australia or elsewhere outside the U.S. An award for monetary damages under the U.S. securities laws would be considered punitive if it does not seek to compensate the claimant for loss or damage suffered and is intended to punish the defendant. The enforceability of any judgment in Australia will depend on the particular facts of the case as well as the laws and treaties in effect at the time. The U.S. and Australia do not currently have a treaty or statute providing for recognition and enforcement of the judgments of the other country (other than arbitration awards) in civil and commercial matters. As a result, our public shareholders and holders of the ADSs may have more difficulty in protecting their interests through actions against us, our management, our directors than would shareholders of a corporation incorporated in a jurisdiction in the United States.

Item 4. Information on the Company

4.A History and Development of Mesoblast

Mesoblast Limited

Mesoblast Limited was incorporated on June 8, 2004 as a public company in Australia under the *Corporations Act 2001* with an indefinite duration. On December 16, 2004 we became listed on the Australian Securities Exchange (the "ASX"). On November 13, 2015, we became listed on the Nasdaq Global Select Market ("Nasdaq") and from this date we have been dual-listed in Australia and the United States. Our registered office is located at the following address:

Mesoblast Ltd
Level 38
55 Collins Street
Melbourne VIC 3000
Australia
Telephone: +61 3 9639 6036
Web: www.mesoblast.com

Our agent for service of process in the United States is Mesoblast Inc., 505 Fifth Avenue, Level 3, New York, NY 10017. All information we file with the SEC is available through the SEC's Electronic Data Gathering, Analysis and Retrieval system, which may be accessed through the SEC's website at www.sec.gov.

For a list of our significant subsidiaries, see Exhibit 8.1 to this Annual Report.

Important Corporate Developments

Fiscal year 2022 to date of annual report

August	<p>Announced the appointment of Ms. Jane Bell to the board of directors of the Company as a non-executive director.</p> <p>Completed a US\$45.0 million (A\$65.0 million) financing in a global private placement predominantly to major shareholders of the Company. The proceeds from the placement will facilitate activities for launch and commercialization for remestemcel-L, in the treatment of children with SR-aGVHD for which Mesoblast seeks United States Food and Drug Administration's ("FDA") approval under a planned resubmission of its Biologics License Application ("BLA"); and commencement of a second Phase 3 clinical trial of rexlemstrocet-L to confirm reduction in chronic low back pain associated with degenerative disc disease.</p>
July	<p>Announced that analysis from the DREAM-HF Phase 3 trial showed that patients with chronic heart failure and reduced ejection fraction ("HFrEF") treated with rexlemstrocet-L demonstrated greater improvement in the pre-specified analysis of left ventricular ejection fraction at 12 months relative to controls. Improvement in LVEF was most pronounced in the setting of inflammation and preceded long-term reduction in the 3-point MACE of cardiovascular death, non-fatal heart attack or stroke.</p>
June	<p>Announced that a second class action proceeding in the Federal Court of Australia had been served on the Company similar in nature to that announced in May 2022.</p>
May	<p>Provided an update on survival outcomes through 12-months from the randomized controlled trial of remestemcel-L in ventilator-dependent COVID-19 patients with moderate/severe acute respiratory distress syndrome ("ARDS").</p> <p>Announced plans to work together with investigators from a clinical trial network focused on acute lung injury to design and implement a pivotal trial of remestemcel-L to reduce mortality in high-risk patients with ARDS.</p> <p>Announced that a class action proceeding in the Federal Court of Australia had been served on the Company.</p>
March	<p>Announced the appointment of Dr. Philip Krause to the board of directors of Mesoblast as a non-executive director.</p>
February	<p>Announced that positive results from the first cohort of patients in the randomized, controlled study of remestemcel-L by direct endoscopic delivery to areas of inflammation in patients with medically refractory ulcerative colitis or Crohn's colitis were presented at the 17th Congress of European Crohn's and Colitis Organisation (ECCO) by the trial's lead investigator Dr. Amy L. Lightner, Associate Professor of Surgery in the Department of Colon and Rectal Surgery at Cleveland Clinic and were published in the <i>Journal of Crohn's and Colitis</i>.</p> <p>Announced the appointment of Dr. Eric Rose as the Company's Chief Medical Officer (CMO). Dr. Rose has been a non-executive director of Mesoblast since 2013, and he remains on the board as an executive director.</p>

January	Announced 36-month follow-up results from the 404-patient Phase 3 trial of rexlomestocel-L in patients with CLBP associated with degenerative disc disease. Results from the three-arm trial presented at the 2022 Biotech Showcase event, showed durable reduction in back pain lasting at least three years from a single intra-discal injection of rexlomestocel-L+hyaluronic acid (HA) carrier.
December	<p>Provided a regulatory update on remestemcel-L for SR-aGVHD in children following a meeting with the FDA Office of Tissue and Advanced Therapies (“OTAT”) to address the appropriateness of a potency assay related to remestemcel-L’s proposed immunomodulatory mechanism of action as well as the approach to outstanding CMC items identified in the complete response letter (“CRL”).</p> <p>Announced feedback from the FDA’s OTAT on the Phase 3 program of rexlomestocel-L in patients with CLBP due to degenerative disc disease refractory to available therapies, including opioids. Following review of the completed Phase 3 trial data, OTAT agreed with Mesoblast’s proposal for pain reduction at 12 months as the primary endpoint of the next trial, with functional improvement and reduction in opioid use as secondary endpoints. We plan to conduct an additional US Phase 3 trial which may support submissions for potential approval in both the US and EU. The trial will include at least 20% of subjects from the EU to support global submission plans.</p> <p>Notified by Novartis that it has chosen to terminate the agreement with Mesoblast prior to closing. We reiterated that we remain highly focused on executing on our short-term objective to bring remestemcel-L to market for patients with ARDS due to COVID-19.</p> <p>Provided new analyses of pre-specified high-risk groups in the DREAM-HF Phase 3 trial of rexlomestocel-L in patients with chronic HFrEF showed greatest treatment benefit in major cardiovascular adverse events (MACE) of cardiovascular mortality or irreversible morbidity (non-fatal heart attack or stroke) in patients with diabetes and/or myocardial ischemia (72% of total treated population).</p>
November	<p>Announced the successful refinancing and expansion of our senior debt facility. Our existing senior debt facility with Hercules Capital, Inc. has been refinanced with a new \$90.0 million five-year facility provided by funds associated with Oaktree Capital Management, L.P. (“Oaktree”). The Oaktree transaction provides for up to \$90.0 million in borrowings, with the first tranche of \$60.0 million drawn on closing, and the remaining \$30.0 million available prior to December 31, 2022, subject to certain milestones.</p> <p>Results from the randomized, controlled Phase 3 trial of rexlomestocel-L in 565 patients with New York Heart Association (“NYHA”) class II and class III chronic HFrEF were presented as a late breaking presentation at the American Heart Association (“AHA”) annual Scientific Sessions. The trial’s co-principal investigator Dr Emerson Perin, Medical Director of Texas Heart Institute, and Clinical Professor, Baylor College of Medicine, presented new results from the landmark study showing a significant relationship between presence of systemic inflammation as quantified by high-sensitivity C-reactive protein (hs-CRP) and treatment benefit with rexlomestocel-L on risk of cardiovascular mortality, heart attacks or strokes.</p>
October	<p>Announced that results published in the latest issue of the peer-reviewed journal <i>Bone Marrow Transplantation</i> showed that children with steroid-refractory acute graft versus host disease and biomarkers predictive for highest mortality had 64% survival when treated with remestemcel-L compared with only 10% survival when treated with other available therapies, including ruxolitinib or other biologics.</p> <p>Announced that results from the randomized, controlled Phase 3 trial of rexlomestocel-L in 565 patients with NYHA class II and class III chronic HFrEF have been selected through peer review as a late breaking presentation at the AHA annual meeting occurring November 2021.</p>
August	<p>Announced outcomes from our meeting with the FDA in regard to potential emergency use authorization (EUA) for remestemcel-L in the treatment of ventilator-dependent patients with moderate or severe ARDS due to COVID-19.</p> <p>Announced Chief Financial Officer (“CFO”) Josh Muntner will be leaving the organization and Andrew Chaponnel, currently Head of Finance, will assume the role of interim CFO.</p>
July	<p>90-day survival outcomes from the randomized controlled trial of remestemcel-L in 222 ventilator-dependent COVID-19 patients with moderate/severe ARDS were highlighted at the International Society for Cell & Gene Therapy (ISCT) Scientific Signatures Series event on Cell and Gene-Based Therapies in Lung Diseases and Critical Illnesses.</p> <p>Provided an update on the strategy for potential approval pathways for rexlomestocel-L in the United States (US) with chronic low back pain (“CLBP”) due to degenerative disc disease refractory to available therapies, including filing a request for a Type C meeting with the FDA and an amended collaboration agreement with its partner in Europe and Latin America, Gr✓nenthal.</p>

Environmental, Social and Governance (“ESG”) Statement

Introduction: Our Approach to Sustainability

We consider the greatest contribution Mesoblast makes to sustainability is its purpose in seeking to provide access to treatment for patients suffering a range of hitherto unmet medical needs including cardiac diseases, immune-mediated and inflammatory conditions, oncology and haematology diseases, and spine orthopaedic disorders, subject to regulatory approval. This has not only a potentially high social and financial value, but in terms of adding value in the way it operates, the Company prizes and develops its people as key assets, while its environmental footprint is light. Together with a strong ethical and governance framework, this puts the Company on a sound footing for delivering on its purpose in the medium to long term.

Our commitment to sustainability is instilled through Mesoblast’s five key corporate values which articulate who we are and what we stand for. Mesoblast values reflect our commitment to our customers, our colleagues, and the patients we serve. Integrity is at our core, while accountability to our commitments, collective teamwork, a pursuit of excellence, and outside the-box thinking and innovation surround our every business decision. Mesoblast personnel are expected to practice these values each and every day.

Integrity - We act with integrity in all of our dealings, with the best interest of patients, care givers and our people as our guide. What we do we do with conviction.

Accountability - We hold ourselves and each other responsible and ensure that our words and actions support Mesoblast’s vision and values

Teamwork - We believe in what we can achieve collectively and have an appreciation of our shared and unique ability to collaborate with our people and our partners, while focused on our patients and their families.

Excellence - We engage in continual learning so that we, as individuals and as an organization, can reach our highest potential.

Innovation - We are focused on the bold pursuit of developing and delivering novel treatments to improve patient outcomes through cutting edge science.



Acknowledging that sustainability is an overarching concept that can be applied to all areas of business finance, operations and impact, for the purposes of this Statement, we specifically focus on key environmental, social and governance (“ESG”) matters. When assessing and reporting our ESG initiatives and performance, we take into account:

- Mesoblast’s size and stage in its growth cycle: it is a small development-stage biotechnology company with fewer than 100 employees, limited manufacturing and currently no commercialized product. This means that some reporting topics will be less relevant for us and our stakeholders until we grow our product portfolio and operations; and
- Appropriate sustainability standards: for example, the Sustainability Accounting Standards Board’s (“SASB”) Biotechnology & Pharmaceuticals Sustainability Accounting Standard, the Global Reporting Initiative’s (“GRI”) Universal Standards, and the Biopharma Investor ESG Communications Guidance 4.0 are relevant.

We identified the following material ESG topics based on an assessment of their impact on the business and our understanding of their importance to stakeholders:

1. Corporate Governance
2. Business Ethics, Integrity, and Compliance
3. Risk Management
4. Human Capital Management
5. Product Quality and Patient Safety
6. Supply Chain Management
7. Access to Healthcare
8. Environmental Impacts

These are dealt with in turn below.

1. Corporate Governance

Mesoblast is committed to implementing and achieving an effective corporate governance framework to ensure that the Company is managed effectively, honestly and ethically. More information on our corporate governance practices is set out in Mesoblast’s Corporate Governance Statement, available at www.mesoblast.com. The Company references and reports against ASX Corporate Governance Council’s (Council) Corporate Governance Principles and Recommendations.

Mesoblast's Board of Directors ("the Board") provides oversight of the Company's ESG-related risks and opportunities on a regular basis at Board meetings, and in particular focus through its two committees:

- Nomination and Remuneration Committee ("NRC")
- Audit and Risk Committee ("ARC")

The NRC assists the Board in the discharge of its responsibilities, and in particular to ensure that there is an environment where the Board can carry out effective and responsible decision making and oversight, including on ESG matters such as fair remuneration and health & safety. Since June 2022, all members of the Board are members of the NRC reflecting the importance the Board places on ESG.

In addition to its main financial reporting responsibilities, the ARC is tasked with overseeing the effective operation of Mesoblast's risk management framework, in which certain ESG matters are considered.

Management is responsible for assessing and managing ESG-related risks and opportunities within the board approved control framework, and for reporting progress against goals and targets to the Board.

2. Business Ethics, Integrity, and Compliance

We are committed to the highest standards of ethical conduct and transparency in the way we deal with our patients, employees, strategic partners, and other important stakeholders. We comply with all national and local laws and regulations applying to our Company. Zero cases of material non-compliance occurred in FY22.

Mesoblast has established a Code of Business Conduct & Ethics ("Code") to promote honest and ethical conduct, comprehensive disclosures of business dealings, compliance with government laws and regulations, and a positive work environment. All Mesoblast personnel, including Directors, officers, employees, contractors, and consultants, are expected to comply with the principles set out in the Code. The Code covers the following topics:

- Our Values
- Ethical business practices
- Safe workplace and respectful workplace conduct
- Fair competition
- Conflicts of interest
- Social media use
- Confidentiality and protection of assets
- Quality assurance
- Price reporting
- Financial reporting
- Securities trading
- Ethical research
- Interactions with the patient community
- Ensuring product quality and patient safety
- Interactions with healthcare professionals
- Ethical marketing and advertising
- Compliance with laws and regulations

The Code also states that it is against Mesoblast policy for personnel to use illegal drugs or be under the influence of or impaired by alcohol or drugs while on company property or performing company work.

No issues of Code non-compliance have been brought forward to the Board in FY22.

Mesoblast has an Anti-Bribery and Anti-Corruption Policy and complies with global and regional laws preventing corrupt business practices and bribery, including the U.S. Foreign Corrupt Practices Act and the United Kingdom Bribery Act.

We have a Disclosure of Complaints and Concerns Policy which addresses, among other things, breaches under the Company's Code, Anti-Bribery and Anti-Corruption Policy, or other Company policies. Under the Disclosure of Complaints and Concerns Policy, Mesoblast personnel are entitled to robust employment protections if they report concerns and suspected violations covered under the policy. Personnel can report to Compliance, Legal, the Audit and Risk Committee, or other officers or senior managers, and may do so anonymously. Further, Mesoblast's Fair Treatment Policy requires personnel to report workplace harassment and prohibits

retaliation of any kind against anyone who does so in good faith. During FY22, Mesoblast received and, in compliance with the Fair Treatment Policy, promptly investigated and resolved a small number of reports related to workplace conduct. The Company is satisfied that it adhered to its policies.

In addition, Mesoblast has an 'Ethics Hotline' that is managed by a third-party, where our personnel may make a report anonymously, 24 hours a day, seven days a week. There have been no whistle-blower reports to this hotline in the reporting period.

All Mesoblast personnel are required to acknowledge the Code and other key policies and are required to participate in annual compliance training.

The Company has a process in place to inform the Board or a committee of the Board of any material breaches of the Code, the Anti-Bribery and Anti-Corruption Policy, and material incidents reported under the Disclosure of Complaints and Concerns Policy.

A copy of the Code and other key policies can be found at www.mesoblast.com.

3. Risk Management

The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented an effective system of risk management and internal control. Management is responsible for ensuring there are adequate policies in relation to risk management, compliance, and internal control systems. The ARC monitors Mesoblast's risk management by overseeing management's actions in the evaluation, management, monitoring, and reporting of material operational, financial, compliance, strategic, and certain ESG risks.

Mesoblast's risk management group is part of the Operating Committee and is headed by the Chief Operating Officer. This group is responsible for designing, implementing, monitoring, and reporting on Mesoblast's management of material business risks and the effectiveness of Mesoblast's risk management and internal control system. ESG risks have been incorporated into and are considered as part of Mesoblast's risk management system. The Operating Committee regularly reviews Mesoblast's risks across its business and operations, and Mesoblast's material business risks and risk management framework are reviewed at least annually by the ARC.

In 2021, as part of the process of continual improvement, we developed a standardized tool to assess our portfolio and corporate risk. This is in the process of being implemented.

4. Human Capital Management

4.1 Diversity and Inclusion

Mesoblast has a Diversity Policy which encompasses differences in ethnicity, gender, language, age, sexual orientation, religion, socioeconomic status, physical and mental ability, thinking styles, experience, and education. We believe that the wide array of perspectives that results from such diversity promotes innovation and business success. Being diverse makes us more creative, flexible, and productive. Mesoblast's policy is to engage the most appropriate and relevant partner organizations, consultants, experts, and personnel. This includes recruiting people who are well-qualified for their position and those who as aligned to Mesoblast's five values and will embrace the Mesoblast culture and work ethic.

In order to meet and comply with our Diversity Policy, Mesoblast employs the following principles:

- Mesoblast seeks and encourages diversity in current and potential employees;
- Mesoblast promotes equal employment opportunities based on capability, performance and potential for growth and progression;
- Recruitment, professional development, succession management, promotion, and remuneration decisions are all based on performance and capability aligned to the specific job role, salary ranges, and a pre-set criteria prior to the activities to ensure any biases are reduced;
- Mesoblast seeks to build a safe working environment by recognizing and taking action against inappropriate workplace behavior, including bullying, discrimination, harassment, victimization, and vilification;
- Mesoblast promotes flexible work practices where possible and reasonable in the circumstances, to meet the differing needs of our employees; and
- Mesoblast ensures appropriate policies and procedures exist that encourage diversity and meet legislative requirements.

Line management is supported to manage diversity to ensure that employees are treated fairly and objectively. We have clear reporting procedures for any type of discrimination or harassment, combined with follow-up procedures to prevent future incidents.

The Board, through the NRC, is responsible for overseeing our Diversity Policy. Mesoblast's Head of Human Resources, with the support of the Chief Executive Officer and the Executive Team, is responsible for implementing the Diversity Policy.

The Board, through the NRC, is responsible for approving and reviewing measurable objectives for achieving gender diversity in the workplace. Mesoblast has set the following measurable objectives:

- i) Increase the number of women on the Board as vacancies arise and circumstances permit;
- ii) Increase the number of women who hold senior executive positions as vacancies arise and circumstances permit; and
- iii) Ensure the opportunity exists for equal gender participation in all levels of professional development programs.

During FY22, one female was appointed to two board vacancies, one female was appointed to one senior management vacancy, and 100% of female employees were provided access to development programs. A copy of the Company's Diversity Policy can be found at www.mesoblast.com.

Table – Gender diversity statistics*

Gender	FY22 Senior Executives**	FY22 Total Workforce	FY21 Senior Executives**	FY21 Total Workforce
Male	6	37	6	38
Female	3	40	2	45
Other	—	—	—	—
% Female	33%	52%	25%	54%

*Based on number of active employees as at June 30. Excludes contractors and consultants.

**A senior executive position is one held by an executive who reports directly to the Chief Executive.

Every employee, consultant and service provider has the right to work with Mesoblast in an environment that is safe, and free from intimidation, harassment, and abuse. Mesoblast prohibits harassment for any reason, including veteran status, uniform service member status, or any other protected class under federal, state, or local law. Inappropriate behavior, including verbal or physical conduct by any individual that harasses another, disrupts another's work performance, or creates an intimidating, offensive, abusive, or hostile workplace, is not tolerated. In addition, we will not tolerate comments, jokes, or materials, including emails, which others might consider offensive. All Mesoblast personnel are required to complete mandatory training on an annual basis to recognize and deal with inappropriate behavior in our workplaces, including the New York City Commission on Human Rights – Accredited Program: Confronting Sexual Harassment; Tools & Strategies to Create a Harassment Free Workplace and Mesoblast's Fair Treatment policy. There were no cases of harassment were reported in FY22 or in FY21.

4.2 Health and Safety

Mesoblast provides a workplace that is clean and safe for all associates and one that complies with health and safety laws. As an organization whose activities are predominantly office and laboratory based, Mesoblast chooses to track its safety record using total recordable incident frequency rate ("TRIFR") i.e., number of recorded injuries for each one million hours worked. In FY22 the TRIFR was 6.2 versus 5.8 for FY21. In FY2022, we updated our Environment Health and Safety Management System and supporting policies. As part of this update, we implemented an online Incident and Risk Management system and developed a 'How We Work' program to assist our employees with their work flexibility options in a post-pandemic world. An important component of this program included the extension of occupational health and safety practices to the work-from-home environment. To assist in managing the impacts of the COVID-19 epidemic, Mesoblast has taken a flexible approach to working from home and many of our employees and consultants remain working predominantly remotely.

4.3 Recruitment, Development and Retention

Mesoblast operates at the forefront of a highly specialized industry and we recognize that our talented people are key to developing our cell therapy technology.

Our policies and procedures follow equal employment opportunities principles for fair treatment, including diversity and compensation. Our employees are given equal access to job opportunities and promotions based on capability, performance and potential for growth and progression as part of our retention program.

Mesoblast's recruitment process enables our line managers to prepare a job description that outlines accountabilities and selection criteria that emphasize the skills, knowledge and experience. Job criteria and interview guides are prepared for each role advertised to ensure consistency across all the interviews. Jobs are advertised through multiple channels based on the specialization of the job role. All job roles are published on the Mesoblast intranet site providing transparency to all employees within the company and

an equal opportunity to apply. Job descriptions are prepared in a way that enables employees to consider lateral moves based on competence rather than expertise in years of service.

The FY22, the voluntary turnover rate was approximately 25% with an even number of male and females voluntarily resigning. Exit interviews are conducted with all departing employees and trends are monitored so that actions to minimize the turnover can be taken. Mesoblast employed seven females and eight males for the replacement roles. While acting and higher duty opportunities were minimal during this period, job profiles were prepared to enable existing employees to consider lateral moves based on competence rather than years of service, where appropriately credentialed.

We provide opportunities for all colleagues to participate in professional training and education so they can enhance their skill sets and career. During FY22 all employees were given the opportunity to participate in a development program that is linked to the annual Performance Management System.

During the reporting period, Mesoblast implemented the first phase of an online performance management program and in the current year, the second phase will integrate an online professional development program that links the recording of participation in professional development aligned to job role. The online performance management program enables employees to track their performance and receive regular feedback from their manager. The formal annual review process assesses the individual employee's performance against objectives and quantifiable criteria that are aligned to the Mesoblast business plan, reducing the risk of bias. All employees below the executive level participated in this program during the period.

5. Product Quality and Safety

5.1 Scientific Research and Innovation

Over the past decade there has been a surge of interest internationally in the cutting-edge science of cellular medicines and their use in treating a wide range of diseases.

Mesoblast is a clinical stage biotechnology company and works in close collaborative associations with leading cell therapy research centers, as well as having our own in-house R&D laboratories and specialists. We ensure rigorous scientific investigations are performed with well characterized cell populations in order to understand mechanisms of action for each potential medical application. We undertake extensive pre-clinical translational studies to guide subsequent clinical trials.

5.2 Use of Stem Cells

Mesoblast's novel allogeneic product candidates are based on rare (approximately 1:100,000 in bone marrow) mesenchymal lineage cells that respond to tissue damage, secreting mediators that promote tissue repair and modulate immune responses.

Mesenchymal lineage cells are collected from the bone marrow of healthy adult donors, and proprietary processes are utilized to expand them to a uniform, well characterized, and highly reproducible cell population. This enables manufacturing at industrial scale for commercial purposes. Mesoblast's cells can be administered to patients without the need for donor-recipient matching or recipient immune suppression.

The distinction between embryonic stem cells ("ESCs") and non-ESCs, such as our mesenchymal lineage cells, can be easily misunderstood by the public and has the potential to create negative public attitudes toward cell therapy. As Mesoblast's cells are not ESCs, we minimize the risk of being exposed to ethical, legal, or social concerns that have arisen in relation to the collection and use of ESCs.

5.3 Use of Animal in Research

Mesoblast is committed to the welfare and humane treatment of animals and only undertakes development studies in animal models where required by applicable regulatory bodies. These studies are undertaken by expert third-party providers who are specialists in the management of animals and their welfare.

Mesoblast's approach to product development is to ensure rigorous scientific investigations are performed with well-characterized cell populations in order to understand mechanisms of action for each potential indication. Extensive preclinical translational studies guide clinical trials that are structured to meet stringent safety and efficacy criteria set by international regulatory agencies.

In the United States where the majority of our clinical development takes place, all of our product candidates are regulated as biological products by the Center for Biologics Evaluation and Research ("CBER") in the FDA. Biological products are subject to

federal regulation under the Federal Food, Drug, and Cosmetic Act ("FDCA"), the Public Health Service ("PHS") Act, and other federal, state, local and foreign statutes and regulations. Both the FDCA and the PHS Act, as applicable, and their corresponding regulations govern, among other things, the testing, manufacturing, safety, efficacy, labeling, packaging, storage, record keeping, distribution, import, export, reporting, advertising and other promotional practices involving drugs and biological products.

The process required by the FDA before a biological product may be marketed in the U.S. generally involves years of studies and many complex steps. The first of these is completion of nonclinical laboratory studies, meaning in vivo and in vitro experiments in which an investigational product is studied prospectively in a test system under laboratory conditions to determine its safety, must be conducted according to Good Laboratory Practice ("GLP") regulations, as well as, in the case of nonclinical laboratory studies involving animal test systems, in accordance with applicable requirements for the humane use of laboratory animals and other applicable regulations.

Some of the manufacturing materials and/or components that we use in, and which are critical to, implementation of our technology involve the use of animal-derived products. Our media is sourced from fetal bovine serum ("FBS"), and is the main consumable used in our manufacturing process.

While FBS is commonly used in the production of various marketed biopharmaceuticals, our suppliers of FBS must meet our strict quality standards are thus limited in number and region.

5.4 Product Quality

The Company has a Quality Management Department with appropriate controls in place for monitoring and compliance of clinical and non-clinical studies as well as manufacturing operations. Our quality assurance processes align with the widely accepted quality standards from the ICH Guidelines created by The International Conference on Harmonization of Technical Requirements for Pharmaceuticals for Human Use ("ICH") as well as FDA Regulations. All Mesoblast personnel are responsible for the identification and prompt reporting of all actual or potential adverse events or product quality complaints. This may include any reported problem with a finished product, its packaging, inappropriate healthcare professional use, or unintended patient reaction. We have a regulatory obligation to report all adverse events and product complaints, with serious adverse events requiring reporting within 24 hours of receiving notification. The Company provides personnel with regular training in relation to our obligations and responsibilities.

5.5 Clinical Trials and Patient Safety

Mesoblast works with healthcare professionals, academic organizations, and contract research organizations ("CRO") to perform company-sponsored pre-clinical and clinical research. The Company also provides financial support or drug product for independent third-party studies such as Investigator Initiated Trials (IITs) via grant requests. All studies must be scientifically valid and likely to generate data that will be relevant to a defined product development or other clinical and/or business need. These research initiatives are never used as a way to induce a healthcare professional or healthcare organization to use, recommend, or purchase Mesoblast products, or to encourage off-label use of marketed products.

Each potential study subject/study subject legal guardian is provided with an Informed Consent Form ("ICF") by the clinical trial site study team. The ICF contains information that must be provided to each possible study candidate, such as an explanation of the purpose of the research, possible risks/benefits as well as statements describing the confidentiality of information collected, how the information may be used and who may view this information. Each potential study subject/legal guardian is given time to read the ICF and to ask questions about anything they don't understand. In addition, the ICF provides the Primary Investigator's ("PI") and Independent Review Board's ("IRB") contact information to the subject to ask questions and/or report any study related concerns. Once all questions are answered, signatures are obtained to record consent. Mesoblast, as the Sponsor, together with the CRO, monitors the sites for any protocol deviations throughout the course of the study. If and when protocol deviations are identified, we will work with the CRO and site(s) to address them as quickly as possible. Study subject safety is front and foremost in our conduct of all our clinical studies. Between our Therapeutic Area Heads, Quality Assurance ("QA"), and Safety and Clinical Operations, we monitor the conduct of our clinical trials extremely thoroughly and work to protect the well-being of the study subjects as well as the integrity of the trial.

Company exploration of innovative therapies, including research projects, database reviews, and pre-clinical and clinical trials, are designed to first and foremost protect the rights and safety of study subjects and to maintain the integrity of research data. We do this by complying with all regulatory standards regarding research programs and encouraging all involved persons to report any deviations, including inaccurate reporting of study data, inappropriate use of study funds or pharmaceutical product, falsification of study reports, or failure to obtain Independent Review Board or other required approval prior to conducting a study. This process includes all clinical trial investigators attesting that they've read and understood the contents of the clinical trial protocol and agree to conduct the trial in compliance with the protocol, good clinical practice and applicable regulatory requirements.

6. Supply Chain Management

Mesoblast has an established vendor assurance program through which suppliers are audited for purposes of being qualified and added to an approved suppliers list. All approved suppliers are audited once a year. Our Supplier Management policy describes the process for qualifying and managing suppliers which includes quality agreements, supply agreements, due diligence activities, and audits.

6.1 Manufacturing Safe Products

Given the current scale of our operations, elements of our business including manufacturing are outsourced to third-party providers. Mesoblast has established a strategic alliance with Lonza, a global leader in biopharmaceutical manufacturing. We monitor Lonza and other third-party providers through our vendor assurance program. In addition, all entities involved in the preparation of therapeutics for clinical studies or commercial sale, including Lonza, are subject to extensive external regulation. Components of a finished therapeutic product approved for commercial sale or used in late-stage clinical studies must be manufactured in accordance with current international Good Manufacturing Practice (“GMP”) and other international regulatory requirements. These regulations govern manufacturing processes and procedures (including record keeping) and the implementation and operation of quality systems to control and assure the quality of investigational products and products approved for sale.

Mesoblast, our collaborators, and our suppliers as appropriate must supply all necessary documentation in support of any application for product approval and must adhere to current GLP and current GMP regulations enforced by the FDA and other regulators through their facilities inspection program. Before we can begin commercial manufacture of our products for sale in the United States, we must obtain FDA regulatory approval for the product. In addition, the processes and quality systems associated with the manufacturing of such product must also be approved, which requires a successful FDA inspection of the manufacturing facilities, including Lonza’s manufacturing facilities.

In addition, regulators may at any time audit or inspect a manufacturing facility involved with the preparation of our product candidates, raw materials, or the associated quality systems. Although we cannot control the manufacturing process of, and are dependent on, the contract manufacturer for compliance with the regulatory requirements, through our vendor assurance program, we monitor the performance and undertake an annual audit of each contract manufacturer involved in the production of our product candidates. In addition, Lonza is monitored through an established governance structure with multiple feedback loops to ensure compliance to established contracts, specifications, and policies. In addition to having staff onsite and personnel in the plant to oversee ongoing activities, the organizations review numerous manufacturing and quality metrics to ensure consistent product manufacture.

6.2 Bone Marrow

The initial stage of manufacturing involves obtaining mesenchymal lineage cell-containing bone marrow from healthy consenting donors. The process of identifying new donor tissue, testing and verifying its validity in order to create new cell banks is tightly regulated and validated with the FDA and other regulators. For example, U.S. federal and state governments and other jurisdictions impose restrictions on the acquisition and use of tissue, including those incorporated in federal Good Tissue Practice regulations. Our manufacturing partner Lonza also has a dedicated U.S. facility for bone marrow acquisition. Lonza maintains all documents and records generated during the lifecycle of donor screening and bone marrow aspiration in a donor-specific file under its site quality system.

6.3 Storage and Distribution

Storage and distribution of our product candidates are contracted to CSM on Demand, ICS AmerisourceBergen, CryoSite, and CryoPort Solutions who are experts in innovative storage and/or distribution solutions for pharmaceutical manufacturers. Performance is monitored through established contractual agreements, and the interactions of our joint project teams, as well as through regular supplier audits and qualifications.

7. Access to Healthcare

Mesoblast is currently working through a resubmission of its Biologics License Application with the FDA for its lead product candidate remestemcel-L for the treatment of children with steroid-refractory graft versus host disease. If successful, this product would constitute the Company’s first commercialized product. We acknowledge and support the social importance of providing access to healthcare across all geographic regions regardless of socio-economic status and recognize this is frequently regarded as one of the top ESG topics for the Biopharma sector. Despite our current size, financial status, and stage of clinical development, we have in place elements that reflect this important social topic.

7.1 Expanded Access Programs

Under a compassionate use protocol in the US, Mesoblast has continued to make remestemcel-L available to children as ‘salvage therapy’ where all other treatment avenues have been exhausted and the risk of mortality is high. More than 250 children have had access to remestemcel-L under these circumstances, provided by us at no cost.

In 2020, an Expanded Access Protocol (“EAP”) was initiated in the US for compassionate use of remestemcel-L in the treatment of COVID-19 infected children with cardiovascular and other complications of MIS-C (multisystem inflammatory syndrome in children). MIS-C is a life-threatening complication of COVID-19 in otherwise healthy children and adolescents that includes massive simultaneous inflammation of multiple critical organs and their vasculature. Mesoblast has provided treatment at no charge to three children under this EAP.

7.2 Product Pricing

In the United States, Federal and state government agencies may purchase Mesoblast products and provide reimbursement on those products via the state and federal healthcare programs, such as Medicare and Medicaid, once Mesoblast’s product receives regulatory approval and is able to be commercialized. Various federal laws and/or government contracting requirements give some of these purchasers and reimbursors the right to discounted prices and/or rebates on Company products. Depending on the requirements that apply to the pricing terms the Company is reporting, our prices should reflect any reductions, rebates, up-front payments, coupons, goods in kind, free or reduced-price services, grants, price concessions, or other benefits offered to induce a sale may be considered pricing terms. Mesoblast is committed to accurately taking these items into account.

8. Environment

Mesoblast is committed to protecting the world in which we live and work, and we aim to minimize our impact on the wider environment and its component parts. Currently, Mesoblast’s direct physical footprint is limited to office and laboratory space for our employee base of less than 100, so our direct, physical environmental impact is currently limited. Nonetheless, Mesoblast has begun initiatives to improve our impact such as sourcing our electricity from green energy providers and introducing office waste recycling programs. In addition, as noted above, many of our employees and consultants are dispersed and are infrequently in our office spaces.

We are also driving initiatives to minimize the inputs and outputs to our manufacturing processes through our investment in research and development that focuses on the scaling of technologies and minimizing waste. We are developing a 3D bioreactor process to expand our cell product which will replace our current 2D process involving plates. This will reduce the amount of plastic and biohazardous waste that will be generated by our manufacturing processes.

As mentioned above, we rely on third-party providers for important elements of our business. We and our partners must comply with environmental laws and regulations, including those relating to the discharge of materials into the air, water and ground, the manufacture, storage, handling, use, transportation and disposal of hazardous and biological materials, and the health, wellbeing and safety of employees with respect to laboratory activities required for the development of products and technologies.

4.B Business 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 ("MSC") product platform and is in late stage development for treatment of systemic inflammatory diseases including:

- 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:

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

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

The Company's proprietary manufacturing processes yield industrial-scale, cryopreserved, off-the-shelf, cellular medicines. These cell therapies, with defined pharmaceutical release criteria, are planned to be readily available to patients worldwide upon receiving marketing authorizations.

Mesoblast's immuno-selected, culture expanded cellular medicines are based on mesenchymal precursor cells ("MPCs") and their progeny, MSCs. These are rare cells (approximately 1:100,000 in bone marrow) found around blood vessels that are central to blood vessel maintenance, repair and regeneration. These cells have a unique immunological profile with immunomodulatory effects that reduce inflammation allowing healing and repair. This mechanism of action enables the targeting of multiple disease pathways across a wide spectrum of complex diseases with significant unmet medical needs.

Mesenchymal lineage cells are collected from the bone marrow of healthy adult donors and proprietary processes are utilized to expand them to a uniform, well characterized, and highly reproducible cell population. This enables manufacturing at industrial scale for commercial purposes. Another key feature of Mesoblast's cells is they can be administered to patients without the need for donor-recipient matching or recipient immune suppression.

Mesoblast's approach to product development is to ensure rigorous scientific investigations are performed with well-characterized cell populations in order to understand mechanisms of action for each potential indication. Extensive preclinical translational studies guide clinical trials that are structured to meet stringent safety and efficacy criteria set by international regulatory agencies. All trials are conducted under the continuing review of independent Data Safety Monitoring Boards comprised of independent medical experts and statisticians. These safeguards are intended to ensure the integrity and reproducibility of results, and to ensure that outcomes observed are scientifically reliable.

Allogeneic, Off-the-Shelf, Commercially Scalable Products

Our technology platform enables development of a diverse range of products derived from the mesenchymal cell lineage in adult tissues. MPCs constitute the earliest known cell type in the mesenchymal lineage in-vivo.

MPCs can be isolated using monoclonal antibodies and culture-expanded using methods that enable efficient expansion without differentiation. MSCs are defined biologically in culture following density gradient separation from other tissue cell types and following culture by plastic adherence. MSCs presumably represent culture-expanded in-vitro progeny of the undifferentiated MPCs present in-vivo. The functional characteristics of each cell type enable product development for specific indications.

Our proprietary mesenchymal lineage cell-based products have distinct biological characteristics enabling their use for allogeneic purposes.

Immune Privilege: Mesenchymal lineage cells are immune privileged, in that they do not express specific cell surface co-stimulatory molecules that initiate immune allogeneic responses.

Expansion: We have developed proprietary methods that enable the large-scale expansion of our cells while maintaining their ability to produce the key biomolecules associated with tissue health and repair. This allows us to produce a cellular product intended to demonstrate consistent and well-defined characterization and activity.

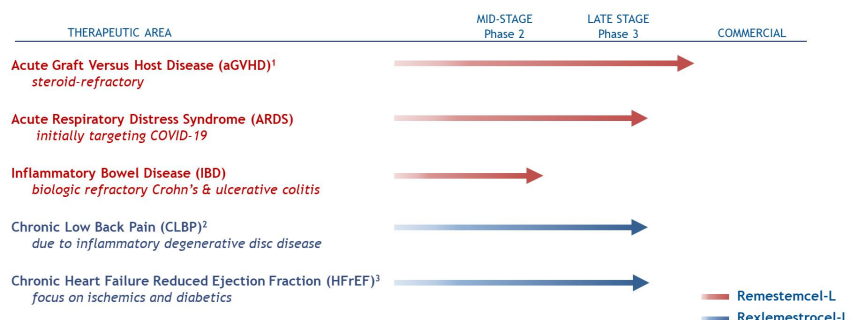
Products Commercialized by Licensees

Two allogeneic mesenchymal stromal cell (MSC) products developed and commercialized by Mesoblast licensees have been approved in Japan and Europe, with both licensees the first to receive full regulatory approval for an allogeneic cellular medicine in these major markets.

Mesoblast's licensee in Japan, JCR Pharmaceuticals Co. Ltd. ("JCR"), is marketing its MSC-based product in Japan for the treatment of aGVHD in children and adults. TEMCELL® HS Inj. ("TEMCELL") was the first allogeneic cellular medicine to receive full regulatory approval in Japan. Mesoblast receives royalty income on sales of TEMCELL® in Japan.

In 2017, Mesoblast granted TiGenix S.A.U ("TiGenix"), now a wholly owned subsidiary of Takeda Pharmaceutical Co. Ltd. ("Takeda"), exclusive access to certain of its patents to support global commercialization of Alofisel®, the first allogeneic MSC therapy to receive central marketing authorization approval from the European Commission. Mesoblast receives royalty income on Takeda's worldwide sales of Alofisel® in the local treatment of perianal fistulae.

Mesoblast Product Candidates



1. JCR Pharmaceuticals Co., Ltd. (JCR), has the right to develop mesenchymal stromal cells (MSCs) in certain fields for the Japanese market, including for the treatment of hematological malignancies, such as Graft vs Host Disease, and for hypoxic ischemic encephalopathy (HIE). Mesoblast has the right to use safety and efficacy data generated by JCR to support its development and commercialization plans for remestemcel-L in the US and other major healthcare markets, including for GVHD and HIE
 2. Grünenthal has an exclusive license to develop and commercialize rexlemestrocel-L for chronic low back pain in Europe and Latin America/Caribbean
 3. Tasty Pharmaceuticals has exclusive rights for rexlemestrocel-L for the treatment or prevention of chronic heart failure in China

Remestemcel-L for the Treatment of Steroid Refractory Acute Graft Versus Host Disease

Overview

Remestemcel-L is an intravenously delivered product candidate for the treatment of steroid-refractory acute graft versus host disease, or SR-aGVHD, following an allogeneic bone marrow transplant ("BMT").

In a bone marrow transplant, donor cells can attack the recipient, causing a-GVHD. The donor T-cell mediated inflammatory response involves secretion of TNF-alpha and IFN-gamma, resulting in activation of pro-inflammatory T-cells and tissue damage in the skin, gut and liver, which can be fatal.

Remestemcel-L is suggested to have immunomodulatory properties to counteract the cytokine storm that is implicated in various inflammatory conditions. The mechanism of action is thought to involve down-regulating the production of pro-inflammatory cytokines, increasing production of anti-inflammatory cytokines, and enabling recruitment of naturally occurring anti-inflammatory cells to involved tissues.

This life-threatening disease occurs in approximately 50% of patients who receive an allogeneic BMT. Over 30,000 patients worldwide undergo an allogeneic BMT annually, primarily during treatment for blood cancers, and these numbers are increasing. In patients with the most severe form of SR-aGVHD (Grade C/D or III/IV) mortality can be as high as 90% despite optimal best available therapy. There are currently no FDA-approved treatments in the United States for children under 12 with SR-aGVHD.

Current Status and Anticipated Milestones

Mesoblast submitted its completed BLA to the FDA for remestemcel-L in January 2020. The BLA was subsequently accepted for priority review by the FDA on March 30, 2020, with a Prescription Drug User Fee Act ("PDUFA") action date set for September 30, 2020. In August 2020, the FDA's Oncologic Drugs Advisory Committee ("ODAC") voted overwhelmingly in favor (nine to one⁽¹⁾) that the available data support the efficacy of remestemcel-L in pediatric patients with SR-aGVHD. FDA issued a CRL on September 30, 2020, noting deficiencies related to clinical and Chemistry, Manufacturing and Controls ("CMC") data.

Mesoblast has worked to address the issues noted in the Complete Response Letter, through multiple interactions with FDA for guidance. Mesoblast will provide these new data to FDA and address all CMC outstanding items as required for the planned BLA resubmission. If the resubmission is accepted, FDA will consider the adequacy of the clinical data in the context of the related CMC issues.

There are currently no FDA-approved treatments in the US for children under 12 with SR-aGVHD and only one FDA-approved treatment in the US for other SR-aGVHD patients.

We believe the U.S. pediatric SR-aGVHD market requires a small, targeted commercial footprint. The target call point for SR-aGVHD will primarily be board-certified pediatric physicians in hematology/oncology who perform hematopoietic stem cell transplants. In the U.S., there are approximately 80 centers that perform pediatric transplants, with 50% of all transplants occurring at approximately 15 centers. Similarly, there are approximately 110 centers that perform adult transplants with half of those transplants occurring at approximately 20 centers.

The Company has put in place a lifecycle extension strategy to generate evidence-based clinical outcomes to maximize the value of remestemcel-L in other pediatric and adult rare diseases that do not require large distribution channels. Planning is underway to conduct a post-marketing study in adult patients with SR-GVHD. In addition, we plan to expand investigator-initiated clinical trials for chronic GVHD and other indications that are currently underway or planned for the near future.

(1) This vote includes a change to the original vote by one of the ODAC panel members after electronic voting closed.

Remestemcel-L for Moderate to Severe Acute Respiratory Distress Syndrome due to COVID-19 Infection

Overview

COVID-19 ARDS results from a severe inflammatory reaction, referred to as a cytokine storm, to infection from the SARS CoV-2 virus. This cytokine storm can cause significant damage to the lungs and other organs and ARDS remains a major cause of mortality for COVID-19 patients who are immunocompromised, unvaccinated, or with comorbidities, as well as those with seasonal influenza and other pathogens.

The extensive safety data of remestemcel-L and its anti-inflammatory effects in acute GVHD is a compelling rationale for evaluating remestemcel-L in COVID-19 ARDS. Following intravenous delivery of remestemcel-L, the cells migrate to the areas of inflammation particularly in the lungs resulting in the potential for remestemcel-L to tame the cytokine storm in ARDS.

The clinical protocol evaluating remestemcel-L in patients in the Phase 2/3 trial was based on results from patients treated with remestemcel-L under an emergency IND/EAP compassionate use at Mount Sinai Hospital in New York. Twelve patients with moderate to severe COVID ARDS on mechanical ventilation were given 2 infusions within one week. Nine of the 12 patients (75%) were successfully taken off the ventilator and discharged from hospital within a median of 10 days. These pilot study results were published during the year in the peer-reviewed journal *Cytotherapy*.

The Phase 2/3 placebo-controlled trial, initiated in 2020, randomized 1:1 to either standard of care alone or standard of care plus two doses of remestemcel-L 2 million cells/kg 3-5 days apart in ventilator-dependent patients with moderate/severe ARDS due to COVID-19. The trial was halted in December 2020 after the Data Safety Monitoring Board (DSMB) performed a third interim analysis on the trial's first 180 patients, noting that the trial was not likely to meet the 30-day mortality reduction endpoint at the planned 300 patient enrolment. The trial was powered to achieve a primary endpoint of 43% reduction in mortality at 30 days for treatment with remestemcel-L on top of maximal care. The DSMB recommended that the trial complete with the enrolled 222 patients, and that all be followed-up as planned.

Current Status and Anticipated Milestones

Mesoblast provided a 12-month update on survival outcomes from the Phase 2/3 trial of remestemcel-L in ventilator-dependent COVID-19 patients with moderate/severe acute ARDS. Through the initial 90 days, remestemcel-L reduced mortality by 48% compared to controls in a pre-specified analysis of 123 patients below age 65, but not in 97 patients over age 65, as previously reported. In an exploratory analysis in patients under age 65 who also received dexamethasone as part of their standard of care, remestemcel-L reduced 90-day mortality by 77% compared to controls. These early survival outcomes in the remestemcel-L group relative to controls were maintained at later timepoints in those under age 65, with a 42% reduction in mortality through 12 months and with continued observed synergy with dexamethasone.

Mesoblast has met with the FDA in regard to potential emergency use authorization (EUA) for remestemcel-L in the treatment of ventilator-dependent patients with moderate or severe ARDS due to COVID-19. The FDA advised Mesoblast that an additional clinical study in COVID ARDS would be required which, if statistically positive, could provide a dataset in conjunction with the 222 patient clinical study that might be sufficient to support an EUA.

Mesoblast has entered into a non-binding Memorandum of Understanding (MOU) with Vanderbilt University Medical Center, which coordinates and works closely with clinical investigators at over 40 sites across the United States focused on studying ARDS and other critical illnesses. The MOU proposes a collaboration toward the design and execution of a second COVID-19 trial for remestemcel-L; to jointly develop a trial protocol and seek FDA approval for the trial, the results from which Mesoblast may use to support regulatory filings (such as seeking Emergency Use Authorization from FDA); and to negotiate a written, cooperative agreement and proceeding with the trial upon receipt of FDA approval.

Remestemcel-L for Inflammatory Bowel Disease (IBD) – Ulcerative Colitis (UC) and Crohn's Colitis

Overview

According to recent estimates, more than three million people (1.3%) in the United States alone have inflammatory bowel disease, with more than 33,000 new cases of Crohn's disease and 38,000 new cases of ulcerative colitis diagnosed every year. Despite recent advances, approximately 30% of patients are primarily unresponsive to anti-TNF α agents and even among responders, up to 10% will lose their response to the drug every year. Up to 80% of patients with medically refractory Crohn's disease eventually require surgical treatment of their disease, which can have a devastating impact on quality of life.

Current Status

A randomized, controlled study of remestemcel-L delivered by an endoscope directly to the areas of inflammation and tissue injury in up to 48 patients with medically refractory Crohn's disease and ulcerative colitis has commenced at Cleveland Clinic. The investigator-initiated study is the first in humans using local cell delivery in the gut and will enable Mesoblast to compare clinical outcomes using this delivery method with results from an ongoing randomized, placebo-controlled trial in patients with biologic-refractory Crohn's disease where remestemcel-L was administered intravenously. Results from the first patient cohort in the randomized, controlled study of remestemcel-L by direct endoscopic delivery to areas of inflammation in patients with medically refractory Crohn's colitis were published in the peer-reviewed journal *British Journal of Surgery*.

Strategically, Mesoblast views UC and Crohn's colitis as a potentially important label extension for remestemcel-L given the gastrointestinal involvement common to acute graft versus host disease and inflammatory bowel disease. Gastrointestinal damage is the major driver of aGVHD mortality and is linked to systemic inflammation in aGVHD. Biomarkers that predict high mortality in aGVHD, such as blood levels of soluble suppression of tumorigenicity 2 (ST2) have shown to be significantly reduced in patients treated with remestemcel-L. ST2 has also been shown to be associated with active IBD (UC & Crohn's).

Relemestrocel-L for Chronic Heart Failure

Overview

Mesoblast is developing relemestrocel-L to fill the treatment gap for chronic heart failure (CHF). Patients with CHF continue to represent high unmet medical need despite recent advances in new therapeutic agents for chronic heart failure. The American Heart Association (AHA) estimated in 2017 that prevalence is expected to grow 46% by 2030 in the U.S., affecting more than 8 million Americans. CHF causes severe economic, social, and personal costs. In the U.S., it is estimated that CHF results in direct costs of \$60.2 billion annually when identified as a primary diagnosis and \$115.0 billion as part of a disease milieu. Mesoblast believes that targeting high-risk chronic patients with the highest unmet clinical needs provides the company with the most efficient path to market.

Relemestrocel-L for HFREF consists of 150 million MPCs administered by direct cardiac. MPCs release a range of factors when triggered by specific receptor-ligand interactions within damaged tissue. Based on preclinical data, we believe that the factors

released from the MPCs induce functional cardiac recovery by simultaneous activation of multiple pathways, including induction of endogenous vascular network formation, reduction in harmful inflammation, reduction in cardiac fibrosis, and reversal of endothelial dysfunction through activation of intrinsic tissue precursors.

CHF is classified in relation to the severity of the symptoms experienced by the patient. The most commonly used classification system for functional severity of heart failure, established by the NYHA, is:

- Class I (mild): patients experience none or very mild symptoms with ordinary physical activity
- Class II (mild/moderate): patients experience fatigue and shortness of breath during moderate physical activity
- Class III (moderate/severe): patients experience shortness of breath during even light physical activity
- Class IV or end-stage (severe): patients are exhausted even at rest

Risk for recurrent heart failure-related hospitalizations, occurrence of non-fatal myocardial infarction (MI, heart attack) or non-fatal stroke, or death increases progressively with increases in left ventricular volumes, reduction in left ventricular ejection fraction (LVEF), and progression in NYHA functional class. Approximately 50% of all CHF patients have heart failure with reduced ejection fraction (HFrEF) defined as LVEF \leq 40%, and are at considerable risk of repeated hospitalizations and death despite maximal drug therapy.

Program for Class II/III CHF patients

A multicenter, double-blinded, 1:1 randomized, sham-procedure-controlled Phase 3 study of remestemcel-L was completed across North America with 565 NYHA Class II/III patients at high risk of repeated heart failure hospitalizations or a terminal cardiac event (cardiac death, LVAD placement, heart transplant or insertion of an artificial heart). The enrollment criteria for this trial included a prior decompensated heart failure event (e.g. hospitalization) within the previous nine months and/or very high level of NT-proBNP, a protein used in diagnosis and screening of CHF. These inclusion criteria were designed for enrichment in patients with substantial left ventricular contractile abnormality, advanced CHF due to left ventricular systolic dysfunction and higher risk of recurrent decompensated heart failure hospitalizations and TCEs. This target patient population was shown to respond effectively to treatment with rexllestrocel-L in our previous Phase 2 trial.

Topline results from the 537 patients who met the criteria which allowed for treatment to occur on a 1:1 randomization basis between rexllestrocel-L and sham control were announced in December 2021. Over a mean 30 months of follow-up, patients with advanced chronic heart failure who received a single endomyocardial treatment with rexllestrocel-L on top of maximal therapies had 60% reduction in incidence of heart attacks or strokes and 60% reduction in death from cardiac causes when treated at an earlier stage in the progressive disease process. Despite significant reduction in the pre-specified endpoint of cardiac death, there was no reduction in study primary end point of recurrent non-fatal decompensated heart failure events, which was the trial's primary endpoint.

The combination of the three pre-specified outcomes of cardiac death, heart attack or stroke into a single composite outcome - called the three-point major adverse cardiovascular event (MACE) is a well-established endpoint used by the FDA to determine cardiovascular risk. Rxllestrocel-L reduced this three-point MACE by 30% compared to controls across the population of 537 patients. In the NYHA class II subgroup of 206 patients, rexllestrocel-L reduced the three-point MACE by 55% compared to controls.

Program in End Stage Heart Failure Patients Requiring Mechanical Support

Rxllestrocel-L is also being evaluated in patients with end-stage HFrEF implanted with a left ventricular assist device ("LVAD").

A Phase 2 trial was conducted by a multi-center team of researchers within the United States National Institutes of Health ("NIH")-funded Cardiothoracic Surgical Trials Network ("CTSN"), led by Icahn School of Medicine at Mount Sinai, New York. The National Institute of Neurological Disorders and Stroke, and the Canadian Institutes for Health Research also supported this trial. Results of this Phase 2 trial were released in November 2018. The trial was a prospective, multi-center, double-blind, placebo controlled, 2:1 randomized (MPC to placebo), single-dose cohort trial to evaluate the safety and efficacy of injecting a dose of 150 million MPCs into the native myocardium of LVAD recipients. Patients with advanced CHF, implanted with an FDA-approved LVAD as bridge-to-transplant or destination therapy, were eligible to participate in the trial. All patients were followed until 12 months post randomization.

In this Phase 2 trial, the trial did not show a significant difference in the ability for patients to tolerate a wean for a period of 60 minutes. However, in relation to the clinically meaningful endpoint of reduction in major GI bleeding episodes and related hospitalizations, a single injection of rexllestrocel-L administered directly into the heart resulted in a 76% reduction in major GI bleeding events and in a 65% reduction in associated hospitalizations. This suggests that rexllestrocel-L reversed endothelial dysfunction which is responsible for the abnormal vasculature in the GI tract and severe bleeding in LVAD patients.

Current Status and Anticipated Milestones

Recently Mesoblast reported that treatment with rexllestrocel-L resulted in greater improvement in the pre-specified analysis of left ventricular ejection fraction (LVEF) at 12 months relative to controls after a single intervention in the Phase 3 trial in NYHA class II/III chronic heart failure. Improvement in LVEF was most pronounced in the setting of inflammation and preceded long-term reduction in the 3-point MACE of cardiovascular death, non-fatal heart attack or stroke. Effects on LVEF and MACE outcomes were even more pronounced in 301 HFrEF patients with high baseline levels of inflammation as measured by hsCRP. LVEF improvement at 12 months may be an appropriate early surrogate endpoint for long-term reduction in MACE.

Results from three randomized controlled trials in class II/III HFrEF and in end-stage HFrEF with LVADs support the idea of a common MOA by which rexllestrocel-L reverses inflammation-related endothelial dysfunction and reduces adverse clinical outcomes across the spectrum of HFrEF patients.

Rexllestrocel-L has regenerative medicine advanced therapy (RMAT) designation from the FDA for treatment of chronic heart failure with left ventricular systolic dysfunction in patients with an LVAD. Mesoblast now intends to meet with FDA under the RMAT framework to discuss the totality of the data and the evidence of a common rexllestrocel-L MOA across the broader HFrEF spectrum.

Rexllestrocel-L for Chronic Low Back Pain (CLBP) associated with Degenerative Disc Disease (DDD)

Overview

Rexllestrocel-L (MPC-06-ID) for CLBP consists of a unit dose of 6 million MPCs administered by syringe directly into a damaged disc.

In CLBP, damage to the disc is the result of a combination of factors related to aging, genetics, and micro-injuries, which compromises the disc's capacity to act as a fluid-filled cushion between vertebrae and to provide anatomical stability. Damage to the disc also results in an inflammatory response with ingrowth of nerves which results in chronic pain. This combination of anatomic instability and nerve ingrowth results in CLBP and functional disability.

With respect to mechanisms of action in CLBP, extensive pre-clinical studies have established that MLCs have anti-inflammatory effects and secrete multiple paracrine factors that stimulate new proteoglycan and collagen synthesis by chondrocytes in vitro and by resident cells in the nucleus and annulus in vivo.

It is estimated that over 7 million people in the U.S. alone suffer from CLBP associated with DDD, of which 3.2 million patients have moderate disease. This market is projected to have annual growth rate similar to that of the US population annual growth rate. After failure of conservative measures (medication, injections, physical therapy etc.), there is a need for non-opioid treatments that are effective over a sustained period of time. When disc degeneration has progressed to a point that pain and loss of function can no longer be managed by conservative means, major invasive surgery such as spinal fusion is the most commonly offered option.

All non-surgical therapies for progressive, severe and debilitating pain due to degenerating intervertebral discs treat the symptoms of the disease. However, they do not address the underlying cause of the disease. Surgical intervention is not always successful in addressing the patient's pain and functional deficit. It has been estimated that the incidence of failed back surgery is as high as 50% for standard procedures and may increase for more complex surgeries. Total costs of low back pain are estimated to be between \$100.0 billion and \$200.0 billion annually with two thirds attributed to patients' decreased wages and productivity.

As a result, we believe that the most significant unmet need and commercial opportunity in the treatment of CLBP is a therapy that has the ability to impact the chronic pain and disability associated with the condition.

Current Status and Anticipated Milestones

The Phase 3 clinical trial for CLBP completed enrollment in March 2018 with 404 patients enrolled across 48 centers in the United States and Australia randomized 1:1:1 to receive either 6 million MPCs with hyaluronic acid (MPC+HA), 6 million MPCs without hyaluronic acid (MPC) or saline control. Although the trial's composite outcomes of pain reduction together with functional responses to treatment were not met by either MPC group; the MPC+HA treatment group achieved substantial and durable reductions

in pain compared to control through 24 months across the entire evaluable study population (n=391) compared with saline controls. Greatest pain reduction was observed in the pre-specified population with CLBP of shorter duration than the study median of 68 months (n=194) and subjects using opioids at baseline (n=168) with the MPC+HA group having substantially greater reduction at all time points (1, 3, 6, 12, 18 and 24 months) compared with saline controls. There was no appreciable difference in the safety of MPC groups compared to saline control over the 24-month period of follow-up in the entire study population. In subjects using opioids at baseline, the MPC+HA demonstrated a reduction in the average opioid dose over 24 months, while saline control subjects had essentially no change.

Mesoblast received feedback in December 2021 from FDA on the Phase 3 program for CLBP and plans to conduct an additional US Phase 3 trial which may support submissions for potential approval in both the US and EU. Following review of the completed Phase 3 trial data, FDA agreed with Mesoblast's proposal for pain reduction at 12 months as the primary endpoint of the next trial, with functional improvement and reduction in opioid use as secondary endpoints.

Complementary Technologies

In addition to having the most mature and diverse allogeneic cell therapy product pipeline and technology platform in the field of cellular medicines, we have strategically targeted the acquisition of rights to technologies that are complementary to and synergistic with our mesenchymal lineage cell technology platform. The aim of this activity is to maintain our technology leadership position in the regenerative medicine space, while simultaneously expanding our targeted disease applications and managing the life-cycle of our current lead programs.

Our complementary technologies and additional product candidates include other types of mesenchymal lineage cells, cell surface modification technologies, pay-loading technology and protein and gene technologies.

Manufacturing and Supply Chain

Our manufacturing strategy for our cellular product candidates focuses on the following important factors:

- (i) ability for product delineation to protect pricing and partner markets by creating distinct products using discrete manufacturing processes, culture conditions, formulations, routes of administration, and/or dose regimens;
- (ii) establishing proprietary commercial scale-up and supply to meet increasing demand;
- (iii) implementing efficiencies and yield improvement measures to reduce cost-of-goods;
- (iv) maintaining regulatory compliance with best practices; and
- (v) establishing and maintaining multiple manufacturing sites for product supply risk mitigation.

The cell therapy manufacturing and distribution process generally involves five major steps.

- Procure bone marrow—acquire bone marrow from healthy adults with specific FDA-defined criteria, which is accompanied by significant laboratory testing to establish the usability of the donated tissues.
- Create master cell banks—isolate MLCs from the donated bone marrow and perform a preliminary expansion to create master cell banks. Each individual master cell bank comes from a single donor.
- Expand to therapeutic quantities—expand master cell banks to produce therapeutic quantities, a process that can yield thousands of doses per master cell bank, with the ultimate number depending on the dose for the respective product candidate being produced.
- Formulate, package and cryopreserve.
- Distribute—our cellular products are cryopreserved at the manufacturer and shipped to storage sites in the U.S. and other jurisdictions via cryoshippers. Those distribution centers then re-package and send the products on to treatment centers in cryoshippers. Treatment centers will either move the products into their own freezers or receive the cryoshipper in “real time” and the product stays in the cryoshipper until thawed for patient use within a well-defined window. We intend to continue utilizing this approach in the future.

To date our product candidates have been manufactured in two-dimensional, or 2D, planar, 10-layer cell factories, using media containing fetal bovine serum, or FBS.

The relatively small patient numbers and orphan drug designation for remestemcel-L lead us to believe that 2D manufacturing will be adequate to meet demand for this product candidate if fully approved. We also believe that 2D manufacturing process and facilities are commercially feasible for Phase 3 trial supply and the initial launch of MPC-06-ID for CLBP.

However, to build up commercial supply for certain of our product candidates long-term, we are developing novel manufacturing processes using three-dimensional, or 3D, bioreactors with greater capacity to improve efficiency and yields, with resulting lower-cost of goods. We intend to evaluate products produced in 3D bioreactors in pre-clinical and potentially clinical studies, which may serve as FDA required comparability studies to 2D if successful.

We are also focusing on the introduction of FBS-free media which has the potential to result in efficiency and yield improvements to the current 2D process. We intend to conduct comparability studies to illustrate that products produced with this media are equivalent to those produced using FBS based media. While we remain confident in our ability to deliver successful outcomes from each of these activities, any unexpected issues or challenges faced in doing so could delay our programs or prevent us from continuing our programs.

Our manufacturing activities to date have met stringent criteria set by international regulatory agencies, including the FDA. By using well-characterized cell populations, our manufacturing processes promote reproducibility and batch-to-batch consistency for our allogeneic cell product candidates. We have developed robust quality assurance procedures and lot release assays to support this reproducibility and consistency.

Intellectual Property

We have a large patent portfolio of issued and pending claims covering compositions of matter, uses for our mesenchymal lineage cell-based technologies and other proprietary regenerative product candidates and technologies, as well as for elements of our manufacturing processes, with approximately 1,037 patents and patent applications across 58 patent families as of July 2022.

One of our major objectives is to continue to protect and expand our extensive estate of patent rights and trade secrets, which we believe enables us to deliver commercial advantages and long-term protection for our product candidates based on our proprietary technologies, and support our corporate strategy to target large, mature and emerging healthcare markets for our exploratory therapeutic product candidates.

More specifically, our patent estate includes issued patent and patent applications in major markets, including, but not limited to, the United States, Europe, Japan and China. The patents that we have obtained, and continue to apply for, cover mesenchymal lineage cell technologies and product candidates derived from these technologies, irrespective of the tissue source, including bone marrow, adipose, placenta, umbilical cord and dental pulp.

These patents cover, among other technology areas, a variety of MLCs (including MPCs and MSCs), and the use of MLC for expansion of hematopoietic stem cells, or HSCs. Among the indication-specific issued or pending patents covering product candidates derived from our mesenchymal lineage cells are those which are directed to our lead product candidates: aGVHD, ARDS, CLBP, CHF and chronic inflammatory conditions such as RA. We also have issued and pending patents covering other pipeline indications, including diabetic kidney disease, inflammatory bowel disease (e.g., Crohn's disease), neurologic diseases, eye diseases and additional orthopedic diseases. In addition, we have in-licensed patents covering complementary technologies, such as other types of mesenchymal lineage cells, cell surface modification technologies, pay-loading technology and protein and gene technologies, as part of our strategy to expand our targeted disease applications and manage the life-cycle of our current lead programs.

Our patent portfolio also includes issued and pending coverage of proprietary manufacturing processes that are being used with our current two-dimensional manufacturing platform as well as the 3D bioreactor manufacturing processes currently under development. These cell manufacturing patents cover isolation, expansion, purification, scale up, culture conditions, aggregates minimization, cryopreservation, release testing and potency assays. In addition, we maintain as a trade secret, among other things, our proprietary FBS-free media used in our 3D bioreactor manufacturing processes.

We maintain trade secrets covering a significant body of know-how and proprietary information relating to our core product candidates and technologies. We protect our confidential know-how and trade secrets in a number of ways, including requiring all employees and third parties that have access to our confidential information to sign non-disclosure agreements, limiting access to confidential information on a need-to-know basis, maintaining our confidential information on secure computers, and providing our contract manufacturers with certain key ingredients for our manufacturing process.

In addition, in many major jurisdictions there are other means that may be available to us by which we would be able to extend the period during which we have commercial exclusivity for our product candidates, which include, but are not limited to the exclusive right to reference our data, orphan drug exclusivity and patent term extensions.

As part of our strategy, we seek patent protection for our product candidates and technologies in major jurisdictions including the United States, Europe, Japan, China, and Australia and file independent and/or counterpart patents and patent applications in other jurisdictions globally that we deem appropriate under the circumstances, including India, Canada, Hong Kong, Israel, Korea and

Singapore. As of July 2022, our patent portfolio includes the following patents and patent applications in the following major jurisdictions: 66 granted U.S. patents and 38 pending U.S. patent applications; 60 granted Japanese patents and 29 pending Japanese patent applications; 35 granted Chinese patents and 23 pending Chinese patent applications; 44 granted European patents and 40 pending European patent applications; and 54 granted Australian patents and 25 pending Australian patent applications.

Our policy is to patent the technology, inventions and improvements that we consider important to the development of our business, only in those cases in which we believe that the costs of obtaining patent protection is justified by the commercial potential of the technology and associated product candidates, and typically only in those jurisdictions that we believe present significant commercial opportunities to us. In those cases where we choose neither to seek patent protection nor protect the inventions as trade secrets, we may publish the inventions so that it defensively becomes prior art in order for us to secure a freedom to operate position and to prevent third parties from patenting the invention.

We also seek to protect as trade secrets our proprietary and confidential know-how and technologies that are either not patentable or where we deem it inadvisable to seek patent protection. To this end, we generally require all third parties with whom we share confidential information and our employees, consultants and advisors to enter into confidentiality agreements prohibiting the disclosure of confidential information. These agreements with our employees and consultants engaged in the development of our technologies require disclosure and assignment to us of the ideas, developments, discoveries and inventions, and associated intellectual property rights, important to our business. Additionally, these confidentiality agreements, among others, require that our employees, consultants and advisors do not bring to us, or use without proper authorization, any third party's proprietary technology.

License and Collaboration Agreements

All of our revenue relates to upfront, royalty and milestone payments recognized under the license and collaboration agreements below. For further information on the categorical revenue breakdown during the last three fiscal years, see "Item 18. Financial Statements – Note 3".

Gr✓nenthal arrangement

In September 2019, Mesoblast entered into a strategic partnership with Gr✓nenthal GmbH (Gr✓nenthal) to develop and commercialize MPC-06-ID, the Company's Phase 3 allogeneic cell therapy candidate for the treatment of chronic low back pain due to degenerative disc disease in patients who have exhausted conservative treatment options. The agreement was amended by the parties in June 2021. Under the partnership, Gr✓nenthal will have exclusive commercialization rights to MPC-06-ID for Europe and Latin America. Mesoblast may receive up to \$112.5 million in upfront and milestone payments prior to product launch, inclusive of \$17.5 million already received, if certain clinical and regulatory milestones are satisfied and reimbursement targets are achieved. Cumulative milestone payments could exceed \$1.0 billion depending on the final outcome of Phase 3 studies and patient adoption. Mesoblast will also receive tiered double-digit royalties on product sales. There cannot be any assurance as to the total amount of future milestone and royalty payments that Mesoblast will receive nor when they will be received.

JCR Pharmaceuticals Co., Ltd.—Hematological Malignancies and Hepatocytes Collaboration in Japan

In October 2013, we acquired all of Osiris Therapeutics, Inc.'s business and assets related to culture expanded MSCs. These assets included assumption of a collaboration agreement with JCR ("JCR Agreement"), which will continue in existence until the later of 15 years from the first commercial sale of any product covered by the agreement and expiration of the last Osiris patent covering any such product. JCR is a research and development oriented pharmaceutical company in Japan. Under the JCR Agreement we assumed from Osiris, JCR has the right to develop our MSCs in two fields for the Japanese market: exclusive in conjunction with the treatment of hematological malignancies by the use of HSCs derived from peripheral blood, cord blood or bone marrow, or the First JCR Field; and non-exclusive for developing assays that use liver cells for non-clinical drug screening and evaluation, or the Second JCR Field. Under the JCR Agreement, JCR obtained rights in Japan to our MSCs, for the treatment of aGVHD. JCR also has a right of first negotiation to obtain rights to commercialize MSC-based products for additional orphan designations in Japan. We retain all rights to those products outside of Japan.

JCR received full approval in September 2015 for its MSC-based product for the treatment of children and adults with aGVHD, TEMCELL. TEMCELL is the first culture-expanded allogeneic cell therapy product to be approved in Japan. It was launched in Japan in February 2016.

Under the JCR Agreement, JCR is responsible for all development and manufacturing costs including sales and marketing expenses. With respect to the First JCR Field, we have received all sales milestone payments, a total of \$3.0 million. Ongoing we are entitled to escalating double-digit royalties in the twenties. These royalties are subject to possible renegotiation downward in the event of competition from non-infringing products in Japan. With respect to the Second JCR Field, we are entitled to a double digit profit share in the fifties.

Intellectual property is licensed both ways under the JCR Agreement, with JCR receiving exclusive and non-exclusive rights as described above from us and granting us non-exclusive, royalty-free rights (excluding in the First JCR Field and Second JCR Field in Japan) under the intellectual property arising out of JCR's development or commercialization of MSC-based products licensed in Japan.

JCR has the right to terminate the JCR Agreement for any reason, and we have a limited right to terminate the JCR Agreement, including a right to terminate in the event of an uncured material breach by JCR. In the event of a termination of the JCR Agreement other than for our breach, JCR must provide us with its owned product registrations and technical data related to MSC-based products licensed in Japan and all licenses of our intellectual property rights will revert to us.

We have expanded our partnership with JCR in Japan for two new indications: for wound healing in patients with EB in October 2018, and for neonatal HIE, a condition suffered by newborns who lack sufficient blood supply and oxygen to the brain, in June 2019. We will receive royalties on TEMCELL product sales for EB and HIE, if and when such indications receive marketing approval in Japan.

We have the right to use all safety and efficacy data generated by JCR in Japan to support our development and commercialization plans for our MSC product candidate remestemcel-L in the United States and other major healthcare markets, including for GVHD, EB and HIE.

Lonza—Manufacturing Collaboration

In September 2011, we entered into a manufacturing services agreement, or MSA, with Lonza Walkersville, Inc. and Lonza Bioscience Singapore Pte. Ltd., collectively referred to as Lonza, a global leader in biopharmaceutical manufacturing. Under the MSA, we pay Lonza on a fee for service basis to provide us with manufacturing process development capabilities for our product candidates, including formulation development, establishment and maintenance of master cell banks, records preparation, process validation, manufacturing and other services.

We have agreed to order a certain percentage of our clinical requirements and commercial requirements for MPC products from Lonza. Lonza has agreed not to manufacture or supply commercially biosimilar versions of any of our product candidates to any third party, during the term of the MSA, subject to our meeting certain thresholds for sales of our products.

We can trigger a process requiring Lonza to construct a purpose-built manufacturing facility exclusively for our product candidates. In return if we exercise this option, we will purchase agreed quantities of our product candidates from this facility. We also have a right to buy out this manufacturing facility at a pre-agreed price two years after the facility receives regulatory approval.

The MSA will expire on the three-year anniversary of the date of the first commercial sale of product supplied under the MSA, unless it is terminated earlier. We have the option of extending the MSA for an additional 10 years, followed by the option to extend for successive three-year periods subject to Lonza's reasonable consent. We may terminate the MSA with two years prior written notice, and Lonza may terminate with five years prior written notice. The MSA may also terminate for other reasons, including if the manufacture or development of a product is suspended or abandoned due to the results of clinical trials or guidance from a regulatory authority. In the event we request that Lonza construct the manufacturing facility described above, neither we nor Lonza may terminate before the third anniversary of the date the facility receives regulatory approval to manufacture our product candidates, except in certain limited circumstances. Upon expiration or termination of the MSA, we have the right to require Lonza to transfer certain technologies and lease the Singapore facility or the portion of such facility where our product candidates are manufactured, subject to good faith negotiations.

We currently rely, and expect to continue to rely, on Lonza for the manufacture of our product candidates for preclinical and clinical testing, as well as for commercial manufacture of our product candidates if marketing approval is obtained.

In October 2019, we entered into an agreement with Lonza for commercial manufacture of remestemcel-L for pediatric SR-aGVHD. This agreement will facilitate inventory build ahead of the planned US market launch of remestemcel-L and commercial supply to meet Mesoblast's long-term market projections. The agreement provides for Lonza to expand its Singapore cGMP facilities if required to meet long-term growth and capacity needs for the product. Additionally, it anticipates introduction of new technologies and process improvements which are expected to result in significant increases in yields and efficiencies.

Singapore Economic Development Board (EDB)—Singapore Operations

In May 2014, the Economic Development Board of Singapore, or EDB, granted us certain financial incentives tied to revenues generated by our Singapore operations, among other things. These incentives include two separate 15-year periods (each broken into five-year increments) of potential incentives, one related primarily to non-manufacturing activities and the other related to

manufacturing activities. We will be eligible for these incentives if we meet certain investment or activity thresholds in Singapore, including employment levels, amounts of business or manufacturing related expenses, and the performance of various services including business development, planning, manufacturing, intellectual property management, marketing and distribution.

For example, in order to obtain full financial benefits from the EDB for our manufacturing-related incentives, we must manufacture at least 50% of the global volume of our first three commercial products in Singapore (subject to certain exceptions), and we would be required to construct and operate a manufacturing facility in Singapore, and hire and maintain a specified number of professionals (including supply chain personnel) in connection with the operation of that facility. The activities under our MSA with Lonza could be used to fulfill all or part of the requirements to obtain the EDB financial incentives.

Central Adelaide Local Health Network Incorporated—Mesenchymal Precursor Cell Intellectual Property

In October 2004, we, through our wholly-owned subsidiary, Angioblast Systems Inc., now Mesoblast, Inc., acquired certain intellectual property relating to our MPCs, or Medvet IP, pursuant to an Intellectual Property Assignment Deed, or IP Deed, with Medvet Science Pty Ltd, or Medvet. Medvet's rights under the IP Deed were transferred to Central Adelaide Local Health Network Incorporated, or CALHNI, in November 2011. In connection with our use of the Medvet IP, we are obligated to pay CALHNI, as successor in interest to Medvet, (i) certain aggregated milestone payments of up to \$2.2 million and single-digit royalties on net sales of products covered by the Medvet IP, for cardiac muscle and blood vessel applications and bone and cartilage regeneration and repair applications, subject to minimum annual royalties beginning in the first year of commercial sale of those products and (ii) and single-digit royalties on net sales of the specified products for applications outside the specified fields. Additionally, we are obligated to pay CALHNI a double-digit percentage in the teens of any revenue that we receive in exchange for a grant of a sublicense to the Medvet IP in the specified fields. Under the IP Deed, we also granted to Medvet a non-exclusive, royalty-free license to the Medvet IP for non-commercial, internal research and academic research.

Pursuant to the IP Deed, we were assigned the rights in three U.S. patents or patent applications (including all substitutions, continuations, continuations-in-part, divisional, supplementary protection certificates, renewals, all letters patent granted thereon, and all reissues, reexaminations, extensions, confirmations, revalidations, registrations and patents of addition and foreign equivalents thereof) and all future intellectual property rights, including improvements, that might arise from research conducted at CALHNI related to MPCs and methods of isolating, culturing and expanding MPCs and their use in any therapeutic area. We also acquired all related materials, information and know-how.

Osiris Acquisition—Continuing Obligations

In October 2013, we and Osiris entered into a purchase agreement, as amended, or the Osiris Purchase Agreement, under which we acquired all of Osiris' business and assets related to culture expanded MSCs. Pursuant to the Osiris Purchase Agreement, we also agreed to make certain milestone and royalty payments to Osiris pertaining to remestemcel-L for the treatment of aGVHD and Crohn's disease. Each milestone payment is for a fixed dollar amount and may be paid in cash or our ordinary shares or ADSs, at our option. The maximum amount of future milestone payments we may be required to make to Osiris is \$40.0 million. Any ordinary shares or ADSs we issue as consideration for a milestone payment will be subject to a contractual one year holding period, which may be waived in our discretion. In the event that the price of our ordinary shares or ADSs decreases between the issue date and the expiration of any applicable holding period, we will be required to make an additional payment to Osiris equal to the reduction in the share price multiplied by the amount of issued shares under that milestone payment. This additional payment can be made either wholly in cash or 50% in cash and 50% in our ordinary shares, in our discretion. We have also agreed to pay varying earnout amounts as a percentage of annual net sales of acquired products, ranging from low single-digit to 10% of annual sales in excess of \$750.0 million. These royalty payments will cease after the earlier of a ten year commercial sales period and the first sale of a relevant competing product. The first royalty payments were made in 2016.

Tasly Pharmaceutical Group — Cardiovascular Alliance for China

In July 2018, we entered into a Development and Commercialization Agreement with Tasly.

The Development and Commercialization Agreement provides Tasly with exclusive rights to develop, manufacture and commercialize REVASCOR in China for the treatment or prevention of CHF and MPC-25-IC for the treatment or prevention of AMI. Tasly will fund all development, manufacturing and commercialization activities in China for REVASCOR and MPC-25-IC. On closing, we received a \$20.0 million upfront technology access fee. Further, we will receive \$25.0 million upon product regulatory approvals in China. Mesoblast will receive double-digit escalating royalties on net product sales. Mesoblast is eligible to receive six escalating milestone payments upon the product candidates reaching certain sales thresholds in China.

Tasly can terminate the Development and Commercialization Agreement with a specified amount of notice, on the later of (a) third anniversary of the agreement coming into effect and (b) receipt of marketing approval in China for each of REVASCOR or

MPC-25-IC. Mesoblast has termination rights with respect to certain patent challenges by Tasly and if certain competing activities are undertaken by Tasly. Either party may terminate the agreement on material breach of the agreement if such breach is not cured within the specified cure period or if certain events related to bankruptcy of the other party occur.

TiGenix NV – patent license for treatment of fistulae

In December 2017, we entered into a Patent License Agreement with TiGenix, now a wholly owned subsidiary of Takeda, which granted Takeda exclusive access to certain of our patents to support global commercialization of the adipose-derived MSC product Alofisel®, previously known as Cx601, a product candidate of Takeda, for the local treatment of fistulae. The agreement includes the right for Takeda to grant sub-licenses to affiliates and third parties.

As part of the agreement, we received \$5.9 million (€5.0 million) before withholding tax as a non-refundable upfront payment and a further payment of \$5.9 million (€5.0 million) before withholding tax 12 months after the patent license agreement date. We are entitled to further payments of up to €10.0 million when Takeda reaches certain product regulatory milestones. Additionally, we receive single digit royalties on net sales of Alofisel®.

The agreement will continue in full force in each country (other than the United States) until the date upon which the last issued claim of any licensed patent covering Alofisel® expires in such country (currently expected to be 2029) or, with respect to the United States, until the later of (i) the date upon which the last issued claim of any licensed patent covering Alofisel® in the United States expires (currently expected to be around 2031) or (ii) the expiration of the regulatory exclusivity period in the United States with an agreed maximum term.

Either we or Takeda may terminate the agreement for any material breach that is not cured within 90 days after notice thereof. We also have the right to terminate the agreement, with a written notice in the event that Takeda file a petition in bankruptcy or insolvency or Takeda makes an assignment of substantially all of its assets for the benefit of its creditors.

Takeda have the right to terminate their obligation to pay royalties for net sales in a specific country if it is of the opinion that there is no issued claim of any licensed patent covering Alofisel® in such country, subject to referral of the matter to the joint oversight/cooperation committee established under the agreement if we disagree.

Competition

The biotechnology and pharmaceutical industries are highly competitive and are characterized by rapidly advancing technologies and a strong emphasis on proprietary products. Any product candidates that we and our collaborators successfully develop and commercialize will compete with existing products and new products that may become available in the future.

A number of our potential competitors, particularly large biopharmaceutical companies, have significantly greater financial resources and general expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do. Our market has been characterized by significant consolidation by pharmaceutical and biotechnology companies, which is likely to result in even more resources being concentrated among a smaller number of our potential competitors.

Government Regulation

We are developing cellular therapy product candidates. These products are subject to extensive legislation. Governmental authorities around the world, including the FDA, are charged with the administration and enforcement of numerous laws and regulations that impact all aspects of the development, production, importing, testing, approval, labeling, promotion, advertising, and sale of products such as ours. Such governmental authorities are also charged with administering what is often a lengthy and technical review and approval process before candidate therapies such as ours may be marketed for any use. Authorization or approval for marketing must generally be obtained from the local health authorities in each country in which the product is to be sold. Approval and authorization procedures may differ from country to country, as may the requirements for maintaining approvals. It is typical however for these procedures to require evidence of rigorous testing and documentation regarding the candidate therapy, which may include significant non-clinical and clinical evaluations. Extensive controls and requirements apply to the non-clinical and clinical development of our therapeutic candidates. Those requirements and their enforcement and implementation by local regulatory authorities around the world significantly impact whether a product candidate can be developed into a marketable product, and notably impact the cost, resources and timing for any such development. Changes in regulatory requirements and differences in requirements from country to country may also increase the costs of bringing new technologies such as ours to market and maintaining approvals, if obtained.

To obtain marketing approval of a new product, an extensive dossier of evidence establishing the safety, efficacy and quality of the product must be submitted for review by regulatory authorities. Dossier form and substance, while often similar may have notable

differences in different countries. Submission of an application to regulators does not guarantee approval to market that product, despite the fact that criteria for approval in many countries may be quite similar. Some regulatory authorities may require additional data and analyses, and may have standards that apply that are more stringent than others for review of the submitted dossier and content. Additionally, the review process, risk tolerance, and openness to new technologies may vary from country to country.

Obtaining marketing approval can take several months to several years, depending on the country, the quality of the data, the efficiencies and procedures of the reviewing regulatory authority and their familiarity with the product technology. Some countries, like the US, may have accelerated approval processes for certain categories of products, for example products which represent a breakthrough in the field, or which meet certain thresholds and have obtained certain designations of particular interest. Nevertheless, ultimate availability to patients may be affected, even post approval, by requirements in some countries to negotiate selling prices and reimbursement terms with government regulators or other payors.

Maintaining marketing approval may require the conduct of additional post-approval studies in some situations, and the continued capture, monitoring and assessment of safety and other information about the product, as well as adherence to requirements to ensure the purity and integrity of manufactured product. The process for obtaining and maintaining regulatory authorizations and approvals to market our products and the subsequent compliance with appropriate federal, state, local and foreign laws and regulations require the expenditure of substantial time and the commitment of significant financial and other resources, and we may not be able to obtain the required regulatory approvals.

Product Development Process

All of our product candidates are regulated as biological products by the Center for Biologics Evaluation and Research in the FDA. In the United States, biological products are subject to federal regulation under the Federal Food, Drug, and Cosmetic Act ("FDCA"), the Public Health Service ("PHS") Act, and other federal, state, local and foreign statutes and regulations. Both the FDCA and the PHS Act, as applicable, and their corresponding regulations govern, among other things, the testing, manufacturing, safety, efficacy, labeling, packaging, storage, record keeping, distribution, import, export, reporting, advertising and other promotional practices involving drugs and biological products. Before clinical testing of a new drug or biological product may commence, the sponsor of the clinical study must submit an application for investigational new drug ("IND") application to FDA, which must include, among other information, the proposed clinical study protocol(s). To obtain marketing authorization once clinical testing has concluded, a BLA must be submitted for FDA approval.

The process required by the FDA before a biological product may be marketed in the U.S. generally involves the following:

- completion of nonclinical laboratory studies, meaning in vivo and in vitro experiments in which an investigational product is studied prospectively in a test system under laboratory conditions to determine its safety, must be conducted according to cGLP (good laboratory practice) regulations, as well as, in the case of nonclinical laboratory studies involving animal test systems, in accordance with applicable requirements for the humane use of laboratory animals and other applicable regulations;
- submission to the FDA of an application for an IND, which must become effective before human clinical studies may begin;
- performance of adequate and well-controlled human clinical studies according to the FDA's cGCPs (good clinical practices) and all other applicable regulatory requirements for the protection of human research subjects and their health information, to establish the safety, purity and potency of the proposed product for its intended use and to ensure the product has an appropriate risk-benefit profile;
- development and demonstration of a manufacturing process that can produce product of consistent and adequate quality;
- submission to the FDA of a BLA for marketing approval demonstrating the quality, safety, and efficacy of the product which must be supported by substantial evidence from adequate and well-controlled clinical investigations as well as demonstration of mode of action through non-clinical studies, evidence to support appropriate manufacturing capabilities and controls, and evidence of the stability of the product in the form it is intended to be provided;
- negotiation with FDA of proposed product labeling (and determination of appropriate risk mitigation strategies and programs, if any required), as well as participation in any required advisory committee proceedings;
- satisfactory completion of an FDA inspection of all manufacturing, testing and distribution facilities where the product is produced, tested or stored and distributed, to assess compliance with cGMP (good manufacturing practices) to assure that the facilities, methods and controls for production are adequate to preserve the product's identity, strength, purity and potency;

- potential FDA inspection of nonclinical facilities and likely inspection of select clinical study sites that generated the data in support of the BLA; and
- FDA review and approval of the BLA.

Human testing of a biological product candidate is preceded by preclinical testing, including nonclinical laboratory studies in which the product candidate is studied prospectively in a test system under laboratory conditions to determine its safety. A test system may include any animal, plant, microorganism, or subparts thereof to which the test or control article is administered or added for study.

The clinical study sponsor must submit the results of the preclinical tests, together with manufacturing information, analytical data, any available clinical data or literature and a proposed clinical protocol, to the FDA as part of the IND. Some preclinical testing may continue even after the IND is submitted. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA places the clinical study covered by the IND on a clinical hold within that 30-day time period. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical study can begin. The FDA may also impose clinical holds on a product candidate at any time during clinical studies due to safety concerns or non-compliance. If the FDA imposes a clinical hold, studies may not recommence unless FDA removes the clinical hold and then only under terms authorized by the FDA. Accordingly, we cannot be sure that submission of an IND will result in the FDA allowing clinical studies to begin, or that, once begun, issues will not arise that suspend or terminate such studies.

Clinical studies involve the administration of the product candidate to subjects under the supervision of qualified independent investigators, generally physicians or other qualified scientists and medical personnel who are not employed by or under the study sponsor's control. Clinical studies are conducted under protocols detailing, among other things, the objectives of the clinical study, dosing procedures, subject selection and exclusion criteria, and the parameters to be used to monitor subject safety, including stopping rules that assure a clinical study will be stopped if certain adverse events, or AEs, should occur. Each new protocol and certain amendments to the protocol must be submitted to the FDA. Clinical studies must be conducted in accordance with the FDA's cGCP regulations and guidance, and monitored to ensure compliance with applicable regulatory requirements. These include the requirement that written informed consent is obtained from all subjects who participate in the study. Further, each clinical study must be reviewed and approved by an independent Institutional Review Board, or IRB, at or servicing each institution at which the clinical study will be conducted. An IRB is charged with protecting the welfare and rights of study participants and considers such items as whether the risks to individuals participating in the clinical studies are minimized and are reasonable in relation to anticipated benefits. The IRB also approves the form and content of the informed consent document that must be signed by each clinical study subject or his or her legal representative and must monitor the clinical study until completed. Throughout the study, certain information about certain serious adverse events must be reported to the IRB, in some cases on an expedited basis, and to FDA (as well as to regulators in other countries in which studies of the product are also being conducted).

Human clinical studies are typically conducted in three sequential phases that may in some cases overlap or be combined:

- **Phase 1.** The product candidate is initially introduced into a small number of human subjects. In the case of cellular therapy products, the initial human testing is conducted in patients with the disease or condition targeted by the biological product candidate. Phase 1 studies are intended to determine the metabolism and pharmacologic actions (including adverse reactions), the side effects associated with increasing doses, immunogenicity, and, if possible, to gain early evidence of effectiveness. The information obtained in Phase 1 should be sufficient to permit the design of well-controlled, scientifically valid Phase 2 studies.
- **Phase 2.** Controlled clinical studies are conducted in a larger number of human subjects to evaluate the effectiveness of the drug for a particular indication or indications in patients with the disease or condition under study. Phase 2 studies are intended to assess side effects and risks, and to examine exposure–response relationships, and to further explore pharmacologic actions and immunogenicity associated with the drug. These studies also provide helpful information for the design of phase 3 studies.
- **Phase 3.** Assuming preliminary evidence suggesting effectiveness has been obtained in phase 2 (generally considered to be “proof of concept”), controlled studies are conducted in a larger group of subjects to gather additional information about effectiveness and safety in order to evaluate the overall benefit-risk relationship of the drug and to provide an adequate basis for physician labeling.

Post-approval clinical studies, sometimes referred to as Phase 4 clinical studies, may be conducted after initial marketing approval. In some cases, FDA may require a Phase 4 study to be performed as a condition of product approval. Sponsors also can voluntarily conduct Phase 4 studies to gain additional experience from the treatment of patients in the intended therapeutic indication, particularly for long-term safety follow-up or in select populations. FDA regulations extend to all phases of clinical development and apply to sponsors and investigators of clinical studies. FDA oversight includes inspection of the sites and investigators involved in conducting the studies.

Concurrent with clinical studies, companies usually complete additional animal studies, and must also develop additional information about the physical characteristics of the biological product as well as finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements.

To help reduce the risk of the introduction of adventitious agents with use of biological products, the PHS Act emphasizes the importance of manufacturing control for products whose attributes cannot be precisely defined. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things; the sponsor must develop methods for testing the identity, purity and potency of the final biological product. All such testing and controls requires the application of significant human and financial resources.

Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the biological product candidate does not undergo unacceptable deterioration over its shelf life.

U.S. Review and Approval Processes

After the completion of clinical studies of a product candidate, FDA approval of a BLA must be obtained before commercial marketing of the biological product. The BLA must include results of product development, laboratory and animal studies, human studies, information on the manufacture and composition of the product, proposed labeling and other relevant information. In addition, under the Pediatric Research Equity Act ("PREA"), a BLA or supplement to a BLA must contain data to assess the safety and effectiveness of the product for the claimed indications in all relevant pediatric subpopulations and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The FDA may grant deferrals for submission of data or full or partial waivers. Unless otherwise required by regulation, PREA does not apply to any biological product for an indication for which orphan designation has been granted. The testing and approval processes require substantial time and effort and there can be no assurance that the FDA will accept the BLA for filing and, even if filed, that any approval will be granted on a timely basis, if at all.

Under the Prescription Drug User Fee Act ("PDUFA"), as amended, each BLA must be accompanied by a substantial user fee. PDUFA also imposes an annual product fee for biologics and an annual establishment fee on facilities used to manufacture prescription biologics. Fee waivers or reductions are available in certain circumstances, including a waiver of the application fee for the first application filed by a small business.

Additionally, an application fee is not assessed on BLAs for products designated as orphan drugs, unless the product also includes a non-orphan indication.

Within 60 days following submission of the application, the FDA reviews the BLA submitted to determine if it is substantially complete before the agency accepts it for filing. The FDA may refuse to file any marketing application that it deems incomplete or not properly reviewable at the time of submission and may request additional information. In this event, the BLA must be resubmitted with the additional information. The resubmitted application also is subject to review before the FDA accepts it for filing. Once the submission is accepted for filing, the FDA begins an in-depth substantive review of the BLA. The FDA reviews the application to determine, among other things, whether the proposed product is safe and effective, for its intended use, and has an acceptable purity profile, and whether the product is being manufactured in accordance with cGMP to assure and preserve the product's identity, safety, potency and purity. The FDA may refer applications for novel products or products that present difficult questions of safety or efficacy to an advisory committee, typically a panel that includes clinicians and other experts, for review, evaluation and a recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions. During the product approval process, the FDA also will determine whether a Risk Evaluation and Mitigation Strategy, or REMS, is necessary to assure the safe use of the product. If the FDA concludes a REMS is needed, the sponsor of the BLA must submit a proposed REMS; the FDA will not approve the application without a REMS, if required.

Before approving a BLA, the FDA will typically inspect the facilities at which the product is manufactured. The FDA will not approve the product unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving a BLA, the FDA will typically inspect one or more clinical sites to assure that the clinical studies were conducted in compliance with IND study and cGCP requirements. To assure cGMP and cGCP compliance, an applicant must incur significant expenditure of time, money and effort in the areas of training, record keeping, production, and quality control.

Notwithstanding the submission of relevant data and information, the FDA may ultimately decide that the BLA does not satisfy its regulatory criteria for approval and deny approval. Data obtained from clinical studies are not always conclusive and the FDA may interpret data differently than we interpret the same data. If the agency decides not to approve the marketing application, it will issue a complete response letter describing specific deficiencies in the application identified by the FDA. Additionally, the complete response letter may recommend actions that the applicant might take to place the application in a condition for approval. Such recommended

actions could include the conduct of additional studies. If a complete response letter is issued, the applicant may either resubmit the BLA, addressing all of the deficiencies identified in the letter, or withdraw the application.

If a product receives regulatory approval, the approval may be significantly limited to specific diseases and dosages or the indications for use may otherwise be limited, which could restrict the commercial value of the product. Further, the FDA may require that certain contraindications, warnings or precautions be included in the product labeling. The FDA may impose restrictions and conditions on product distribution, prescribing, or dispensing in the form of a risk management plan, or otherwise limit the scope of any approval. In addition, the FDA may require post-approval clinical studies, to further assess a product's safety and effectiveness, and testing and surveillance programs to monitor the safety of approved products that have been commercialized.

One of the performance goals agreed to by the FDA under the PDUFA is to complete its review of 90% of standard BLAs within 10 months from filing and 90% of priority BLAs within six months from filing, whereupon a review decision is to be made. The FDA does not always meet its PDUFA goal dates and its review goals are subject to change from time to time. The review process and the PDUFA goal date may be extended by three months if the FDA requests or the application sponsor otherwise provides additional information or clarification regarding information already provided in the submission within the last three months before the PDUFA goal date.

Post-Approval Requirements

Maintaining substantial compliance with applicable federal, state, and local statutes and regulations requires the expenditure of substantial time and the commitment of substantial human and financial resources. Rigorous and extensive FDA regulation of biological products continues after approval, particularly with respect to cGMP. We will rely, and expect to continue to rely, on third parties for the production of clinical and commercial quantities of any products that we may commercialize. Manufacturers of our products are required to comply with applicable requirements in the cGMP regulations, including quality control and quality assurance and maintenance of records and documentation.

Other post-approval requirements applicable to drug and biological products include reporting post marketing surveillance to continuously monitor the safety of the approved product. This is done through the collection of spontaneous reports of adverse events and side effects, the assessment of safety signals, if any, and prescription event monitoring, among other methods. FDA maintains a system of postmarketing surveillance because all possible side effects of a new drug may not be evident in preapproval studies, which involve only several hundred to several thousand patients. Through postmarketing surveillance and risk assessment programs, FDA and sponsors seek to identify adverse events that did not appear during the drug approval process. In addition, FDA monitors adverse events such as adverse reactions and poisonings. FDA may use this information for a variety of purposes to identify safety signals not previously identified with the product, to update drug labeling, and, on rare occasions, to reevaluate the approval or marketing decision with respect to a product.

In addition, post-approval regulatory requirements include reporting of cGMP deviations that may affect the identity, potency, purity and overall safety of a distributed product, record-keeping requirements, and complying with electronic record and signature requirements. After a BLA is approved, the product also may be subject to official lot release. As part of the manufacturing process, the manufacturer is required to perform certain tests on each lot of the product before it is released for distribution. If the product is subject to official release by the FDA, the manufacturer submits samples of each lot of product to the FDA together with a release protocol showing a summary of the history of manufacture of the lot and the results of all of the manufacturer's tests performed on the lot. The FDA also may perform certain confirmatory tests on lots of some products before releasing the lots for distribution by the manufacturer. In addition, the FDA conducts laboratory research related to the regulatory standards on the safety, purity, potency, and effectiveness of drug and biological products. The FDA will also conduct routine scheduled and unannounced inspections of drug production and control facilities and processes, using field investigators and analysts, to assure ongoing safety and effectiveness of approved marketed products. Inspections may be made in conjunction with regulators from other jurisdictions and in certain cases, inspection findings and observations may be made public or may impair our ability to use the inspected facility, or to continue to produce and market a product.

We also must comply with the FDA's advertising and promotion requirements, such as those related to direct-to-consumer advertising, the prohibition on promoting products for uses or in patient populations that are not described in the product's approved labeling (known as "off-label use"), industry-sponsored scientific and educational activities, and promotional activities involving the internet and notably, social media. In addition, discovery of previously unknown problems or the failure to comply with the applicable regulatory requirements may result in restrictions on the marketing of a product or withdrawal of the product from the market as well as possible civil or criminal sanctions. Failure to comply with the applicable U.S. requirements at any time during the product development process, approval process or after approval, may subject an applicant or manufacturer to administrative or judicial civil or criminal sanctions and adverse publicity. Sanctions authorized under FDA's legal authorities could include refusal to approve pending applications, withdrawal of an approval, clinical hold, warning or untitled letters, product recalls, product seizures, total or

partial suspension of production or distribution, injunctions, fines, mandated corrective advertising or communications with doctors, debarment, restitution, disgorgement of profits, or civil or criminal penalties.

Violations of the FDCA may serve as a basis for the refusal of, or exclusion from, government contracts, including federal reimbursement programs, as well as other adverse consequences including lawsuits and actions by state attorneys general. Any agency or judicial enforcement action could have a material adverse effect on us. Drug and biological product manufacturers and other entities involved in the manufacture and distribution of approved drug or biological products are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with cGMPs and other laws. Accordingly, manufacturers must continue to expend time, money, and effort in the area of production and quality control to maintain cGMP compliance. Discovery of problems with a product after approval may result in restrictions on a product, manufacturer, or holder of an approved BLA, including withdrawal of the product from the market. In addition, changes to a manufacturing process or facility generally require prior FDA approval before being implemented and other types of changes to the approved product, such as adding new indications and additional labeling claims, are also subject to further FDA review and approval.

U.S. Patent Term Restoration and Marketing Exclusivity

Depending upon the timing, duration and specifics of the FDA approval of the use of our product candidates, some of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, commonly referred to as the Hatch-Waxman Amendments. The Hatch-Waxman Amendments permit a patent restoration term of up to five years as compensation for patent term lost during product development and the FDA regulatory review process. However, patent term restoration cannot extend the remaining term of a patent beyond a total of 14 years from the product's approval date. The patent term restoration period is generally one-half the time between the effective date of an IND and the submission date of a new drug application, or NDA, or BLA plus the time between the submission date of an NDA or BLA and the approval of that application. Only one patent applicable to an approved product is eligible for the extension and the application for the extension must be submitted prior to the expiration of the patent. The U.S. Patent and Trademark Office, in consultation with the FDA, reviews and approves the application for any patent term extension or restoration.

Under the Hatch-Waxman Amendments, a drug product containing a new chemical entity as its active ingredient is entitled to five years of market exclusivity, and a product for which the sponsor is required to generate new clinical data is entitled to three years of market exclusivity. A drug or biological product can also obtain pediatric market exclusivity in the U.S. Pediatric exclusivity, if granted, adds six months to existing exclusivity periods and patent terms. This six-month exclusivity, which runs from the end of other exclusivity protection or patent term, may be granted based on the voluntary completion of a pediatric study in accordance with an FDA-issued "Written Request" for such a study.

The Biologics Price Competition and Innovation Act of 2009 created an abbreviated approval pathway for biological products shown to be similar to, or interchangeable with, an FDA-licensed reference biological product. Biosimilarity, which requires that there be no clinically meaningful differences between the biological product and the reference product in terms of safety, purity, and potency, can be shown through analytical studies, animal studies, and a clinical study or studies. Interchangeability requires that a product is biosimilar to the reference product and the product must demonstrate that it can be expected to produce the same clinical results as the reference product and, for products administered multiple times, the biologic and the reference biologic may be switched after one has been previously administered without increasing safety risks or risks of diminished efficacy relative to exclusive use of the reference biologic.

A new biologic is granted 12 years of exclusivity from the time of first licensure during which a biosimilar may not be launched.

Government Regulation Outside of the U.S.

European Union Regulation

In addition to regulations in the U.S., we will be subject to a variety of regulations in other jurisdictions governing, among other things, clinical studies and any commercial sales and distribution of our products. In particular, we view the EU and Japan as important jurisdictions for our business.

For purposes of developing our products, we must obtain the requisite approvals from regulatory authorities in each country prior to the commencement of clinical studies or marketing of the product in those countries. Certain countries outside of the U.S. have a similar process that requires the submission of a clinical study application much like the IND prior to the commencement of human clinical studies. In the EU, for example, a clinical trial application ("CTA"), must be submitted to each country's national health authority and an independent ethics committee, much like the FDA and the IRB, respectively. Once the CTA is approved in accordance with a country's requirements, clinical study development may proceed.

The EU has two main procedures for obtaining marketing authorizations in the EU Member States: a centralized procedure or national authorization procedure, under the latter of which one can seek to go through the mutual recognition procedure or the decentralized procedure. All biotechnology products are assessed through the centralized procedure.

Under the centralized authorization procedure, sponsors submit a single marketing-authorization application to the EMA. This allows the marketing-authorization holder to market the product and make it available to patients and healthcare professionals throughout the EU on the basis of a single marketing authorization. EMA's Committee for Medicinal products for Human Use ("CHMP") carries out a scientific assessment of the application and give a recommendation on whether the medicine should be marketed or not. Once granted by the EMA, the centralized marketing authorization is valid in all EU Member States as well as in the European Economic Area countries Iceland, Liechtenstein and Norway. The centralized procedure is mandatory for biotechnology products.

Any product candidates we seek to commercialize in the EU are subject to review and approval by the European Medicines Authority ("EMA"). Submissions for marketing authorization to the EMA must be received and validated by that body which appoints a Rapporteur and Co-Rapporteur to review it. The entire review process must be completed within 210 days, with a "clock-stop" at day 120 to allow the submitting company to respond to questions set forth in the Rapporteur and Co-Rapporteur's assessment report. Once the company responds in full, the clock for review re-starts on day 121. If further clarification is needed, the EMA may request an Oral Explanation on day 180, and the company submitting the application must appear before the CHMP to provide the requested information. On day 210, the CHMP will vote to recommend for or against the approval of the application. The final decision of EMA for marketing authorization following a positive CHMP recommendation is typically made within 60 days, with a draft decision within 15 days of the CHMP recommendation.

After Marketing Authorizations have been granted, the company must submit periodic safety reports to the EMA (if approval was granted under the Centralized Procedure) or to the National Health Authorities (if approval was granted under the DCP or the MRP). In addition, pharmacovigilance measures must be implemented and monitored to ensure appropriate adverse event collection, evaluation and expedited reporting, as well as timely updates to any applicable risk management plans. For some medications, post approval studies may be required to complement available data with additional data to evaluate long term effects or to gather additional efficacy data.

European marketing authorizations have an initial duration of five years. After this time, the marketing authorization may be renewed by the competent authority on the basis of re-evaluation of the risk/benefit balance. Any marketing authorization which is not followed within three years of its granting by the actual placing on the market of the corresponding medicinal product ceases to be valid.

EU Exclusivity Periods

To obtain regulatory approval of an investigational biological product under EU regulatory systems, we must submit a marketing authorization application. The application used to file the BLA in the U.S. is similar to that required in the EU, with the exception of, among other things, country-specific document requirements. The EU also provides opportunities for market exclusivity. For example, in the EU, upon receiving marketing authorization, new chemical entities generally receive eight years of data exclusivity and an additional two years of market exclusivity. If granted, data exclusivity prevents regulatory authorities in the EU from referencing the innovator's data to assess a generic application. During the additional two-year period of market exclusivity, a generic marketing authorization can be submitted, and the innovator's data may be referenced, but no generic product can be marketed until the expiration of the market exclusivity. However, there is no guarantee that a product will be considered by the EU's regulatory authorities to be a new chemical entity, and products may not qualify for data exclusivity. Products receiving orphan designation in the EU can receive 10 years of market exclusivity, during which time no similar medicinal product for the same indication may be placed on the market. An orphan product can also obtain an additional two years of market exclusivity in the EU for pediatric studies. No extension to any supplementary protection certificate can be granted on the basis of pediatric studies for orphan indications.

The criteria for designating an "orphan medicinal product" in the EU are similar in principle to those in the U.S. Under Article 3 of Regulation (EC) 141/2000, a medicinal product may be designated as orphan if (1) it is intended for the diagnosis, prevention or treatment of a life-threatening or chronically debilitating condition; (2) either (a) such condition affects no more than five in 10,000 persons in the EU when the application is made, or (b) the product, without the benefits derived from orphan status, would not generate sufficient return in the EU to justify investment; and (3) there exists no satisfactory method of diagnosis, prevention or treatment of such condition authorized for marketing in the EU, or if such a method exists, the product will be of significant benefit to those affected by the condition, as defined in Regulation (EC) 847/2000. Orphan medicinal products are eligible for financial incentives such as reduction of fees or fee waivers and are, upon grant of a marketing authorization, entitled to 10 years of market exclusivity for the approved therapeutic indication. The application for orphan drug designation must be submitted before the application for marketing authorization. The applicant will receive a fee reduction for the marketing authorization application if the orphan drug designation has been granted, but not if the designation is still pending at the time the marketing authorization is submitted. Orphan drug designation does not convey any advantage in, or shorten the duration of, the regulatory review and approval process.

The 10-year market exclusivity may be reduced to six years if, at the end of the fifth year, it is established that the product no longer meets the criteria for orphan designation, for example, if the product is sufficiently profitable not to justify maintenance of market exclusivity. Additionally, marketing authorization may be granted to a similar product for the same indication at any time if:

- the second applicant can establish that its product, although similar, is safer, more effective or otherwise clinically superior;
- the applicant consents to a second orphan medicinal product application; or
- the applicant cannot supply enough orphan medicinal product.

In addition to law and regulation specific to drug development, we note that new data protection regulations that have gone into effect in Europe are likely to have a significant impact on our activities, personnel, and may have an impact on our ability to timely complete clinical trials and effectively develop and commercialize our product candidates. The General Data Protection Regulation (the “GDPR”) was approved and adopted by the EU Parliament in April 2016 and went into effect on May 25, 2018. Unlike a Directive, the GDPR does not require any enabling legislation to be passed by any government. The GDPR not only applies to organizations located within the EU but may also apply to organizations located outside of the EU if they offer goods or services to, or monitor the behavior of, EU data subjects or if they process the personal data of subjects residing in the European Union. The implications of this regulation are therefore far reaching and may impose significant burdens on the Company and its processes and systems. Additionally, the UK government has implemented a Data Protection Bill, which also went into effect on May 25, 2018, that substantially implements the GDPR. For other countries outside of the EU, such as countries in Eastern Europe, Latin America or Asia, the requirements governing the conduct of clinical studies, product licensing, coverage, pricing and reimbursement vary from country to country. In all cases, again, the clinical studies are conducted in accordance with cGCP and the applicable regulatory requirements and the ethical principles that have their origin in the Declaration of Helsinki.

If we fail to comply with applicable foreign regulatory requirements, we may be subject to, among other things, fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions and criminal prosecution.

Pharmaceutical Coverage, Pricing and Reimbursement

Significant uncertainty exists as to the coverage and reimbursement status of any product candidates for which we obtain regulatory approval. In the U.S. and markets in other countries, sales of any products for which we receive regulatory approval for commercial sale will depend, in part, on the availability of coverage and adequate reimbursement from third-party payors. Third-party payors include government programs such as Medicare or Medicaid, managed care plans, private health insurers, and other organizations. These third-party payors may deny coverage or reimbursement for a product or therapy in whole or in part if they determine that the product or therapy was not medically appropriate or necessary or if another less expensive potential alternative exists. Third-party payors may attempt to control costs by limiting coverage to specific drug products on an approved list, or formulary, which might not include all of the FDA-approved drug products for a particular indication, and by limiting the amount of reimbursement for particular procedures or drug treatments. In addition, in the United States, participation in government health programs such as Medicare and Medicaid are subject to complex rules and controls relating to price reporting and calculation of prices to ensure that pricing provided to government entities for periodic reporting purposes is aligned and compliant with numerous complex statutory requirements and the lowest possible price is the one used by government programs. The infrastructure and/or external resources necessary to ensure continued compliance with these requirements is extensive and manufacturers are subject to audit both by the Centers for Medicare and Medicaid Services and by State Medicaid authorities.

The cost of pharmaceuticals and devices continues to generate substantial governmental and third-party payor interest. We expect that the pharmaceutical industry will experience pricing pressures due to the trend toward managed healthcare, the increasing influence of managed care organizations and additional legislative proposals. Third-party payors are increasingly challenging the price and examining the medical necessity and cost-effectiveness of medical products and services, in addition to their safety and efficacy. We may need to conduct expensive pharmacoeconomic studies in order to demonstrate the medical necessity and cost-effectiveness of our products, in addition to the costs required to obtain the FDA approvals. More recently in the US and for certain high-cost rare disease drugs, payors have negotiated a provision that requires manufactures to refund the cost of the treatment if patients discontinue the drug for clinical reasons. Our product candidates may not be considered medically necessary or cost-effective. A payor’s decision to provide coverage for a drug product does not imply that an adequate reimbursement rate will be approved. Adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in product development.

Some third-party payors also require pre-approval of coverage for new or innovative devices or drug therapies before they will reimburse healthcare providers who use such therapies. While we cannot predict whether any proposed cost-containment measures will be adopted or otherwise implemented in the future, these requirements or any announcement or adoption of such proposals could have a material adverse effect on our ability to obtain adequate prices for our product candidates and to operate profitably.

In international markets, reimbursement and healthcare payment systems vary significantly by country, and many countries have instituted price ceilings (or mandatory price decreases) on specific products and therapies. There can be no assurance that our products will be considered medically reasonable and necessary for a specific indication, that our products will be considered cost-effective by third-party payors, that coverage or an adequate level of reimbursement will be available or that the third-party payors reimbursement policies will not adversely affect our ability to sell our product profitably.

Healthcare Reform

In the U.S. and foreign jurisdictions, there have been a number of legislative and regulatory changes to the healthcare system that could affect our future results of operations. In particular, there have been and continue to be a number of initiatives at the U.S. federal and state levels that seek to reduce healthcare costs. In the U.S., the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, or the Medicare Modernization Act, changed the way Medicare covers and pays for pharmaceutical products. The Medicare Modernization Act expanded Medicare coverage for drug purchases by the elderly by establishing Medicare Part D and introduced a new reimbursement methodology based on average sales prices for physician administered drugs under Medicare Part B. In addition, this legislation provided authority for limiting the number of drugs that will be covered in any therapeutic class under the new Medicare Part D program. Cost reduction initiatives and other provisions of this legislation could decrease the coverage and reimbursement rate that we receive for any of our approved products. While the Medicare Modernization Act applies only to drug benefits for Medicare beneficiaries, private payors often follow Medicare coverage policy and payment limitations in setting their own reimbursement rates.

Therefore, any reduction in reimbursement that results from the Medicare Modernization Act may result in a similar reduction in payments from private payors.

In March 2010, President Obama signed into law the Affordable Care Act ("ACA"), a sweeping law intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against healthcare fraud and abuse, add new transparency requirements for healthcare and health insurance industries, impose new taxes and fees on pharmaceutical and medical device manufacturers and impose additional health policy reforms. We expect that the rebates, discounts, taxes and other costs resulting from the ACA over time will have a negative effect on our expenses and profitability in the future. Furthermore, expanded government investigative authority and increased disclosure obligations may increase the cost of compliance with new regulations and programs.

The current presidential administration and Congress are also expected to continue recent attempts to make changes to the current health care laws and regulations. The impact of those changes on us and potential effect on the pharmaceutical industry as a whole is currently unknown. But, any changes to the health care laws or regulations, especially to Medicare drug reimbursement, are likely to have an impact on our results of operations and may have a material adverse effect on our results of operations. We cannot predict what other health care programs and regulations will ultimately be implemented at the federal or state level or the effect of any future legislation or regulation in the United States may have on our business.

It is possible that healthcare reform measures that have been and may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that we receive for any approved product, and could seriously harm our future revenue. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors, and formulary restrictions among private payors including the largest pharmacy benefit managers have increased over recent months, especially as regards to new and high cost market entrants. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our products.

In addition, different pricing and reimbursement schemes exist in other countries. In the European Community, governments influence the price of pharmaceutical products through their pricing and reimbursement rules and control of national healthcare systems that fund a large part of the cost of those products to consumers. Some jurisdictions operate positive and negative list systems under which products may be marketed only once a reimbursement price has been agreed upon. Some of these countries may require, as condition of obtaining reimbursement or pricing approval, the completion of clinical trials that compare the cost-effectiveness of a particular product candidate to currently available therapies. Other member states allow companies to fix their own prices for medicines but monitor and control company profits. The downward pressure on healthcare costs in general, particularly prescription drugs, has become very intense. As a result, increasingly high barriers are being erected to the entry of new products. In addition, in some countries, cross-border imports from low-priced markets exert a commercial pressure on pricing within a country.

Other Healthcare Laws and Compliance Requirements

In the U.S., the research, manufacturing, distribution, sale and promotion of drug products, including biologics, and medical devices are potentially subject to regulation by various federal, state and local authorities in addition to the FDA, divisions of the U.S.

Department of Health and Human Services, including the Office of Inspector General and the Centers for Medicare and Medicaid Services, the U.S. Department of Justice, state Attorneys General, and other state and local government agencies. For example, sales, marketing and scientific/educational grant programs must comply with fraud and abuse laws such as the federal Anti-Kickback Statute, as amended, the federal False Claims Act, as amended, and similar state laws. Pricing and rebate programs must comply with the Medicaid Drug Rebate Program requirements of the Omnibus Budget Reconciliation Act of 1990, as amended, and the Veterans Health Care Act of 1992, as amended. If products are made available to authorized users of the Federal Supply Schedule of the General Services Administration, additional laws and requirements apply. All of these activities are also potentially subject to federal and state consumer protection and unfair competition laws.

The federal Anti-Kickback Statute prohibits any person, including a prescription drug manufacturer (or a party acting on its behalf), from knowingly and willfully soliciting, receiving, offering or providing remuneration, directly or indirectly, to induce or reward either the referral of an individual, or the furnishing, recommending, or arranging for a good or service, for which payment may be made under a federal healthcare program such as the Medicare and Medicaid programs. This statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on one hand and prescribers, purchasers, and formulary managers on the other. The term "remuneration" has been broadly interpreted to include anything of value, including for example, gifts, discounts, the furnishing of supplies or equipment, credit arrangements, payments of cash, waivers of payments, ownership interests and providing anything at less than its fair market value. Even the award of grant moneys, or the provision of in kind support, publicity and even authorship, in certain cases, may be deemed to be "remuneration." Although there are a number of statutory exceptions and regulatory safe harbors protecting certain business arrangements from prosecution, the exception and safe harbors are drawn narrowly, and practices that involve remuneration intended to induce prescribing, purchasing or recommending may be subject to scrutiny if they do not qualify for an exception or safe harbor. Our practices may not in all cases meet all of the criteria for safe harbor protection from federal Anti-Kickback Statute liability. The reach of the Anti-Kickback Statute was broadened by the recently enacted ACA, so that the government need no longer prove, for purposes of establishing intent under the federal Anti-Kickback Statute, that a person or entity had actual knowledge of the statute or specific intent to violate it. In addition, the ACA provides that a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal False Claims Act (discussed below). Additionally, many states have adopted laws similar to the federal Anti-Kickback Statute, and some of these state prohibitions apply to the referral of patients for healthcare items or services reimbursed by any third-party payor, including private payors. In at least some cases, these state laws do not contain safe harbors.

The federal False Claims Act imposes liability on any person or entity that, among other things, knowingly presents, or causes to be presented, a false or fraudulent claim for payment by a federal healthcare program. The qui tam provisions of the False Claims Act allow a private individual to bring civil actions on behalf of the federal government and share in any recovery. In recent years, the number of suits brought by private individuals has increased dramatically. In addition, various states have enacted false claims laws analogous to the False Claims Act. Many of these state laws apply where a claim is submitted to any third-party payor and not merely a federal healthcare program. There are many potential bases for liability under the False Claims Act. Liability arises, primarily, when an entity knowingly submits, or causes another to submit, a false claim for reimbursement to the federal government. The False Claims Act has been used to assert liability on the basis of inadequate care, kickbacks and other improper referrals, improperly reported government pricing metrics such as Best Price or Average Manufacturer Price, improper use of Medicare numbers when detailing the provider of services, improper promotion of off-label uses (i.e., uses not expressly approved by FDA in a drug's label), and allegations as to misrepresentations with respect to the services rendered.

Substantial resources have been allocated by both the Department of Justice and the Federal Bureau of Investigation, among other branches of the US government to identify and investigate possible health care fraud activities. Recent investigations include those relating to allegedly egregious price increases by manufacturers and alleged fraud involving co-pay arrangements supported by sponsors. As new theories of liability arise, there is a corresponding cost of doing business in order to maintain compliance.

Our future activities relating to the reporting of discount and rebate information and other information affecting federal, provincial, state and third party reimbursement of our products, and the sale and marketing of our products and our service arrangements or data purchases, among other activities, may be subject to scrutiny under these laws. We are unable to predict whether we would be subject to actions under the False Claims Act or a similar state law, or the impact of such actions. However, the cost of defending such claims, as well as any sanctions imposed, could adversely affect our financial performance. Also, the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), created several new federal crimes including healthcare fraud and false statements relating to healthcare matters. The healthcare fraud provision of HIPAA prohibits knowingly and willfully executing a scheme to defraud any healthcare benefit program, including private third-party payors. The false statements provision prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services.

In addition, we may be subject to, or our marketing activities may be limited by, data privacy and security regulation by both the federal government and the states in which we conduct our business. For example, HIPAA and its implementing regulations established uniform federal standards for certain “covered entities” (healthcare providers, health plans and healthcare clearinghouses) governing the conduct of certain electronic healthcare transactions and protecting the security and privacy of protected health information. The American Recovery and Reinvestment Act of 2009, commonly referred to as the economic stimulus package, included expansion of HIPAA’s privacy and security standards called the Health Information Technology for Economic and Clinical Health Act (“HITECH”), which became effective on February 17, 2010. Among other things, HITECH makes HIPAA’s privacy and security standards directly applicable to “business associates”—independent contractors or agents of covered entities that create, receive, maintain, or transmit protected health information in connection with providing a service for or on behalf of a covered entity. HITECH also increased the civil and criminal penalties that may be imposed against covered entities, business associates and possibly other persons, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorney’s fees and costs associated with pursuing federal civil actions.

There are also an increasing number of state “sunshine” laws that require manufacturers to make reports to states on pricing and marketing information, as well as regarding payments to healthcare professionals. Several states have enacted legislation requiring pharmaceutical companies to, among other things, establish marketing compliance programs, file periodic reports with the state, make periodic public disclosures on sales, marketing, pricing, clinical trials and other activities, and/or register their sales representatives, as well as to prohibit certain other sales and marketing practices. State laws are not harmonized and contain different reporting requirements and restrictions which must be noted and adhered to. We currently do not report under these state laws, but will be required to do if we are successful in obtaining marketing authorization for our products. We will need to develop the infrastructure or rely on third party contractors to assist us in our compliance with these laws, and failure to comply may result in financial and other penalties and consequences. In addition, beginning in 2013, a similar “sunshine” federal requirement began requiring manufacturers to track and report to the federal government certain payments and other transfers of value made to certain covered recipients, including physicians and other healthcare professionals, and teaching hospitals. In addition to payments, reporting may encompass requirements to report on ownership or investment interests held by physicians and their immediate family members. The efforts and resources needed to track and report payments go well beyond our affiliates operating in the United States, as reporting is required also for payments made by affiliated entities in many cases to US covered recipients. In other jurisdictions (eg, Australia, Japan and Europe) similar “sunshine-like” laws have also been adopted, which may require disclosure of certain payment and other information to covered recipients. Extensive administration and systems, including to aggregate and categorize spend, are necessary in order to enable compliant and timely reporting under these requirements. The US federal government began disclosing the reported information on a publicly available website in 2014. These laws may affect our development, sales, marketing, and other promotional activities by imposing administrative and compliance burdens on us. If we fail to track and report as required by these laws or otherwise fail to comply with these laws, we could be subject to the penalty and sanctions of the pertinent state and federal authorities.

Because of the breadth of these laws and the narrowness of available statutory and regulatory exemptions, it is possible that some of our business activities could be subject to challenge under one or more of such laws. If our operations are found to be in violation of any of the federal and state laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including criminal and significant civil monetary penalties, damages, fines, imprisonment, exclusion from participation in government healthcare programs, injunctions, recall or seizure of products, total or partial suspension of production, denial or withdrawal of premarketing product approvals, private qui tam actions brought by individual whistleblowers in the name of the government or refusal to allow us to enter into supply contracts, including government contracts, and the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our results of operations. To the extent that any of our products are sold in a foreign country, we may be subject to similar foreign laws and regulations, which may include, for instance, applicable post-approval requirements, including safety surveillance, anti-fraud and abuse laws, implementation of corporate compliance programs and reporting of payments or transfers of value to healthcare professionals.

Australian Disclosure Requirements

Business Strategies and Prospects for Future Years

We are focused on the following core strategic imperatives:

- continue to innovate and optimize our disruptive technology platform for cell-based therapeutics;
- develop a portfolio of clinically distinct products;
- focus on bringing late-stage products to market and portfolio prioritization;
- enabling manufacturing scale-up to meet demands of the portfolio;
- leverage talent base to continue to establish a culture of shared leadership and accountability;

- focus on strategic partnerships;
- focus on prudent cash management; and
- continue to strengthen our substantial and robust intellectual property estate.

Dividends

No dividends were paid during the course of the fiscal year ended June 30, 2022. There are no dividends or distributions recommended or declared for payment to members, but not yet paid, during the year.

4.C Organizational Structure

See “Item 4. Information on the Company – 4.B Business Overview – Overview”, “Item 18. Financial Statements – Note 12” and Exhibit 8.1 to this Annual Report.

4.D Property, Plants and Equipment

We lease approximately 11,150 square feet of office space in Melbourne, Australia, where our headquarters are located. We pay approximately A\$1,000,000 per year for this lease, which expires in April 2026. We are in the process of sub-leasing part of this space since it is surplus to our requirements. We also lease approximately 15,600 square feet in New York City, where significant development and commercial activities are conducted. We pay approximately \$995,000 per year for this lease, which expires in September 2024. We also lease laboratory and office space in Singapore. We pay approximately S\$267,000 per year for this lease, which expires in September 2025. We also lease laboratory space in Texas and pay approximately \$309,000 per year for this lease, which expires in December 2026. All of our manufacturing operations are currently located at Lonza’s manufacturing facilities. See “Item 4.B Business Overview – Manufacturing and Supply Chain.”

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

5.A Operating Results

This operating and financial review should be read together with our consolidated financial statements in this Annual Report, which have been prepared in accordance with IFRS as published by the IASB.

Financial Overview

We have incurred significant losses since our inception. We have incurred net losses during most of our fiscal periods since our inception. As at June 30, 2022, we had an accumulated deficit of \$738.9 million. Our net loss for the year ended June 30, 2022 was \$91.3 million.

We anticipate that we may continue to incur significant losses for the foreseeable future. There can be no assurance that we will ever achieve or maintain profitability.

We expect our future capital requirements will continue as we:

- continue the research and clinical development of our product candidates;
- initiate and advance our product candidates into larger clinical studies;
- seek to identify, assess, acquire, and/or develop other product candidates and technologies;
- seek regulatory and marketing approvals in multiple jurisdictions for our product candidates that successfully complete clinical studies;
- establish collaborations with third parties for the development and commercialization of our product candidates, or otherwise build and maintain a sales, marketing, and distribution infrastructure to commercialize any products for which we may obtain marketing approval;
- further develop and implement our proprietary manufacturing processes and expand our manufacturing capabilities and resources for commercial production;

- seek coverage and reimbursement from third-party payors, including government and private payors for future products;
- make interest payments, principal repayments and other charges on our debt financing arrangements;
- make milestone or other payments under our agreements pursuant to which we have licensed or acquired rights to intellectual property and technology;
- seek to maintain, protect, and expand our intellectual property portfolio; and
- seek to attract and retain skilled personnel.

We expect our research and development and management and administration expenses to remain relatively consistent over the next 12 months. Subject to us achieving successful regulatory approval, we expect an increase in our total expenses driven by an increase in our product manufacturing and selling, general and administrative expenses as we move towards commercialization. Therefore, we will need additional capital to fund our operations, which we may raise through a combination of equity offerings, debt financings, other third-party funding, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements. We do not know when, or if, we will generate revenues from our product sales significant enough to generate profits. We do not expect to generate significant revenue from product sales unless and until we obtain regulatory approval of and commercialize one or more of our cell-based product candidates. For further discussion on our ability to continue as a going concern, see Note 1(i) in our accompanying financial statements.

Commercialization and Milestone Revenue. Commercialization and milestone revenue relates to upfront, royalty and milestone payments recognized under development and commercialization agreements; milestone payments, the receipt of which is dependent on certain clinical, regulatory or commercial milestones; as well as royalties on product sales of licensed products, if and when such product sales occur; and revenue from the supply of products. Payment is generally due on standard terms of 30 to 60 days.

Amounts received prior to satisfying the revenue recognition criteria are recorded as deferred consideration in our consolidated balance sheet, depending on the nature of the arrangement. Amounts expected to be recognized as revenue within the 12 months following the balance sheet date are classified within current liabilities. Amounts not expected to be recognized as revenue within the 12 months following the balance sheet date are classified within non-current liabilities.

In the year ended June 30, 2022, we recognized \$8.7 million in commercialization revenue relating to royalty income earned on sales of TEMCELL® Hs. Inj., a registered trademark of JCR Pharmaceuticals Co. Ltd. (“TEMCELL”), in Japan by our licensee, JCR Pharmaceuticals Co. Ltd. (“JCR”), compared with \$7.2 million for the year ended June 30, 2021. Also, in the years ended June 30, 2022 and 2021, we recognized \$0.3 million and \$0.2 million, respectively, in commercialization revenue from royalty income earned on sales of Alofisel® in Europe. These amounts were recorded in revenue as there are no further performance obligations required in regard to these items.

In the year ended June 30, 2022, we recognized \$1.2 million in milestone revenue in relation to our patent license agreement with Takeda Pharmaceutical Company Limited (“Takeda”) entered into in December 2017. This \$1.2 million was recognized with regards to the €1.0 million regulatory milestone payment receivable from Takeda given Takeda received approval to manufacture and market Alofisel® (darvadstrocel) in Japan for the treatment of complex perianal fistulas in patients with non-active or mildly active luminal Crohn’s Disease. This amount was recorded in revenue as there are no further performance obligations required regarding this item. There was no milestone revenue recognized in relation to this agreement with Takeda in the year ended June 30, 2021.

Interest Revenue. Interest revenue is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

Research and Development. Research and development expenditure is recognized as an expense as incurred.

Our research and development expenses consist primarily of:

- third party costs comprising all external expenditure on our research and development programs such as fees paid to Contract Research Organizations (“CROs”) and on our pre-commercial activities, such as research pertaining to market access and pricing, brand marketing and initiation of trade and distribution contracts. Third party costs also comprise fees paid to consultants who perform research on our behalf and under our direction, rent and utility costs for our research and development facilities, and database analysis fees;
- third party costs under license and/or sub-license arrangements for the research and development, license, manufacture and/or commercialization of products and/or product candidates, such as payments for options to acquire rights to products and product candidates as well as contingent obligations under the agreements;

- product support costs consisting primarily of salaries and related overhead expenses for personnel in research and development and pre-commercial functions (for example wages, salaries and associated on costs such as superannuation, share-based incentives and payroll taxes, plus travel costs and recruitment fees for new hires);
- intellectual property support costs comprising payments to our patent attorneys to progress patent applications and all costs of renewing our granted patents; and
- amortization of currently marketed products on a straight-line basis over the life of the asset.

Our research and development expenses are not charged to specific products or programs, since the number of clinical and preclinical product candidates or development projects tends to vary from period to period and since internal resources are utilized across multiple products and programs over any given period of time. As a result, our management does not maintain and evaluate research and development costs by product or program. Acquired in-process research and development is capitalized as an asset and is not amortized but is subject to impairment review during the development phase. Upon completion of its development, the acquired in-process research and development amortization will commence.

Manufacturing Commercialization. Manufacturing commercialization expenditure is recognized as an expense as incurred. Our manufacturing commercialization expenses consist primarily of:

- salaries and related overhead expenses including share-based incentives for personnel in manufacturing functions;
- fees paid to our contract manufacturing organizations, which perform process development on our behalf and under our direction;
- costs related to laboratory supplies used in our manufacturing development efforts; and
- provision for the carrying value of pre-launch inventory costs on the balance sheet.

Management and Administration. Management and administration expenses consist primarily of salaries and related costs including share-based incentives for directors and employees in corporate and administrative functions, including the executives of those areas. Other significant management and administration expenses include legal and professional services, rent and depreciation of leasehold improvements, insurance and information technology services.

Fair Value Remeasurement of Contingent Consideration. Remeasurement of contingent consideration pertains to the acquisition of assets from Osiris Therapeutics, Inc. (“Osiris”). The fair value remeasurement of contingent consideration is recognized as a net result of changes to the key assumptions of the contingent consideration valuation such as developmental timelines, market growth, probability of success, market penetration, product pricing and the increase in valuation as the time period shortens between the valuation date and the potential settlement dates of contingent consideration. As the net result of changes to the key assumptions and the time period shortening, we recognized net remeasurement gains of \$0.9 million and \$18.7 million for the years ended June 30, 2022 and 2021, respectively.

Fair Value Movement of Warrants. Remeasurement of warrants pertain to the warrants granted to Oaktree Capital Management, L.P. (“Oaktree”) in relation to the refinancing of our senior debt facility. The fair value movement of warrants is recognized when there is a change in the valuation assumptions such as share price, risk-free interest rates and volatility. In the year ended June 30, 2022, we recognized a remeasurement gain of \$5.9 million. There was no fair value movement of warrants recognized in the year ended June 30, 2021.

Other Operating Income and Expenses. Other operating income and expenses primarily comprise foreign exchange gains and losses.

Foreign exchange gains and losses relate to unrealized foreign exchange gains and losses on our foreign currency amounts in our Australian based entity, whose functional currency is the A\$, and foreign currency amounts in our Switzerland and Singapore based entities, whose functional currencies are the US\$, plus realized gains and losses on any foreign currency payments to our suppliers due to movements in exchange rates. We recognized a foreign exchange loss of \$0.5 million and a gain of \$1.5 million in the years ended June 30, 2022 and 2021, respectively.

Finance Costs. Finance costs consists of remeasurement of borrowing arrangements, interest expense in relation to finance lease charges, accrued interest expense and interest expense in relation to the amortization of transaction costs and other charges associated with the borrowings as represented in our consolidated balance sheet using the effective interest rate method over the period of initial recognition through maturity.

Remeasurement of borrowing arrangements recognized pertain to our loan and security agreements with Hercules Capital, Inc. (“Hercules”), NovaQuest Capital Management, L.L.C. (“NovaQuest”) and Oaktree. Remeasurement of borrowing arrangements is recognized when there is a revision in the estimated future cash flows which is recorded as an adjustment of the carrying amount of the financial liability. The carrying amount is recalculated by computing the present value of the revised estimated future cash flows at the financial instrument’s original effective interest rate.

In the years ended June 30, 2022 and 2021, we recognized a remeasurement loss of \$0.9 million and a gain of \$0.4 million in relation to our credit facility with Hercules, respectively. Within the \$0.9 million loss recognized in the year ended June 30, 2022, \$1.3 million loss relates to prepaying the outstanding balance and extinguishing our loan with Hercules, offset by a \$0.4 million gain to the adjustment of the carrying amount of our financial liability to reflect the revised estimated future cash flows from our credit facility. In the years ended June 30, 2022 and 2021, we recognized remeasurement gains of \$0.5 million and \$4.8 million in relation to our existing credit facility with NovaQuest, respectively. In the years ended June 30, 2022 and 2021, we recognized a minimal gain and \$Nil in relation to our existing credit facility with Oaktree.

Income Tax Benefit/Expense. Income tax benefit/expense consists of net changes in deferred tax assets and liabilities recognized on the balance sheet during the period. We recognized a non-cash income tax benefit of \$0.2 million in the year ended June 30, 2022 and \$0.8 million in the year ended June 30, 2021.

Results of Operations

Comparison of Our Results for the Year ended June 30, 2022 with the Year ended June 30, 2021

The following table summarizes our results of operations for the years ended June 30, 2022 and 2021, together with the changes in those items in dollars and as a percentage.

(in U.S. dollars, in thousands except per share information)	Year ended June 30,			
	2022	2021	\$ Change	% Change
Consolidated Income Statement Data:				
Revenue:				
Commercialization revenue	\$ 9,039	\$ 7,434	1,605	22%
Milestone revenue	1,172	—	1,172	NM
Interest revenue	3	22	(19)	(86%)
Total revenue	10,214	7,456	2,758	37%
Research & development	(32,815)	(53,012)	20,197	(38%)
Manufacturing commercialization	(30,757)	(32,719)	1,962	(6%)
Management and administration	(27,210)	(30,867)	3,657	(12%)
Fair value remeasurement of contingent consideration	913	18,687	(17,774)	(95%)
Fair value movement of warrants	5,896	—	5,896	NM
Other operating income and expenses	(539)	1,539	(2,078)	(135%)
Finance costs	(17,288)	(10,714)	(6,574)	61%
Loss before income tax	(91,586)	(99,630)	8,044	(8%)
Income tax benefit	239	819	(580)	(71%)
Loss attributable to the owners of Mesoblast Limited	\$ (91,347)	\$ (98,811)	7,464	(8%)
Losses per share from continuing operations attributable to the ordinary equity holders:				
	Cents	Cents	Cents	% Change
Basic - losses per share	(14.08)	(16.33)	2.25	(14%)
Diluted - losses per share	(14.08)	(16.33)	2.25	(14%)

* NM = not meaningful.

Revenue

Revenues were \$10.2 million for the year ended June 30, 2022, compared with \$7.5 million for the year ended June 30, 2021, an increase of \$2.7 million. The following table shows the movement within revenue for the years ended June 30, 2022 and 2021, together with the changes in those items.

(in U.S. dollars, in thousands)	Year ended June 30,		\$ Change	% Change
	2022	2021		
Revenue:				
Commercialization revenue	9,039	7,434	1,605	22%
Milestone revenue	1,172	—	1,172	NM
Interest revenue	3	22	(19)	(86%)
Revenue	\$ 10,214	\$ 7,456	2,758	37%

* NM = not meaningful.

Commercialization revenue from royalty income earned on sales of TEMCELL in Japan and Alofisel® in Europe increased by \$1.6 million for the year ended June 30, 2022. Royalty income on sales of TEMCELL in Japan by our licensee JCR increased \$1.5 million from \$7.2 million in the year ended June 30, 2021 to \$8.7 million in the year ended June 30, 2022. Royalty income on sales of Alofisel® in Europe by our licensee Takeda increased by \$0.1 million in the year ended June 30, 2022 compared with the year ended June 30, 2021.

We recognized \$1.2 million in milestone revenue during the year ended June 30, 2022 in relation to our patent license agreement with Takeda. This \$1.2 million was recognized with regards to the €1.0 million regulatory milestone payment receivable from Takeda given Takeda received approval to manufacture and market Alofisel® (darvadstrocel) in Japan for the treatment of complex perianal fistulas in patients with non-active or mildly active luminal Crohn's Disease. No milestone revenue was recognized in the year ended June 30, 2021.

Research and development

Research and development expenses were \$32.8 million for the year ended June 30, 2022, compared with \$53.0 million for the year ended June 30, 2021, a decrease of \$20.2 million. The \$20.2 million decrease in research and development expenses is due to a decrease in product support costs and third party costs.

(in U.S. dollars, in thousands)	Year ended June 30,		\$ Change	% Change
	2022	2021		
Research and development:				
Third party costs	10,626	19,269	(8,643)	(45%)
Product support costs	17,942	29,649	(11,707)	(39%)
Intellectual property support costs	2,785	2,635	150	6%
Amortization of current marketed products	1,462	1,459	3	0%
Research and development	\$ 32,815	\$ 53,012	(20,197)	(38%)

Third party costs, which consist of all external expenditure on our research and development programs, decreased by \$8.6 million in the year ended June 30, 2022 compared with the year ended June 30, 2021.

This \$8.6 million decrease was due to a reduction in our third party costs for our Phase 3 clinical trials for the treatment of ARDS in COVID-19 patients, MPC-150-IM (CHF), MPC-06-ID (CLBP) and remestemcel-L (for pediatric SR-aGVHD) as activities and costs have reduced as enrollment was completed in December 2020, January 2019, March 2018 and December 2017, respectively. We continued to incur costs for the treatment of ARDS in COVID-19 patients, MPC-150-IM (CHF) and MPC-06-ID (CLBP) during the year ended June 30, 2022 as patients were monitored during follow up visits, other testing was completed and data was analyzed. In the year ended June 30, 2022, we also incurred costs of \$1.1 million associated with our pre-commercial activities as we prepare for the potential launch of remestemcel-L in the United States.

Product support costs, which consist primarily of salaries and related overhead expenses for personnel in research and development and pre-commercial functions, have decreased by \$11.7 million for the year ended June 30, 2022 compared with the year ended June 30, 2021. Within this \$11.7 million decrease, \$8.8 million relates to a decrease in product support costs for research and development functions and \$2.9 million relates to a decrease in product support costs for pre-commercial functions.

The \$8.8 million decrease in product support costs for personnel in research and development functions is primarily due to a decrease of \$3.5 million across salaries and associated costs as full time equivalents decreased by 10.6 (19%) from 55.5 for the year ended June 30, 2021 to 44.9 for the year ended June 30, 2022. There was also a decrease of \$3.9 million in share-based payment expenses and a decrease of \$1.4 million across consulting and recruitment expenses for the year ended June 30, 2022 compared with the year ended June 30, 2021.

The \$2.9 million decrease in product support costs for personnel in pre-commercial functions is due to a decrease of \$2.9 million across salaries and associated costs as full time equivalents decreased by 7.2 (96%) from 7.5 for the year ended June 30, 2021 to 0.3 for the year ended June 30, 2022.

Also included in research and development expenses are intellectual property support costs, which consist of payments to our patent attorneys to progress patent applications and costs of renewing our granted patents. These costs have increased by \$0.1 million in the year ended June 30, 2022 compared with the year ended June 30, 2021 due to increased activities across our entire patent portfolio.

Manufacturing commercialization

Manufacturing commercialization expenses were \$30.8 million for the year ended June 30, 2022, compared with \$32.7 million for the year ended June 30, 2021, a decrease of \$1.9 million. This decrease is primarily due to a decrease in platform technology costs.

(in U.S. dollars, in thousands)	Year ended June 30,			
	2022	2021	\$ Change	% Change
Manufacturing commercialization:				
Platform technology	29,146	30,842	(1,696)	(5%)
Manufacturing support costs	1,611	1,877	(266)	(14%)
Manufacturing commercialization	\$ 30,757	\$ 32,719	(1,962)	(6%)

Platform technology costs decreased by \$1.7 million for the year ended June 30, 2022 compared with year ended June 30, 2021. These costs consist of fees paid to our contract manufacturing organizations, potency assay work that will support the aGVHD BLA resubmission, process development of our proprietary technology that facilitates the increase in yields necessary for the long-term commercial supply of our product candidates and next generation manufacturing processes to reduce labor, drive down cost of goods and improve manufacturing efficiencies in our MPC and MSC based products. The decrease of these costs was primarily due to higher MSC development activities during the year ended June 30, 2021 as compared to the year ended June 30, 2022.

Manufacturing support costs, which consist primarily of salaries and related overhead expenses for personnel in manufacturing commercialization functions decreased by \$0.2 million for the year ended June 30, 2022 compared with the year ended June 30, 2021 primarily due to a decrease in share-based payment and consulting expenses.

Management and administration

Management and administration expenses were \$27.2 million for the year ended June 30, 2022, compared with \$30.9 million for the year ended June 30, 2021, a decrease of \$3.7 million. This decrease was primarily due to a decrease in share-based payment expenses.

(in U.S. dollars, in thousands)	Year ended June 30,			
	2022	2021	\$ Change	% Change
Management and administration:				
Labor and associated expenses	9,747	13,935	(4,188)	(30%)
Corporate overheads	12,294	10,690	1,604	15%
Legal and professional fees	5,169	6,242	(1,073)	(17%)
Management and administration	\$ 27,210	\$ 30,867	(3,657)	(12%)

Labor and associated expenses decreased by \$4.2 million from \$13.9 million for the year ended June 30, 2021 to \$9.7 million for the year ended June 30, 2022. This \$4.2 million decrease in the year ended June 30, 2022 is primarily due to a decrease of \$2.8 million in share-based payment expenses and a decrease of \$0.2 million in consulting expenses. There was also a decrease in overall costs of salaries and associated expenses by \$1.2 million in the year ended June 30, 2022, compared with the year ended June 30, 2021 due to full time equivalents decreasing by 3.0 (11%) from 26.4 for the year ended June 30, 2021 to 23.4 for the year ended June 30, 2022.

Corporate overhead expenses increased by \$1.6 million from \$10.7 million for the year ended June 30, 2021 to \$12.3 million for the year ended June 30, 2022 primarily due to an increase in insurance premiums.

Legal and professional fees decreased by \$1.1 million from \$6.2 million for the year ended June 30, 2021 to \$5.1 million for the year ended June 30, 2022 primarily due to legal and other advisory fees associated with one-off regulatory, partnering and financing activities incurred during the year ended June 30, 2021.

Fair value remeasurement of contingent consideration

Fair value remeasurement of contingent consideration was a \$0.9 million gain for the year ended June 30, 2022 compared with a \$18.7 million gain for the year ended June 30, 2021. The \$0.9 million gain for the year ended June 30, 2022 was due to the remeasurement of contingent consideration pertaining to the acquisition of assets from Osiris. This gain was a net result of changing the key assumptions of the contingent consideration valuation such as development timelines, market growth and the increase in valuation as the time period shortens between the valuation date and the potential settlement dates of contingent consideration.

The \$18.7 million gain for the year ended June 30, 2021 was due to the remeasurement of contingent consideration pertaining to the acquisition of assets from Osiris. This gain is a net result of changes to the key assumptions of the contingent consideration valuation such as probability of success and development timelines primarily as a result of receiving the Complete Response Letter from the FDA on the BLA for remestemcel-L for the treatment of pediatric SR-aGVHD on September 30, 2020.

With respect to future milestone payments, contingent consideration will be payable in cash or shares at our discretion. With respect to commercialization, product royalties will be payable in cash which will be funded from royalties received from net sales.

Fair value movement of warrants

In relation to the fair value movement of warrants, we recognized a \$5.9 million gain for the year ended June 30, 2022. This gain is a net result of changes to the key valuation inputs of the warrants such as the share price, risk-free interest rates and volatility. There was no fair value movement of warrants recognized in the year ended June 30, 2021.

Other operating income and expenses

In other operating income and expenses, we recognized a loss of \$0.5 million for the year ended June 30, 2022, compared with an income of \$1.5 million for the year ended June 30, 2021. The following table shows movements within other operating income and expenses for the years ended June 30, 2022 and 2021, together with the changes in those items:

(in U.S. dollars, in thousands)	Year ended June 30,			
	2022	2021	\$ Change	% Change
Other operating income and expenses:				
Foreign exchange losses/(gains) (net)	536	(1,471)	2,007	(136%)
Foreign withholding tax	3	—	3	NM
Government grant revenue	—	(68)	68	(100%)
Other operating (income) and expenses	\$ 539	\$ (1,539)	2,078	(135%)

* NM = not meaningful.

We are subject to foreign exchange gains and losses on foreign currency cash balances, creditors and debtors. In the year ended June 30, 2022, we recognized a foreign exchange loss of \$0.5 million, primarily due to movements in exchange rates on US\$ liabilities held in Mesoblast Limited, whose functional currency is the AS, as the AS depreciated against the US\$. In the year ended June 30, 2021, we recognized a foreign exchange gain of \$1.5 million.

(in U.S. dollars, in thousands)	Year ended June 30,		S Change	% Change
	2022	2021		
Finance costs:				
Remeasurement of borrowing arrangements	382	(5,225)	5,607	(107%)
Interest expense	16,906	15,939	967	6%
Finance costs	\$ 17,288	\$ 10,714	6,574	61%

In the year ended June 30, 2022, we recognized an overall loss of \$0.4 million for remeasurement of borrowing arrangements in relation to the adjustment of the carrying amount of our financial liability to reflect the revised estimated future cash flows from our credit facilities with Hercules, NovaQuest and Oaktree, a decrease of \$5.6 million as compared with a \$5.2 million gain for the year ended June 30, 2021.

Within the \$0.4 million loss in the year ended June 30, 2022, in relation to our existing credit facility with NovaQuest, we recognized a \$0.5 million gain for remeasurement of borrowing arrangements in relation to the adjustment of the carrying amount of our financial liability to reflect the revised estimated future cash flows as a net result of changes to the key assumption in development timelines, a decrease of \$4.3 million as compared with a gain of \$4.8 million for the year ended June 30, 2021.

Also within the \$0.4 million loss in the year ended June 30, 2022, in relation to our credit facility with Hercules, we recognized a loss of \$0.9 million for remeasurement of borrowing arrangements, a decrease of \$1.3 million as compared with a gain of \$0.4 million for the year ended June 30, 2021. Within the \$0.9 million loss recognized in the year ended June 30, 2022, \$1.3 million relates to prepaying the outstanding balance and extinguishing our loan with Hercules, which has been refinanced with a new \$90.0 million five-year facility provided by Oaktree. This loss was offset by a \$0.4 million gain to the adjustment of the carrying amount of our financial liability to reflect the revised estimated future cash flows from our credit facility.

Also within the \$0.4 million loss in the year ended June 30, 2022, in relation to our existing credit facility with Oaktree, we recognized a minimal gain for remeasurement of borrowing arrangements in relation to the adjustment of the carrying amount of our financial liability to reflect the revised estimated future cash flows. No remeasurement of borrowing arrangements was recognized in the year ended June 30, 2021.

Interest expense increased by \$1.0 million from \$15.9 million for the year ended June 30, 2021 to \$16.9 million for the year ended June 30, 2022.

Within the \$16.9 million interest expense in the year ended June 30, 2022, in relation to our loan and security agreement with Hercules, we recognized \$3.3 million of interest expense, a decrease of \$5.0 million as compared with \$8.3 million for the year ended June 30, 2021, given that in November 2021, our credit facility with Hercules was refinanced with a new \$90.0 million five-year facility provided by Oaktree.

Within this \$3.3 million recognized in the year ended June 30, 2022, \$1.7 million was recognized with regard to interest expense payable on the loan balance within the year and a further \$1.6 million of interest expense was recognized with regard to the amortization of transaction costs incurred on the outstanding loan principal for the year ended June 30, 2022 using the effective interest rate method over the period of initial recognition through maturity.

In the year ended June 30, 2022, in relation to our loan and security agreement entered into with Oaktree on November 22, 2021, we recognized \$5.2 million of interest expense. Within this \$5.2 million recognized in the year ended June 30, 2022, \$3.7 million was recognized with regard to interest expense payable on the loan balance within the year and a further \$1.5 million of interest expense was recognized with regard to the amortization of transaction costs incurred on the outstanding loan principal for the year ended June 30, 2022 using the effective interest rate method over the period of initial recognition through maturity. There was no interest expense recognized in the year ended June 30, 2021 in relation to Oaktree.

In the year ended June 30, 2022, in relation to our loan and security agreement with NovaQuest, we recognized \$7.8 million of interest expense, an increase of \$0.8 million as compared with \$7.0 million for the year ended June 30, 2021. Interest expense relating to the NovaQuest loan is accrued on the loan principal balance and all interest payments will be deferred until after the first commercial sale of our allogeneic product candidate remestemcel-L for the treatment of pediatric patients with SR-aGVHD in the United States and other geographies excluding Asia ("pediatric SR-aGVHD").

In line with IFRS 16 *Leases*, we also recognized interest expenses of \$0.6 million in relation to lease charges for the years ended June 30, 2022 and 2021, respectively.

Loss after income tax

(in U.S. dollars, in thousands)	Year ended June 30,		\$ Change	% Change
	2022	2021		
Loss before income tax	(91,586)	(99,630)	8,044	(8%)
Income tax benefit	239	819	(580)	(71%)
Loss after income tax	\$ (91,347)	\$ (98,811)	7,464	(8%)

Loss before income tax was \$91.6 million for the year ended June 30, 2022 compared with \$99.6 million for the year ended June 30, 2021, a decrease in the loss by \$8.0 million. This decrease is the net effect of the changes in revenues and expenses that have been discussed above.

A non-cash income tax benefit of \$0.2 million was recognized in the year ended June 30, 2022, in relation to the net change in deferred tax assets and liabilities recognized on the balance sheet during the period.

A non-cash income tax benefit of \$0.8 million was recognized in the year ended June 30, 2021 in relation to the net change in deferred tax assets and liabilities recognized on the balance sheet during the period.

Comparison of Our Results for the Year ended June 30, 2021 with the Year ended June 30, 2020

For results of operations for the years ended June 30, 2021 and 2020, together with the changes in those items in dollars and as a percentage and the related discussions on these results, refer to Results of Operations within "Item 5.A Operating Results" in our Annual Report on Form 20-F for the year ended June 30, 2021, filed with the SEC on August 31, 2021.

Certain Differences Between IFRS and U.S. GAAP

IFRS differs from U.S. GAAP in certain respects. Management has not assessed the materiality of differences between IFRS and U.S. GAAP. Our significant accounting policies are described in "Item 18 Financial Statements – Note 23".

Quantitative and Qualitative Disclosure about Market Risk

The following sections provide quantitative information on our exposure to interest rate risk, share price risk, and foreign currency exchange risk. We make use of sensitivity analyses which are inherently limited in estimating actual losses in fair value that can occur from changes in market conditions. For further assessment on our market risks, see "Item 18. Financial Statements – Note 10(a)."

Foreign currency exchange risk

We have foreign currency amounts owing relating to clinical, regulatory and overhead activities and foreign currency deposits held primarily in our Australian based entity, whose functional currency is the AS. We also have foreign currency amounts in our Switzerland and Singapore based entities, whose functional currencies are the US\$. These foreign currency balances give rise to a currency risk, which is the risk of the exchange rate moving, in either direction, and the impact it may have on our financial performance.

We manage the currency risk by evaluating levels to hold in each currency by assessing our future activities which will likely be incurred in those currencies which enables us to minimize foreign currency deposits held in each entity.

As of June 30, 2022, we held 97% of our cash in USD, and 3% in AUD. As of June 30, 2021, we held 89% of our cash in USD, and 11% in AUD.

Interest rate risk

Our main interest rate risk arises from the portion of our long-term borrowings with a floating interest rate, which exposes us to cash flow interest rate risk. As interest rates fluctuate, the amount of interest payable on financing where the interest rate is not fixed will also fluctuate. We can repay the loan facility at our discretion and we can also refinance if we are able to achieve terms suitable to us in the marketplace or from our existing lenders. In November 2021, we refinanced our variable interest rate loan with a fixed rate loan thereby eliminating our current exposure to interest rate risk on long-term borrowings. As at June 30, 2022, we do not hold any floating interest rate borrowings.

We are also exposed to interest rate risk that arises through movements in interest income we earn on our deposits. The interest income derived from these balances can fluctuate due to interest rate changes. This interest rate risk is managed by periodically

reviewing interest rates available for suitable interest bearing accounts to ensure we earn interest at market rates. We ensure that sufficient funds are available, in at call accounts, to meet our working capital requirements.

Price risk

Price risk is the risk that future cash flows derived from financial instruments will be altered as a result of a market price movement, which is defined as movements other than foreign currency rates and interest rates. We are exposed to price risk which arises from long-term borrowings under our facility with NovaQuest, where the timing and amount of principal and interest payments is dependent on net sales of remestemcel-L for the treatment of pediatric SR-aGVHD. As net sales of remestemcel-L for the treatment of SR-aGVHD in pediatric patients in these territories increase/decrease, the timing and amount of principal and interest payments relating to this type of financing arrangement will also fluctuate, resulting in an adjustment to the carrying amount of the financial liability. The adjustment is recognized in the Income Statement as remeasurement of borrowing arrangements within finance costs and expenses in the period the revision is made.

We are also exposed to price risk on contingent consideration provision balances, as expected unit revenues are a significant unobservable input used in the level 3 fair value measurements.

We do not consider any exposure to price risk other than those already described above.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, other than the purchase commitments and contingent liabilities as mentioned below.

Contractual Obligations and Commitments

Contractual commitments:

Purchase commitments means an agreement to purchase goods or services that is enforceable and legally binding that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Purchase obligations are not recognized as liabilities at June 30, 2022.

In December 2019, we commenced production under our manufacturing service agreement with Lonza for the supply of commercial product for the potential approval and launch of remestemcel-L for the treatment of pediatric SR-aGVHD in the US market. This agreement contains lease and non-lease components. As of June 30, 2022, the agreement contains a minimum remaining financial commitment of the non-lease component of \$12.2 million, payable until June 2024. We have accounted for the lease component within the agreement as a lease liability separately from the non-lease components. As of June 30, 2022, the lease component is \$4.1 million on an undiscounted basis, as disclosed within the total contractual cash flows as lease liabilities.

We have agreements with third parties related to contract manufacturing and other goods and services. As of June 30, 2022, we had \$9.4 million of non-cancellable purchase commitments related to raw materials, manufacturing agreements and other goods and services. This amount represents our minimum contractual obligations, including termination fees. Certain agreements provide for termination rights subject to termination fees. Under such agreement, we are contractually obligated to make certain payments, mainly, to reimburse them for their unrecoverable outlays incurred prior to cancellation.

We do not have any other purchase commitments as of June 30, 2022.

Lease commitment – as lessee:

We lease various offices under non-cancellable leases expiring within 1 to 5 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. We also lease a manufacturing suite under the non-cancellable manufacturing services agreement with Lonza for the supply of commercial product for the potential approval and launch of remestemcel-L for the treatment of pediatric SR-aGVHD in the US market expiring within 2 years.

Contingent liabilities

We acquired certain intellectual property relating to our MPCs, or Medvet IP, pursuant to an Intellectual Property Assignment Deed, or IP Deed, with Medvet Science Pty Ltd, or Medvet. Medvet's rights under the IP Deed were transferred to Central Adelaide Local Health Network Incorporated, or CALHNI, in November 2011. In connection with our use of the Medvet IP, on completion of certain milestones we will be obligated to pay CALHNI, as successor in interest to Medvet, (i) certain aggregated milestone payments of up to \$2.2 million and single-digit royalties on net sales of products covered by the Medvet IP, for cardiac muscle and blood vessel applications and bone and cartilage regeneration and repair applications, subject to minimum annual royalties beginning in the first year of commercial sale of those products and (ii) single-digit royalties on net sales of the specified products for applications outside the specified fields.

We have entered into a number of agreements with other third parties pertaining to intellectual property. Contingent liabilities may arise in the future if certain events or developments occur in relation to these agreements and as of June 30, 2022 we have assessed that the probability of outflows is remote.

Capital commitments

We did not have any commitments for future capital expenditure outstanding as of June 30, 2022.

Australian Disclosure Requirements

Significant Changes in the State of Affairs

There have been no significant changes within the state of our affairs during the year ended June 30, 2022 except as noted in the "Important Corporate Developments" section included in Item 4.A.

Likely Developments and Expected Results of Operations

In September 2020, the U.S. Food and Drug Administration ("FDA") issued a Complete Response Letter to our Biologics License Application ("BLA") filing of remestemcel-L for the treatment of children with steroid-refractory acute graft versus host disease ("SR-aGVHD"), a life-threatening complication of an allogeneic bone marrow transplant. We expect to file a resubmission of the BLA to FDA providing new data that address all chemistry, manufacturing and controls ("CMC") outstanding items in Q1 FY2023. If the resubmission is accepted, FDA will consider the adequacy of the clinical data in the context of the related CMC issues during an expected six month review period.

Other significant milestones are expected in the upcoming financial year in relation to our other Tier 1 product candidates, as detailed elsewhere in this report.

Environmental Regulations

Our operations are not subject to any significant environmental regulations under either Commonwealth of Australia or State/Territory legislation. We consider that adequate systems are in place to manage our obligations and are not aware of any breach of environmental requirements pertaining to us.

5.B Liquidity and Capital Resources

Sources of Liquidity

As of June 30, 2022, we held total cash reserves of \$60.4 million. On August 9, 2022, we raised additional gross proceeds of \$45.0 million. We continue our focus on maintaining tight control of net cash outflows from operating activities, which were \$65.8 million for the 12 months ended June 30, 2022, a reduction of 35% compared to the prior period. We believe our existing cash reserves are sufficient to meet our next 12 months of expenditure requirements, including expenditure needed for the BLA approval process of remestemcel-L for SR-aGVHD, from the issuance date of the consolidated financial statements.

If we obtain first product approval and launch within the next 12 months, we will be able to access funds from our existing loan arrangements. If we are delayed, additional cash inflows from strategic partnerships, product specific financing, debt or equity capital markets will be required. Because of the uncertainty on whether we can achieve cash inflows, this creates material uncertainty related to events or conditions that may cast significant doubt (or raise substantial doubt as contemplated by Public Company Accounting Oversight Board ("PCAOB") standards) on our ability to continue as a going concern and, therefore, that we may be unable to realize our assets and discharge our liabilities in the normal course of business. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. For our audited financial statements, see "Item 18 Financial Statements" included in this Annual Report on Form 20-F.

Our primary sources of liquidity have historically been equity raisings, upfront and milestone payments from strategic license agreements and borrowings under our loan agreements. We also expect net sales to become a source of liquidity. While in the long-term we expect to be able to complete transactions, draw upon these facilities and achieve approval of our product candidates to provide liquidity as needed, there can be no assurance as to whether we will be successful or, if successful, what the terms or proceeds may be.

Cash flows

(in U.S. dollars, in thousands)	Year ended		\$ Change	% Change
	2022	June 30, 2021		
Cash Flow Data:				
Net cash (outflows) in operating activities	(65,782)	(100,749)	34,967	(35%)
Net cash (outflows) in investing activities	(232)	(1,647)	1,415	(86%)
Net cash (outflows)/inflows by financing activities	(9,870)	108,534	(118,404)	(109%)
Net decrease in cash and cash equivalents	(75,884)	6,138	(82,022)	NM

Comparison of cash flows for the Year ended June 30, 2022 with the Year ended June 30, 2021

Net cash outflows in operating activities

Net cash outflows for operating activities were \$65.7 million for the year ended June 30, 2022, compared with \$100.7 million for the year ended June 30, 2021, a decrease of \$35.0 million. The decrease of \$35.0 million is due to a decrease in cash outflows of \$31.2 million and an increase in cash inflows of \$3.8 million in the year ended June 30, 2022 compared with the year ended June 30, 2021.

The \$3.8 million increase of inflows comprised: inflows from royalty income earned on sales of TEMCELL in Japan and Alofisel® in Europe increased by \$2.7 million during the year ended June 30, 2022, compared with the year ended June 30, 2021; inflows from a regulatory milestone payment received in relation to our patent license agreement with Takeda increased by \$1.1 million during the year ended June 30, 2022, compared with the year ended June 30, 2021.

Outflows for payments to suppliers and employees decreased by \$31.2 million from \$107.0 million for the year ended June 30, 2021 to \$75.8 million for the year ended June 30, 2022 primarily due to a decrease in payments in relation to manufacturing commercialization, advertising and marketing and research and development costs as headcount, clinical trials and commercialization activities reduced.

Net cash outflows in investing activities

Net cash outflows for investing activities decreased by \$1.4 million for the year ended June 30, 2022, compared with the year ended June 30, 2021 due to a decrease in payments for fixed assets, such as plant and equipment.

Net cash (outflows)/inflows in financing activities

Net cash outflows for financing activities increased by \$118.4 million for the year ended June 30, 2022, compared with the year ended June 30, 2021. The increase of \$118.4 million is due to a decrease in cash inflows of \$59.0 million and an increase in cash outflows of \$59.4 million in the year ended June 30, 2022 compared with the year ended June 30, 2021.

The \$59.0 million decrease of inflows comprised: received a total of \$60.0 million in receipts for gross proceeds drawn pursuant to a five-year credit facility with Oaktree during the year ended June 30, 2022, compared with \$Nil for the year ended June 30, 2021; received \$108.6 million of proceeds from a private placement completed in March 2021 during the year ended June 30, 2021, compared with \$Nil for the year ended June 30, 2022; received \$0.2 million in receipts from employee share option exercises during the year ended June 30, 2022, compared with receipts of \$9.2 million for the year ended June 30, 2021; we received receipts of \$1.4 million for shares issued through the exercise of incentive rights in connection with the Kentgrove Capital equity facility agreement during the year ended June 30, 2021, compared with \$Nil for the year ended June 30, 2022.

The \$59.4 million increase of outflows comprised: repayment of the outstanding balance of \$55.4 million of our senior debt facility with Hercules during the year ended June 30, 2022, compared with \$Nil for the year ended June 30, 2021; payments of \$2.8 million and \$2.9 million for lease liabilities during the years ended June 30, 2022 and 2021, respectively; payments of \$6.1 million and \$5.9 million for interest and other costs of finance during the years ended June 30, 2022 and 2021, respectively; payments of \$0.2 million and \$1.8 million for capital raising costs in the years ended June 30, 2022 and 2021, respectively; payments of \$5.5 million for borrowings costs in the year ended June 30, 2022, compared with \$Nil for the year ended June 30, 2021.

Comparison of cash flows for the Year ended June 30, 2021 with the Year ended June 30, 2020

In the year ended June 30, 2022, we enhanced the relevance and reliability of the Statement of Cash Flows by changing the accounting policy relating to the classification of the Interest and other costs of finance paid, previously classified within the operating activities of the Statement of Cash Flows. We have changed our accounting policy to classify cash flows from interest and other costs

of finance paid as a financing activity because it improves the relevance of the cash flows paid from obtaining capital resources. This change in accounting policy also diminishes the mismatch in operating cash flows from the profit and loss and improves the reliability of the operating cash flow balance.

This change in presentation has been retrospectively applied to the years ended June 30, 2021 and 2020 financial statements. For the years ended June 30, 2021 and 2020, \$5.9 million and \$5.9 million of interest and other costs of finance paid has been reclassified from operating activities to financing activities in the Statement of Cash Flows, respectively. In conjunction with this change in presentation, for discussion on comparison of cash flows for the years ended June 30, 2021 and 2020, refer to Cash Flows within "Item 5.B Liquidity and Capital Resources" in our annual report on Form 20-F for the year ended June 30, 2021, filed with the SEC on August 31, 2021.

Operating Capital Requirements

We do not know when, or if, we will generate revenues from our product sales significant enough to generate profits. We do not expect to generate significant revenue from product sales unless and until we obtain regulatory approval of and commercialize more of our cell-based product candidates. We anticipate that we will continue to incur losses for the foreseeable future, and we expect the losses to increase as we continue the development of, and seek regulatory approvals for, our cell-based product candidates, and begin to commercialize any approved products either directly ourselves or through a collaborator or partner. We are subject to all of the risks inherent in the development of new cell-based products, and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business. We anticipate that we will need substantial additional funding in connection with our continuing operations.

We expect that our research and development expenses and our management and administration expenses to remain relatively consistent over the next 12 months. Subject to us achieving successful regulatory approval we expect an increase in our total expenses driven by an increase in our product manufacturing and selling, general and administrative expenses as we move towards commercialization. Therefore, we will need additional capital to fund our operations, which we may raise through a combination of equity offerings, debt financings, other third-party funding, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements.

Additional capital may not be available on reasonable terms, if at all. If we are unable to raise additional capital in sufficient amounts or on terms acceptable to us, we may have to significantly delay, scale back or discontinue the development or commercialization of one or more of our product candidates. If we raise additional funds through the issuance of additional debt or equity securities, it could result in dilution to our existing shareholders, increased fixed payment obligations and the existence of securities with rights that may be senior to those of our ordinary shares. If we incur further indebtedness, we could become subject to covenants that would restrict our operations and potentially impair our competitiveness, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. Any of these events could significantly harm our business, financial condition and prospects.

Borrowings

Oaktree arrangement

In November 2021, our senior debt facility with Hercules was refinanced with a new \$90.0 million five-year facility provided by funds associated with Oaktree. We drew the first tranche of \$60.0 million on closing, with \$55.5 million of proceeds being used to discharge our obligations under the Hercules loan. Up to an additional \$30.0 million may be drawn on or before December 31, 2022, subject to certain milestones. The facility has a three-year interest only period, at a fixed rate of 9.75% per annum, after which time 40% of the principal amortizes over two years and a final payment is due no later than November 2026. The facility also allows us to make quarterly payments of interest at a rate of 8.0% per annum for the first two years, and the unpaid interest portion (1.75% per annum) will be added to the outstanding loan balance and shall accrue further interest at a fixed rate of 9.75% per annum.

On November 19, 2021, Oaktree was also granted warrants to purchase 1,769,669 American Depositary Shares ("ADSs") at US\$7.26 per ADS, a 15% premium to the 30-day VWAP. We determined that an obligation to issue the warrants had arisen from the time the debt facility was signed; consequently, a liability for the warrants was recognized in November 2021. The warrants were legally issued on January 11, 2022 and may be exercised within 7 years of issuance. On the issuance date of the Oaktree facility and the warrants, the warrants were initially measured at fair value and the Oaktree borrowing liability was measured as the difference between the \$60.0 million received from the Oaktree facility and the fair value of the warrants.

In the year ended June 30, 2022, we recognized a minimal gain in the Income Statement as remeasurement of borrowing arrangements within finance costs in relation to the adjustment of the carrying amount of our financial liability to reflect the revised estimated future cash flows from our credit facility. No remeasurement of borrowing arrangements was recognized in the year ended June 30, 2021.

Hercules arrangement

In March 2018, we entered into a loan and security agreement with Hercules, for a \$75.0 million non-dilutive, four-year credit facility. We drew the first tranche of \$35.0 million on closing and a further tranche of \$15.0 million was drawn in January 2019.

In November 2021, this loan was refinanced with a new \$90.0 million five-year facility provided by Oaktree. We drew the first tranche of \$60.0 million on closing, with \$55.5 million of proceeds being used to repay the outstanding balance with Hercules. Prior to extinguishing our loan with Hercules, we had amended the terms of the loan and security agreement to extend the interest-only period to January 2022 and therefore we had not commenced principal repayments.

Interest on the loan was payable monthly in arrears on the 1st day of the month. At closing date, the interest rate was 9.45% per annum. On June 30, August 1, September 19 and October 31, 2019, in line with the changes in the U.S. prime rate, the interest rate on the loan was 10.45%, 10.20%, 9.95% and 9.70%, respectively, and remained at 9.70% in line with the terms of the loan agreement until extinguishing our loan with Hercules.

In the year ended June 30, 2022, we recognized a loss of \$0.9 million in the Income Statement as remeasurement of borrowing arrangements within finance costs. Within this \$0.9 million loss, \$1.3 million relates to prepaying the outstanding balance and extinguishing our loan with Hercules, offset by a \$0.4 million gain to the adjustment of the carrying amount of our financial liability to reflect the revised estimated future cash flows from our credit facility. In the year ended June 30, 2021, we recognized a gain of \$0.4 million in the Income Statement as remeasurement of borrowing arrangements within finance costs. This remeasurement relates to the adjustment of the carrying amount of our financial liability to reflect the revised estimated future cash flows from our credit facility.

NovaQuest arrangement

On June 29, 2018, we entered into an eight-year, \$40.0 million loan and security agreement with NovaQuest before drawing the first tranche of \$30.0 million of the principal in July 2018. The loan term includes an interest only period of approximately four years through until July 8, 2022, then a four-year amortization period through until maturity on July 8, 2026. All interest and principal payments will be deferred until after the first commercial sale of remestemcel-L for the treatment in pediatric patients with SR-aGVHD. Principal is repayable in equal quarterly instalments over the amortization period of the loan and is subject to the payment cap described below. The loan has a fixed interest rate of 15% per annum. If there are no net sales of remestemcel-L for pediatric SR-aGVHD, the loan is only repayable at maturity. We can elect to prepay all outstanding amounts owing at any time prior to maturity, subject to a prepayment charge, and may decide to do so if net sales of remestemcel-L for pediatric SR-aGVHD are significantly higher than current forecasts.

Following approval and first commercial sales, repayments commence based on a percentage of net sales and are limited by a payment cap which is equal to the principal due for the next 12 months, plus accumulated unpaid principal and accrued unpaid interest. During the four-year period commencing July 8, 2022, principal amortizes in equal quarterly instalments payable only after approval and first commercial sales. If in any quarterly period, 25% of net sales of remestemcel-L for pediatric SR-aGVHD exceed the annual payment cap, we will pay the payment cap and an additional portion of excess sales which will be used towards the prepayment amount in the event there is an early prepayment of the loan. If in any quarterly period 25% of net sales of remestemcel-L for pediatric SR-aGVHD is less than the annual payment cap, then the payment is limited to 25% of net sales of remestemcel-L for pediatric SR-aGVHD. Any unpaid interest will be added to the principal amounts owing and shall accrue further interest. At maturity date, any unpaid loan balances are repaid.

Because of this relationship of net sales and repayments, changes in our estimated net sales may trigger an adjustment of the carrying amount of the financial liability to reflect the revised estimated cash flows. The carrying amount adjustment is recalculated by computing the present value of the revised estimated future cash flows at the financial instrument's original effective interest rate. The adjustment is recognized in the Income Statement as remeasurement of borrowing arrangements within finance costs in the period the revision is made.

In the years ended June 30, 2022 and 2021, we recognized gains of \$0.5 million and \$4.8 million, respectively, in the Income Statement as remeasurement of borrowing arrangements within finance costs in relation to the adjustment of the carrying amount of our financial liability to reflect the revised estimated future cash flows as a net result of changes to the key assumptions in development timelines.

We recognize a liability as current based on repayments linked to estimates of sales of remestemcel-L. However, if sales of remestemcel-L are higher than estimated, actual repayments will exceed this amount, subject to the annual payment cap described above.

The carrying amount of the loan and security agreement with NovaQuest is subordinated to our fixed rate loan with our senior creditor, Oaktree. We have pledged a portion of our assets relating to the SR-aGVHD product candidate as collateral under the loan facility with NovaQuest.

Compliance with loan covenants

Our loan facilities with Oaktree and NovaQuest contain a number of covenants that impose operating restrictions on us, which may restrict our ability to respond to changes in our business or take specified actions. We have an operating objective to at all times maintain unrestricted cash reserves in excess of six months liquidity. The objective aligns with our loan and security agreement with Oaktree where we are currently obliged to maintain a minimum cash balance in the United States of \$35.0 million.

We have complied with the financial and other restrictive covenants of our borrowing facilities during the year ended June 30, 2022 and 2021.

5.C Research and Development, Patents and Licenses

For a description of the amount spent during each of the last two fiscal years on company-sponsored research and development activities, as well as the components of research and development expenses, see “Item 5.A Operating Results – Results of Operations.”

For a description of our research and development process, see “Item 4.B Business Overview.”

5.D Trend Information

As a biotechnology company which primarily is still in the development stage, we are subject to costs of our clinical trials and other work necessary to support applications for regulatory approval of our product candidates. Health regulators have increased their focus on product safety. In addition, regulators have also increased their attention on whether or not a new product offers evidence of substantial treatment effect. These developments have led to requests for more clinical trial data, for the inclusion of a higher number of patients in clinical trials, and for more detailed analyses of the trials. In light of these developments, we expect these aspects of our research and development expenses may need to increase as we continue to fund our programs to the market. Notwithstanding this upward trend, our research and development expenses may still fluctuate from period to period due to varied rates of patient enrollment and the timing of our clinical trials as our existing trials are completed and new trials commence. We cannot predict with any degree of accuracy the outcome of our research or commercialization efforts.

5.E Critical Accounting Estimates

Not applicable.

Item 6. Directors, Senior Management and Employees

(Start of the Remuneration Report for Australian Disclosure Requirements)

The Mesoblast board of directors (“the Board”) presents the 2021/2022 Remuneration Report, which has been prepared in accordance with the relevant Corporations Act 2001 (“Corporations Act”) and accounting standards requirements.

The remuneration report sets out remuneration information for our company’s key management personnel (“KMP”) as defined in the International Accounting Standards 24 ‘Related Party Disclosures’ and the Australian Corporations Act 2001 for the financial year ended June 30, 2022.

Introductory Comments from Bill Burns, Nomination and Remuneration Committee Chairman

As the recently appointed Chair of the Nomination and Remuneration Committee, this is my first opportunity to make introductory comments and I would like to start by thanking the Board for the appointment, which is a role that carries increased importance and attention for all companies, across all industries. I look forward to serving the Board and shareholders as Chair and intend to continue to improve on process with a particular focus on environment, social and governance (ESG) within the Company.

Mesoblast is a late-stage development company in the biotechnology sector, as such, the progress we make in clinical and regulatory development is of utmost importance. I am pleased to say fiscal year 2022 has been very active on these fronts with significant progress made via numerous meetings and dialogue with the Food & Drug Administration in the United States, involving all programs in our late-stage clinical pipeline.

The Company’s market valuation has been hard hit during the period, with the share price down significantly since this time last year. There has been significant turbulence in global markets and the biotechnology sector has not been immune. In fact, the sector in the US has suffered declines of more than 50% during the fiscal year, experiencing a deteriorating equity market with a rotation out of higher risk sectors such as biotechnology, combined with rising interest rates impacting valuations of long duration assets such as Mesoblast’s late-stage development pipeline.

The management team have continued to prioritize the resubmission of the Biologics License Application (“BLA”) to FDA for the Company’s lead product candidate, remestemcel-L in children with steroid-refractory acute graft versus host disease. This has been the primary focus since receiving a complete response letter in the previous fiscal year and a huge amount of time and effort has gone into addressing the outstanding Chemistry, Manufacturing, and Controls (“CMC”) issues including work on potency assays. Alongside this, the team has been busy ensuring other key programs continue to progress which has included important interactions and feedback from FDA on chronic heart failure and chronic low back pain programs. The latter is in a position to move into a second Phase 3 trial which the team are now finalizing.

Within the backdrop of uncertain financial markets and the realization that we need to target our efforts on successfully commercializing our first product, management has implemented measures focused on financial discipline and accountability throughout the year. This has resulted in a significant reduction in operating expenditure, effectively preserving capital and extending the Company’s cash runway. Net cash usage for operating activities in this fiscal year was reduced by 35% or approximately US\$35.0 million and I commend management for their decisive action. In addition, since the end of the period, the Company has raised US\$45.0 million with support from its largest shareholders, strengthening our balance sheet as we undertake activities for the potential launch and commercialization of remestemcel-L.

Management’s annual milestone requirements encountered a challenging external environment. This partial achievement was reflected in the FY22 remuneration outcomes, with an STI outcome of 60% of maximum for both the Chief Executive Officer (CEO) and Chief Medical Officer (CMO). The Board reviewed the formulaic STI outcome against a holistic review of results. On balance, the Board considered the outcome appropriate and did not exercise discretion to adjust the outcome. Approximately 16.7% of the CEO’s 2019 option grant vested in FY22, which relates to the milestone achieved for the remestemcel-L PDUFA date.

Mesoblast has exercised restraint and responsible management. The fixed remuneration of our CEO, C-suite executives and senior executives have not increased for several years. The CEO and C-suite executives are evenly split between Australia and the United States and Mesoblast are finely balancing the remuneration packages for value and retention across our sites.

The continued action to preserve cash reserves for investment in research and commercial readiness has warranted the continuity of the following conditions from FY2021:

- The CEO’s fixed remuneration remained the same with a continued focus on performance
- The long-term incentives (“LTI”) remain a major part of the CEO’s package and subject to achievement of milestone conditions over three years coupled with vesting being restricted to one third vesting per year over a three-year period even if milestones are achieved earlier.

- Executive key management personnel (“KMP”) are issued options that are both performance based (milestone achievement) and vesting a third per year over a three-year period.
- The short-term incentive (“STI”) opportunity for the CEO, C-suite and senior executive remained unchanged.

The remuneration mix towards long term performance ensures the executive outcomes are aligned to those of the shareholders. The milestone LTI awards in the biotechnology sector typically have a higher risk profile than those in the broader market and may not materialize to levels anticipated at grant.

The executives only receive the value from any milestone base options that vest if shareholders also realize increases in the share price over the same period. Our decision to maintain stability is also consistent with the stated preference of our investors for long term equity based at risk pay that is aligned to increasing shareholder wealth.

The composition of our Board is constantly being reviewed and in FY22 the Board took the opportunity to appoint the following Non-Executive Directors as we continued to strengthen our board’s expertise and diversity.

Dr. Phillip Krause with over 30 years’ experience with the Food and Drug administration (FDA). Dr Krause currently serves as a key advisor to the World Health Organization providing advice on vaccine development and evaluation and as chair of the WHO’s Research and Development Blueprint Covid Vaccine Expert.

Ms. Jane Bell is well versed in Corporate Governance, strategy, risk and stakeholder management and growing stakeholder returns. Ms. Bell has served on ASX listed companies and chaired IP and Commercialization and Audit and Risk committees

As a biotechnology company, we believe our proactive approach to environment, social and corporate governance (ESG) is in our DNA. We are researchers and developers focused on improving peoples’ lives. We combine this active spirit with formal programs and are continuously working to make improvements for not only our employees, but all our stakeholders. This year we have updated and produced a new Code of Conduct, refined our Mesoblast Values, upgraded our Incidence Reporting, developed the ‘How We Work’ program to assist our employees with their work options in a post-pandemic world, including extending the Occupational Health & Safety practices into the work from home environment. We are only a small company with less than 100 employees, therefore important elements of our business including manufacturing and supply chain, is outsourced to third-party providers. We implement a rigorous due diligence process to ensure that our suppliers place an equal importance on their ESG obligations as what we do at Mesoblast.

The impacts of Covid-19 continued in FY22. Mesoblast’s programs for health, safety and wellbeing ensured all employees were able to continue to work remotely and hybrid. Whilst there has been some impact to work schedules and efficiency, the Board deemed the overall effect to be minimal and there were no changes made to the Senior executive milestones and incentive targets.

Exercising restraint and responsible management was greatly supported by the investors who voted for the remuneration report resolution at the 2021 AGM, with an approval of 97.2% of voters. Given our policy is unchanged and incentive outcomes are aligned with performance, we trust you will show your support again at the 2022 AGM.

The Mesoblast Board also want to thank former Non-Executive Directors Donal O’Dwyer and Shawn Cline Tomasello for their experience and insights over the years it has been much appreciated and valued.

Bill Burns

Nomination and Remuneration Committee Chairman

6.A Directors and Senior Management Personnel

Key Management Personnel (KMP)

Key management personnel (KMP), defined as individuals who have authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, and including all directors, are listed in Table 1.

Table 1 – Mesoblast KMP during FY2022, including to the Date of this Report

Name	Position	Country	Portion of FY2022 year served as KMP
Non-executive directors			
Joseph Swedish	Independent Chairman, Board of Directors Member, Audit and Risk Committee Member, Nomination and Remuneration Committee (from June 22, 2022)	US	Full Year
William Burns	Independent Vice Chair, Board of Directors Chair, Nomination and Remuneration Committee ⁽¹⁾	Switzerland	Full Year
Donal O’Dwyer	Independent Non-executive Director Chair, Nomination and Remuneration Committee Member, Audit and Risk Committee	Australia	Resigned effective February 25, 2022
Michael Spooner	Independent Non-executive Director Chair, Audit and Risk Committee Member, Nomination and Remuneration Committee	Australia	Full Year
Shawn Cline Tomasello	Independent Non-executive Director Member, Nomination and Remuneration Committee	US	Full Year Resigned effective August 18, 2022
Philip Facchina	Independent Non-executive Director Member, Audit and Risk Committee (from August 1, 2021) Member, Nomination and Remuneration Committee (from June 22, 2022)	US	Full Year
Philip Krause	Independent Non-executive Director Member, Nomination and Remuneration Committee (from June 22, 2022)	US	From March 24, 2022
Jane Bell	Independent Non-executive Director (from August 18, 2022) Member, Nomination and Remuneration Committee (from August 24, 2022) Member, Audit and Risk Committee (from August 24, 2022)	US	Appointed effective August 18, 2022
Executive director			
Silviu Itescu	Chief Executive Officer Executive Director	Australia	Full Year
Eric Rose	Independent Non-executive Director (until January 31, 2022) Chief Medical Officer (from February 1, 2022) Executive Director (from February 1, 2022)	US	Full Year
Other executive KMP			
Josh Muntner	Chief Financial Officer	US	Resigned effective August 31, 2021

(1) Mr. Burns was appointed Chair of the Nomination and Remuneration Committee on June 22, 2022.

Details of Directors and Senior Management

Board of Directors

Joseph Swedish, MHA

Chairman of the Board of Directors

Experience and expertise

Joseph R. Swedish has more than four 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. He has been a Mesoblast board member since June 2018, and also serves on the boards of Accelus, IBM Corporation, CDW Corporation, and Centrexion Therapeutics. Mr. Swedish is a member of Duke University's Fuqua School of Business Board of Visitors. Previously, he was Chairman of the Catholic Health Association. Mr. Swedish received a bachelor's degree from the University of North Carolina and his master's degree in health administration from Duke University.

Other current directorships of listed public companies

Non-Executive Director, IBM Corporation (since 2017)

Non-Executive Director, CDW Corporation (since 2015)

Former directorships of listed public companies within the last 3 years

None

William Burns, BA

Non-Executive Member of the Board of Directors

Experience and expertise

Mr. Burns has served on our board of directors since 2014 and was appointed Vice Chairman in 2016. He spent his entire management career at the Beecham Group and F. Hoffmann-La Roche Ltd. Mr Burns 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 is the Chair of Molecular Partners, and has been a Non-Executive Director of Shire PLC, Chugai Pharmaceutical Co., Genentech, Crucell, and Chairman of Biotie Therapies Corp. from 2014 until its sale to Acorda Therapeutics Inc. in 2016. Mr Burns is also a member of the Oncology Advisory Board of the Universities of Cologne/Bonn in Germany. In 2014, he was appointed a trustee of the Institute of Cancer Research, London, and in 2016 a Governor of The Wellcome Trust in London, UK.

Other current directorships of listed public companies

Chair of Molecular Partners (since 2018)

Former directorships of listed public companies within the last 3 years

None

Philip Facchina

Non-Executive Member of the Board of Directors

Experience and expertise

Mr. Facchina brings more than 35 years of experience in corporate strategy, finance, and business development across several industries, including healthcare. Since 2018, Mr. Facchina has been a Principal and Chief Strategy Officer at SurgCenter, overseeing the company's strategic relationships, including its relationships with the broad US ambulatory surgical center (ASC) market and its constituents. Prior to SurgCenter, Mr. Facchina spent two decades in the public and private capital markets, where he directly managed public and private capital transactions of equity and debt, led M&A and special advisory processes including take-privates. From 2008 to 2017, Mr. Facchina served as a Partner, Co-Portfolio Manager and the Chief Operating Officer of Ramsey Asset Management, an institutional investment management firm, and from 1998 to 2008 Mr. Facchina led the technology, media, and

communications and healthcare investment banking groups of FBR Capital Markets. Mr. Facchina currently serves as an independent director for ViON Corporation and MilltechFX, and is Advisor to the CEO of Johanna Foods Inc, where he chairs the Audit Committee. Previously, among other directorships and committee posts, Mr. Facchina served on the Board of Web.com (Nasdaq: WEB), where he led Corporate Governance.

Other current directorships of listed public companies

None

Former directorships of listed public companies within the last 3 years

None

Donal O'Dwyer, BE, MBA

Non-Executive Member of the Board of Directors – resigned effective February 25, 2022

Experience and expertise

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 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 Fisher & Paykel Healthcare Ltd and NIB Holdings Ltd. He also served on the board of Cochlear Ltd for 15 years and retired from their board in October 2020. With his experience as a senior executive and a director, as well as his extensive experience in the cardiovascular and medical devices industries, Mr. O'Dwyer provides business, science, engineering and management expertise.

Other current directorships of listed public companies

Non-executive Director, Fisher & Paykel Healthcare (since 2013)

Non-executive Director, NIB Holdings Ltd (since 2016)

Former directorships of listed public companies within the last 3 years

Non-executive Director, CardieX Ltd (formerly called Atcor Medical Holdings Ltd) (2004 – 2019)

Non-executive Director, Cochlear Ltd (2005 - 2020)

Michael Spooner, BCom

Non-Executive Member of the Board of Directors

Experience and expertise

Mr. Spooner has served on the Board of Directors since 2004. During this period he has filled various roles including as Chairman from the date of the ASX public listing in 2004 until 2007. 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 has been the Chairman of Simavita Ltd since May 2016 and Chairman of MicrofluidX since February 2018. 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 provides executive management, commercial, business strategy and accounting expertise as well as established relationships with investment firms and business communities worldwide.

Other current directorships of listed public companies

Former directorships of listed public companies within the last 3 years

Chairman, Simavita Ltd (since 2016)

Shawn Cline Tomasello, BS, MBA

Non-Executive Member of the Board of Directors - resigned effective August 18, 2022

Experience and expertise

With more than 30 years' experience in the pharmaceutical and biotech industries, Shawn Cline Tomasello has substantial commercial and transactional experience. Since 2015, Ms. Tomasello had 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 Pharmacylics, 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 key positions at Genentech, Pfizer Laboratories, Miles Pharmaceuticals and Procter & Gamble. Ms. Tomasello currently serves on the Board of Directors of Gamida Cell, Ltd., TCR2 Therapeutics, AlloVir, and 4D Molecular Therapeutics. She previously served on the board of Principia Biopharma; acquired by Sanofi, Abeona Therapeutics (resigned), Clementia Pharmaceuticals, Inc. which was acquired by Ipsen, SA, Diplomat Specialty which was acquired by United Healthcare and Urogen Pharma. She received a MBA from Murray State University and a B.S. in Marketing from the University of Cincinnati. Her extensive experience in the pharmaceutical and biotech industries, particularly in the commercial and transactional fields, provides industry, leadership and management expertise.

Other current directorships of listed public companies

Director, Gamida Cell, Ltd. (since 2019)

Director, AlloVir (since 2022)

Director, TCR² Therapeutics Inc. (since 2021)

Director, 4D Molecular Therapeutics (since 2020)

Former directorships of listed public companies within the last 3 years

Director, Clementia Pharmaceuticals, Inc. which was acquired by Ipsen, SA. (2018 – 2019)

Non-Executive Director, Diplomat Pharmacy, Inc. (2015 – 2020)

Director, Abeona Therapeutics, Inc. (2020)

Director, Principia Biopharma, Inc. which was acquired by Sanofi (2019-2020)

Director, UroGen Pharma (2018-2022)

Philip Krause, MD

Appointed as a Non-Executive Member of the Board of Directors on March 24, 2022

Experience and expertise

With over 30 years of experience at the Food and Drug Administration, Dr. Krause has a unique combination of scientific, regulatory, clinical, and public health experience. He is a physician with board certification in internal medicine and infectious diseases and a researcher with over 100 publications on topics spanning clinical evaluation of vaccines, viral pathogenesis and immunology, and biological product development. He recently served as deputy director of FDA's Office of Vaccines Research and Review, where he led assessments of biological products for evaluation and licensure and helped to oversee the development and evaluation of all vaccines authorized and licensed in the US over the past 10 years. He currently serves as a key advisor to the World Health Organization, providing advice on vaccine development and evaluation, and as Chair of the WHO's Research and Development Blueprint COVID-19 Vaccine Expert Group. He graduated from Yale Medical School (MD), Florida State University (MBA) and the University of Illinois (BS and MS in Computer Science).

Other current directorships of listed public companies

None

Former directorships of listed public companies within the last 3 years

None

Jane Bell – B.Ec, LLB, LLM (London)

Appointed as a Non-Executive Member of the Board of Directors on August 18, 2022

Experience and expertise

Ms. Bell is a banking and finance lawyer with 22 years of corporate finance expertise focusing on international investment transactions in the United States, Canada, Australia and the United Kingdom, including capital markets, funds management, mergers, acquisitions, and divestments. Ms. Bell has served as a non-executive Director for 20 years in a diverse range of highly regulated sectors including delivery of healthcare, life sciences, medical research, and funds management. Ms. Bell currently serves as Deputy Chair of Monash Health, one of Australia's largest and most diverse public health service delivering more than 3.46 million episodes of care across an extensive network of hospitals, rehabilitation, aged care, community health and mental health facilities and a former Chair of Melbourne Health. From 2014 until 2021 she was a director of U Ethical, Australia's first ethical funds manager with over \$1.2B of funds under management, and a member of its Investment Committee. She has also been a director of Hudson Institute of Medical Research, is currently a director of Amplia Therapeutics, and Chairs Advisory Groups for the Royal Australian and New Zealand College of Obstetricians and Melbourne Genomics Health Alliance.

Other current directorships of listed public companies

Non-executive Director, Amplia Therapeutics Limited

Former directorships of listed public companies within the last 3 years

None

Company Secretary

Niva Sivakumar – BCom, LLB

Joint Company Secretary

Experience and expertise

Ms. Sivakumar joined Mesoblast's legal team in 2014 and is a member of the company's Intellectual Property Committee. Previously, she was a senior associate in the corporate and commercial teams at major law firm, Dentons, and a senior lawyer at K&L Gates. Ms. Sivakumar has a Commerce/Law degree from the University of Melbourne. She was included in The Legal 500's Guide to Australia's Rising Stars 2019.

Other current directorships of listed public companies

None

Former directorships of listed public companies within the last 3 years

None

Paul Hughes – BPharm, BBus (Banking & Finance)

Appointed as a Joint Company Secretary on April 6, 2022

Joint Company Secretary

Experience and expertise

Mr. Hughes began working with Mesoblast in February 2019 and has served as the Company's Global Head of Corporate Communications since December 2020. He has an extensive background as an investment banker and corporate advisor for firms including Macquarie Bank and Commonwealth Bank of Australia. Mr. Hughes has a Bachelor of Pharmacy and Bachelor of Business (Banking & Finance) from Monash University, Melbourne.

Other current directorships of listed public companies

None

Former directorships of listed public companies within the last 3 years

None

Senior Management – Key Management Personnel

Silviu Itescu, MBBS (Hons), FRACP, FACP, FACRA

Chief Executive Officer (CEO)

Executive Member of the Board of Directors

Experience and expertise

Dr. Itescu is our Chief Executive Officer (“CEO”). He has served 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, autoimmune 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.

Other current directorships of listed public companies

None

Former directorships of listed public companies within the last 3 years

None

Eric Rose, MD

Chief Medical Officer (CMO) – appointed effective February 1, 2022

Executive Member of the Board of Directors

Experience and expertise

Dr. Rose has served on our board of directors since 2013 and was appointed as our Chief Medical Officer on February 1, 2022. From 2007 through 2021, Dr. Rose was with SIGA Technologies initially as CEO from 2007 to 2017 and then Chairman. 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. His experience as a surgeon, researcher and businessman provides medical, pharmaceutical, scientific and industry expertise.

Other current directorships of listed public companies

Non-executive Director, ABIOMED, Inc. (2007 – 2012, 2014 – present)

Former directorships of listed public companies within the last 3 years

Chairman, SIGA Technologies, Inc. (2017 - 2021)

Josh Muntner, BFA, MBA

Resigned effective August 31, 2021

Chief Financial Officer

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 \$11.0 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.

Other Senior Management

Andrew Chaponnel, BCom, CAANZ

Chief Financial Officer (interim) – appointed effective August 31, 2021

Mr. Chaponnel has around 25 years of experience in finance roles including 10 years with Mesoblast, initially as the Group Financial Controller (6 years), then as Head of Finance (3 years) and now as interim Chief Financial Officer for the past year. As part of Mesoblast Group finance leadership he has been integral to the implementation and maintenance of our borrowing arrangements, various strategic partnerships, equity placements, the NASDAQ IPO and leads both ASX and NASDAQ financial reporting. Previously Mr. Chaponnel has held several roles including management roles in chartered accountancy, logistics, retail and a CFO role within construction before moving into Healthcare. He is a member of the Chartered Accountants of Australia & New Zealand.

Fred Grossman D.O. FAPA

Resigned effective January 30, 2022 but remains a consultant

Chief Medical Officer

Dr. Grossman joined Mesoblast in August 2019 and leads the Medical Affairs, Drug Safety Clinical Operations and Biostatistics teams. Dr. Grossman is a Board-Certified psychiatrist and Fellow of the American Psychiatric Association with over 30 years of experience in research, academia, and practice. He has held executive positions leading and building clinical development, medical affairs, and pharmacovigilance in large and small pharmaceutical companies including Eli Lilly, Johnson & Johnson, Bristol Myers Squibb, Sunovion, Glenmark, and NeuroRx. Dr. Grossman has developed and supported the launch of numerous blockbuster medications addressing significant unmet medical needs across multiple therapeutic areas including CNS, immunology, immuno-oncology, respiratory, cardiovascular/metabolics, and virology. He has close relationships with thought leaders worldwide and has negotiated directly with the FDA and Global Health Authorities for approval of many drugs across therapeutic areas. He has numerous publications and presentations and has held several academic appointments.

Peter Howard, BSc, LLB (Hons)

General Counsel

Mr. Howard has served as our General Counsel and Corporate Executive since July 2011. As external counsel and partner at Australian law firm, Middletons (now, K&L Gates), Mr. Howard has been integrally involved with Mesoblast since its inception and public listing on the ASX in 2004. More generally, Mr. Howard has extensive experience with many biopharmaceutical firms and major research institutions, covering public listings, private financings, strategic, licensing, intellectual property and mergers and acquisition activities. He has done so in several roles, including as a partner at a major law firm, entrepreneur, director and senior executive.

Justin Horst, BS

Head of Manufacturing

Justin Horst has 18 years of experience in clinical cell therapy manufacturing and industry development. During the past eight years, he has been Mesoblast's Deputy Head of Manufacturing, with accountability for chemistry, manufacturing and control of the manufacturing processes. Before joining Mesoblast, Mr. Horst was at Lonza Walkersville Inc. for 10 years, holding numerous senior level positions within the manufacturing, project management, and business development groups. At Lonza, he was instrumental in the establishment of the contract manufacturing business, and managed multiple manufacturing teams supporting numerous custom supply processes. Mr. Horst obtained his B.S. in Biology from Towson University in Maryland.

Dagmar Rosa-Bjorkeson, MS, MBA

Chief Operating Officer

Dagmar Rosa-Bjorkeson has more than 25 years of global experience in the pharmaceutical industry, including executive leadership in corporate and product strategy, market development and operational execution. She has led multiple successful product launches, including Gilenya® for multiple sclerosis and Elidel® for atopic eczema. During her 17 years at Novartis, Ms. Rosa-Bjorkeson was Vice President and Head of its Multiple Sclerosis Business Unit; Vice President, Business Development and Licensing in the United States; and Country Head and President for Novartis Sweden. More recently, she served as Executive Vice President and President, Biosimilars, at Baxalta, now a wholly owned subsidiary of Takeda Pharmaceutical Company. Ms. Rosa-Bjorkeson was also Executive Vice President and Chief Strategy and Development Officer at Mallinckrodt Pharmaceuticals. She holds an MBA in Marketing, an MS in Chemistry and a BS, Chemistry from the University of Texas.

Michael Schuster, MBA

Pharma Partnering

Mr. Schuster, who joined Mesoblast in 2004, leads the Group's partnering discussions. Previously he was the head of the Group's investor relations outreach program and was part of the founding executive team at both Mesoblast Limited and Angioblast Systems, Inc. Mr. Schuster was Executive Vice President of Global Therapeutic Programs from 2010 to 2013 and was the Director of Business Development and Vice President of Operations from 2004 to 2010. He holds an undergraduate degree in science from Tufts University, a Master's degree in Immunology & Microbiology from New York Medical College, and an MBA from Fordham University in New York.

Paul Simmons, PhD

Scientific Advisor to the Chief Executive Officer

Dr. Simmons served as our Head of Research and New Product Development since 2011 and transitioned to Scientific Advisor to the Chief Executive Officer in the current year. He has nearly 30 years of experience in stem cell research, especially research in basic hematopoiesis and in precursor cells for the stromal system of the bone marrow, and served as President of the International Society of Stem Cell Research, or ISSCR, from 2006 to 2007. Prior to joining Mesoblast, Dr. Simmons held the C. Harold and Lorine G. Wallace Distinguished University Chair at the University of Texas Health from 2008 to 2011 and served as the inaugural Professor and Director of the Centre for Stem Cell Research at the Brown Foundation Institute of Molecular Medicine from 2006 to 2011. Dr. Simmons is, or has served as, an associate editor, a member of the editorial board, or a reviewer on multiple scientific and medical journals including Experimental Hematology, Cytotherapy and Stem Cell Research, Cell Stem Cell, Stem Reports, Science and Nature.

Geraldine Storton, BSc, MMS, MBA

Head of Regulatory Affairs and Quality Management

Ms. Storton is a seasoned pharmaceutical executive with more than 30 years' experience across the full value chain of Pharmaceutical and Medical Device Research and Development, production and commercialization worldwide. She has an extensive background in regulatory affairs and quality, most recently as a consultant to cell therapy companies. Prior to this, Ms. Storton held executive roles at Hospira, and its predecessor companies in both regulatory affairs and quality, with a focus on major program management. As Vice President, Program Management, Quality, at Hospira headquarters in Chicago, she led a company-wide quality remediation program to improve compliance in manufacturing across 15 facilities worldwide. As Regional Director, Commercial Quality ANZ, Asia and Japan, Ms. Storton was responsible for quality oversight and management of all products sold in Asia Pacific countries. Her responsibilities included regulatory compliance, batch release, field actions, complaints management, change control, due diligence and new product launch. As director of global regulatory operations, Ms. Storton managed development and registration of new products and on-market management of the existing product portfolio for all Hospira's products developed or manufactured within Asia Pacific for global distribution. She joined Mesoblast in December 2015.

There are no family relationships among any of our directors and senior management. The business address of each of our directors and senior management is Mesoblast Limited, Level 38, 55 Collins Street, Melbourne, VIC 3000, Australia.

KMP Interests

The relevant interest of each KMP, as defined by section 608 of the Corporations Act, in the share capital of Mesoblast, as notified by the directors to the ASX in accordance with section 205G(1) of the Corporations Act, at the date of this report is as follows:

Table 2 – KMP Interests

Director	Mesoblast Limited ordinary shares	Options over Mesoblast Limited ordinary shares
Silviu Itescu	68,958,928	4,635,334
Eric Rose	—	220,000
William Burns	63,000	220,000
Philip Facchina ⁽¹⁾	273,224	200,000
Philip Krause	—	—
Michael Spooner	1,069,000	100,000
Joseph Swedish	—	500,000
Shawn Cline Tomasello	—	200,000
Jane Bell	114,285	—

(1) Mr Facchina also has a relevant interest in 68,306 warrants over ordinary shares.

Meeting of Directors

The number of meetings our board of directors (including committee meetings of directors) held during the year ended June 30, 2022 and the number of meetings attended by each director were:

Table 3 – Meeting of Directors

Director	Board of Directors		Audit and Risk Committee		Nomination and Remuneration Committee	
	A*	B*	A	B	A	B
Joseph Swedish	15	14	6	4	3	2
William Burns	15	13	—	—	3	3
Silviu Itescu	15	15	—	—	—	—
Donal O'Dwyer	11	9	5	3	3	2
Eric Rose	15	15	—	—	—	—
Shawn Tomasello	15	14	—	—	3	3
Michael Spooner	14	14	6	6	3	3
Philip Krause	2	2	—	—	—	—
Philip Facchina	15	15	6	5	3	3

A = Number of meetings held during the time the director held office or was a member of the committee.

B = Number of meetings attended by board/committee members

* = This includes both meetings scheduled in the board calendar as well as teleconference meetings organized on an ad-hoc basis. Each director attended every scheduled meeting in the board calendar.

6.B Compensation

KMP Remuneration Governance

The Board is responsible for Mesoblast's remuneration strategy and approach. The Nomination and Remuneration Committee advises the Board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive Directors, other senior executives and non-executive Directors.

The Nomination and Remuneration Committee is wholly comprised of independent members. Donal O'Dwyer was Chair until his resignation on February 25, 2022. On June 22, 2022 all independent members of the Board became members of the Nomination and Remuneration Committee and William Burns was appointed as Chair. The board is satisfied that all members of the Nomination and Remuneration Committee during the reporting period are independent, including Donal O'Dwyer and Michael Spooner despite their long-standing tenure on the board and Mr. Spooner's brief role as an executive Chairman following the company's incorporation.

The Nomination and Remuneration Committee is primarily responsible for making recommendations to the Board on:

- Board appointments
- Non-executive director fees
- Executive remuneration framework
- Remuneration for executive directors, namely the CEO, and other key executives
- Short-term and long-term incentive awards
- Share ownership plans

The Nomination and Remuneration Committee's objective is to ensure remuneration policies are fair and competitive and have regard for industry benchmarks whilst being aligned with the objectives of our company.

The Committee receives proposals from the executive team, which it critically reviews. When appropriate the Nomination and Remuneration Committee will seek advice or recommendations from independent expert consultants, including benchmarking studies. Advice provided by consultants during the year did not constitute a 'remuneration recommendation' as a defined in section 9B of the Corporations Act and was received free from any undue influence by Key Management Personnel to whom the advice related.

Executive Remuneration Strategy

The Company's remuneration strategy is designed to ensure Mesoblast can:

- Attract and retain experienced leaders and emerging experts in an innovative field and on a global basis
- Reward performance that will lead in the long term to improved patient outcomes and increased shareholder wealth.

Our team is small. Mesoblast has only 77 employees, 57% of whom are in the US, with the remainder in Australia, Singapore and Switzerland. Retaining these employees, who often are at the top of their respective fields, is imperative in ensuring Mesoblast can continue in a consistent manner to work towards what are difficult, complex and long-term goals.

Biopharmaceutical product development is a highly specialized and speculative undertaking and it involves a substantial degree of risk. To achieve and maintain long term profitability, companies must successfully develop product candidates, obtain regulatory approval, and manufacture, market and sell those products for which regulatory approval is obtained. If this occurs, revenues depend on the size of markets in which product candidates receive approval, the ability to achieve and maintain sufficient market acceptance, pricing, reimbursement from third-party payors, and adequate market share for our product candidates in those markets. Not all companies succeed in these activities, and not all companies generate revenue from product sales that is significant enough to achieve profitability.

To have a chance of success, it is imperative that executives

- a) possess the specialized skills to understand the complex products being developed and the various regulatory requirements imposed across the globe
- b) apply high degrees of discipline to ensure research and trials are undertaken safely and effectively, to a rigorous standard and schedule, within tight budget constraints
- c) seek to deliver earlier, with lower costs, key, well-defined milestones critical to progressing Mesoblast technology
- d) stay focused on the end goal of commercialization.

While it may be many years from initial research until milestones lead to profitable outcomes, this does not reduce the importance of the milestones themselves. Without the interim milestone steps on the way to therapy commercialization, the extensive safety and efficacy data required would not be sufficient and approval by global regulatory authorities would not be achievable. Time and costs are an important component part in this process of research, testing and milestone achievement, as both have compounding effects on shareholder value.

To address the above, Mesoblast's remuneration framework comprises:

- competitive fixed remuneration
- annual incentives payments contingent on intensive research, approvals and trials being undertaken on time and budget
- longer term milestone-based incentive payments
- payment delivered, in part, as options, which conserves cash, aligns with shareholder interests, and focuses executives on strategy, risk management, and execution that optimizes shareholder value.

Mesoblast generally sets cash-based STIs at a lower quantum than option-based LTIs to conserve cash flow, focus executives on value creation, and align executives with shareholders.

The current average tenure of our executive team of 8 years suggests that the framework works well to attract and retain appropriate executive leadership.

Executive Remuneration Framework

Further details on the Mesoblast Executive Remuneration Framework is provided in Table 4 – Executive Remuneration Framework.

Table 4 – Executive Remuneration Framework

	Fixed Pay	Short-term Incentives	Performance-based Remuneration	Long-term Incentives
Strategic Rationale	<p>Attract and retain key personnel on a global basis via competitive remuneration.</p> <p>Comply with regional statutory and customary benefits (e.g., superannuation in Australia; medical insurance in the US.)</p>	<p>Focuses attention on key KPIs (in areas such as clinical, financial and partnering strategy, manufacturing, commercial, or organizational structure and development) under cost and time constraints that will lead to long-term improvement in patient outcomes and shareholder wealth.</p>	<p>Serves multi-pronged purpose:</p> <ul style="list-style-type: none"> - Aligns remuneration outcomes with shareholder wealth creation. - Provides a framework for wealth creation by prioritizing key objectives that are critical for long-term profitability. - Rewards speed of achievement, that can have long term compounding effects - Retains employees via deferral - Provides value only if milestones accumulate for increases in share price, aligning with the shareholder experience. - Conserves cash. - Enables risk management via malus. 	
Process	<p>Assessed annually on market relativities in relevant markets based on position accountabilities. The Nomination and Remuneration Committee makes specific recommendations to the board on remuneration packages for senior executives for approval.</p>	<p>Paid annually for performance against annual corporate and individual KPIs. The Nomination and Remuneration Committee sets the CEO's KPIs. These are used to measure the company performance, which determines the pool available for other employees. Allocations from that pool for senior management are determined with reference to individual KPIs which have been set by the CEO. Resulting outcomes are approved by the Nomination and Remuneration Committee.</p>		<p>The Nomination and Remuneration Committee assesses vesting for the LTI milestones.</p>

Eligibility	All employees	All employees hired on or before March 31, 2022 are eligible for consideration. Employees hired during the year are recognized on a pro-rata basis.	All eligible participants who are in positions to influence achievement of our long-term outcomes and, where required, for attraction and retention.
Quantum of opportunity	Set according to each position's accountabilities, the incumbent's experience and qualifications, and regional market relativities.	Set as a percentage of fixed pay. Quantum generally lower than LTI to conserve cash. Current CEO maximum STI: 50% of Fixed Remuneration. Current CMO maximum STI: 50% of Fixed Remuneration.	Set using a percentage of fixed pay as a guideline. Current CEO maximum LTI: approximately 200% of fixed remuneration. As disclosed in the FY20 AGM, the CEO grant was increased to bridge some of the gap with industry LTI practice while also decreasing the weighting of the CEO fixed remuneration and STI. The grant received 94.96% approval. Current CMO maximum LTI: 100% of fixed remuneration, excluding and sign on LTI granted The actual grant value for the CEO and CMO LTI may vary year on year from this proportion based on various factors being taken account including: - shareholder dilution - internal relativities - share price volatility
Delivered as	Cash	Cash	While the value may fluctuate on a year-to-year basis, the guideline should stand on a long term basis. Options over ordinary shares in Mesoblast Limited with a 7-year expiry date. Option exercise price will be based on the 5-day VWAP to grant date.
Performance and service period	N/A	1 year	Three years with provision for earlier vesting limited to one third per year to (a) encourage speed of achievement, and (b) defer material amounts for better governance and (c) encourage executive focus on achievements that have a longer term impact on shareholder value.

Discretion, malus and clawback

N/A

The board has the authority to use its discretion to amend individual outcomes "in year", including down to zero, prior to any payment.

The board has ultimate discretion in determining vesting outcomes. Until options are exercised, the board may also apply discretion in situations where executives have behaved dishonestly or fraudulently to lapse options (unvested and vested).

Cessation of employment

No award will be made to employees who have ceased employment.

Unvested options are forfeited unless Board exercises discretion. Vested options can be retained subject to being exercised within 60 days of cessation or other timeframe specified by the board.

Hedging

The company's share trading policy prohibits hedging via the company's derivatives.

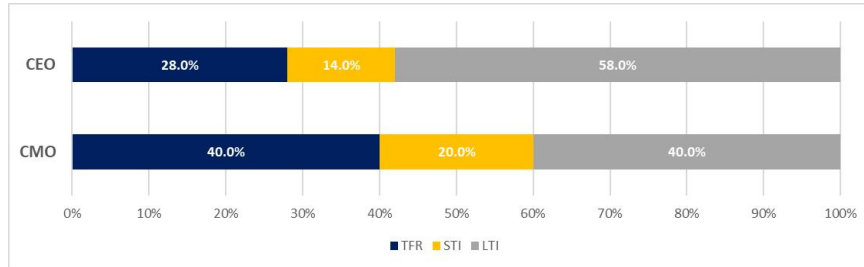
Oversight

Individual outcomes are reviewed and approved first by the Nomination & Remuneration Committee and then the Board.

Remuneration Mix

The target remuneration mix at maximum for the CEO and the CMO is described in Figure 1.

Figure 1 – Executive KMP Remuneration Mix.



The actual grant value year-on-year may vary from the target remuneration mix depending on factors such as:

- Dilution considerations
- Internal relativities
- Date of grant
- Difficulty of milestones

Responses to frequent questions on the Mesoblast framework

The following table presents responses to common queries on the Mesoblast remuneration framework.

Table 5 – Executive Remuneration Framework

<p>Why do you use milestone performance measures for the STI and LTI?</p>	<p>Traditional financial metrics are not meaningful, nor can they be effectively used to accurately reflect the performance of our company. What creates lasting shareholder value are successful outcomes from research and development, entry into new collaborations and achievement of other planned and well considered corporate objectives. Success will only result in significant reward under the LTI if the market values our achievements. If it does, our share price increases. The LTI options become valuable. If not, the options have no intrinsic value. This combination of milestones and payment in options work in tandem for a sober, fair payment for performance aligned with shareholder returns. This is a standard biotechnology company practice.</p>
<p>Why does some of the long term incentive award vest earlier than a three year period?</p>	<p>Within biotechnology, basing long term incentives on achievement of performance milestones is an established method for aligning pay with performance. The other factor that is critical is time. While we allow three years for milestones, earlier achievement is better, because we will have achieved it using less cash expense than if achieved at the end of 3 years. Therefore, we have configured the plan to allow for early vesting for early achievement, but only to a point. We still insist that even if all milestones are achieved early, some options remain unvested for 3 years, to ensure that, if given a choice with a limited budget, employees focus on those milestones most likely to deliver the most value over the longer term, as well as encouraging employee retention. We believe that this framework is innovative, and a great fit for the nature of our business. We acknowledge it does not look and feel like a typical ASX-listed company LTI, and therefore may not meet the standard guidelines applied by many, but we are not typical. We are open to considering alternatively designed incentives that address the value drivers of milestone achievement, time to achieve them, prioritization of milestones with most value potential given limited resourcing, and impact on longer term share price, but so far we have not found any quite as effective.</p>
<p>What is Mesoblast’s position on diversity?</p>	<p>The Group values diversity and recognizes the benefits it can bring to the organization’s ability to achieve its goals. Diversity can lead to a competitive advantage through broadening the talent pool for recruitment of high quality employees, by encouraging innovation and improving a corporation’s professionalism and reputation. Accordingly, the Group is committed to promoting diversity within the organization and has adopted a formal policy outlining the Group’s diversity objectives.</p> <p>With respect to gender diversity, as at June 30, 2022, 52% of the Company’s employee base were female and 33% of the Company’s senior executives were female. The Board is conscious of the gender imbalance at board level (with only one of the seven non-executive directors being female) and has an objective to increase this number as vacancies arise and circumstances permit.</p>
<p>Why is there no STI deferral?</p>	<p>STI is not a heavily weighted part of the remuneration framework across the Company.</p> <p>There is sufficient remuneration deferred already, in the form of unvested options, that would be at risk in the event of poor conduct, mismanagement or reputational damage.</p>
<p>Why is there no consideration of ENS (Environment and Sustainability) issues in the STI or LTI vesting considerations?</p>	<p>Mesoblast’s mission to bring to market innovative medicines comprised of naturally-occurring cellular materials to treat serious and life-threatening illnesses is fundamentally consistent with ENS principles, although there are relevant supply chain and carbon footprint considerations. At this stage, Mesoblast’s physical footprint is limited to office and laboratory space for its employee base of less than 100, so while management is actively engaged in reducing the Company’s carbon footprint, its ability to materially improve its ENS impact is currently limited. We will continue to consider having ENS-related remuneration milestones in the future, in particular if and when Mesoblast has its own manufacturing facilities and approved products.</p>

Table 6 provides share price performance data and selected financial results.

Table 6 – Company share price performance and selected financial results over the last five years

	Currency	2022	2021	2020	2019	2018
Share price (ASX:MSB)						
– closing at June 30	AS	0.61	1.98	3.25	1.48	1.48
– high for the year	AS	2.10	5.50	4.45	2.34	2.36
– low for the year	AS	0.61	1.72	1.02	1.04	1.19
Market capitalization at June 30 (millions)						
– increase/(decrease) – (millions)	AS	397	1,285	1,898	738	714
– increase/(decrease) – as %		(888)	(613)	1,160	24	(177)
		(69%)	(32%)	157%	3%	(20%)
Revenue (millions)						
– increase/(decrease) - as %	US\$	10.2	7.5	32.2	16.7	17.3
		37%	(77%)	92%	(4%)	619%
Loss before income tax (millions)						
	US\$	91.6	99.6	87.4	98.8	66.0
Net Assets (millions)						
	US\$	497.0	581.4	549.3	481.1	546.0
Dividends paid						
		—	—	—	—	—
Return of Capital to Shareholders						
		—	—	—	—	—

Mesoblast has continued to prioritize the resubmission of the Biologics License Application (BLA) to FDA for the Company’s lead product candidate, remestemcel-L in children with steroid-refractory acute graft versus host disease. This has been the primary focus since receiving a complete response letter in the previous fiscal year and a huge amount of time and effort has gone into addressing the outstanding Chemistry, Manufacturing, and Controls (CMC) issues including work on potency assays. Alongside this, the team has been busy ensuring other key programs continue to progress which has included important interactions and feedback from FDA on chronic heart failure and chronic low back pain programs. The latter is in a position to move into a second Phase 3 trial which the team are now finalizing.

Implemented measures focused on financial discipline and accountability throughout the year. This has resulted in a significant reduction in operating expenditure, effectively preserving capital and extending the Company’s cash runway. Net cash usage for operating activities in this fiscal year was reduced by 35% or approximately \$35.0 million.

In relation to funding, the Hercules loan was re-financed with Oaktree in November 2021 which extended our cash runway through the deferral of loan repayments for 3 years and in August 2022 the Company has raised \$45.0 million with support from its largest shareholders, further strengthening our balance sheet as we undertake activities for the potential launch and commercialization of remestemcel-L.

In summary management executed on the following corporate achievements:

- Successful refinancing and expansion of our senior debt facility. Our existing senior debt facility with Hercules Capital, Inc. has been refinanced with a new \$90.0 million five-year facility provided by funds associated with Oaktree Capital Management, L.P. (“Oaktree”). The Oaktree transaction provides for up to \$90.0 million in borrowings, with the first tranche of \$60.0 million drawn on closing, and the remaining \$30.0 million available prior to December 31, 2022, subject to certain milestones.
- Completed a US\$45.0 million (A\$65.0 million) financing in a global private placement. The proceeds from the placement will facilitate activities for launch and commercialization for remestemcel-L, in the treatment of children with SR-aGVHD for which Mesoblast seeks FDA approval under a planned resubmission of its Biologics License Application (“BLA”); and commencement of a second Phase 3 clinical trial of rexmestemcel-L to confirm reduction in chronic low back pain associated with degenerative disc disease.
- During the year we appointed Dr. Eric Rose as the Company’s Chief Medical Officer (CMO) and Dr. Philip Krause as a non-executive director and in August 2022 we appointed Jane Bell as a non-executive director.

In relation to our product candidates management executed on the following achievements:

- In relation to SR-aGVHD, OTAT indicated that Mesoblast’s approach to address the outstanding CMC items is reasonable. OTAT indicated that the *in vitro* immunomodulatory activity we intend to measure for potency is a reasonable critical attribute (CQA) for the product, and the relevance of this activity to clinical outcomes should be established.

- In relation to CLBP, 36-month follow-up results from the 404-patient Phase 3 trial of rexllestrocel-L in patients with CLBP associated with degenerative disc disease. Results from the three-arm trial presented at the 2022 Biotech Showcase event, showed durable reduction in back pain lasting at least three years from a single intra-discal injection of rexllestrocel-L+hyaluronic acid (HA) carrier.

Furthermore, we confirmed with FDA's OTAT that they agreed with Mesoblast's proposal for pain reduction at 12 months as the primary endpoint of the next trial, with functional improvement and reduction in opioid use as secondary endpoints.
- In relation to CHF, we announced that the DREAM-HF Phase 3 trial showed that patients with chronic heart failure and reduced ejection fraction ("HFrEF") treated with rexllestrocel-L demonstrated greater improvement in the pre-specified analysis of left ventricular ejection fraction at 12 months relative to controls. Improvement in LVEF was most pronounced in the setting of inflammation and preceded long-term reduction in the 3-point MACE of cardiovascular death, non-fatal heart attack or stroke

Furthermore, new analyses of pre-specified high-risk groups in the DREAM-HF Phase 3 trial of rexllestrocel-L in patients with chronic HFrEF showed greatest treatment benefit in major cardiovascular adverse events (MACE) of cardiovascular mortality or irreversible morbidity (non-fatal heart attack or stroke) in patients with diabetes and/or myocardial ischemia (72% of total treated population).

Additionally, results from the randomized, controlled Phase 3 trial of rexllestrocel-L in 565 patients with NYHA class II and class III chronic HFrEF have been selected through peer review as a late breaking presentation at the AHA annual meeting occurring November 2021.
- In relation to ARDS, we announced an update on survival outcomes through 12-months from the randomized controlled trial of remestemcel-L in ventilator-dependent COVID-19 patients with moderate/severe acute respiratory distress syndrome ("ARDS").

Furthermore, 90-day survival outcomes from the randomized controlled trial of remestemcel-L in 222 ventilator-dependent COVID-19 patients with moderate/severe acute respiratory distress syndrome ("ARDS") were selected to be highlighted at the International Society for Cell & Gene Therapy (ISCT) Scientific Signatures Series event on Cell and Gene-Based Therapies in Lung Diseases and Critical Illnesses.
- In relation refractory ulcerative colitis or Crohn's colitis, positive results from the first cohort of patients in the randomized, controlled study of remestemcel-L by direct endoscopic delivery to areas of inflammation in patients with medically refractory ulcerative colitis or Crohn's colitis were presented at the 17th Congress of European Crohn's and Colitis Organization (ECCO) and were published in the Journal of Crohn's and Colitis.

The CEO's STI objectives and outcomes for FY22 incorporating committee discretion are described in Table 7, resulting in an STI outcome of 60% of maximum for the CEO.

Table 7 - Performance against FY2022 STI KPIs

KPI Category	KPI	Maximum as % of total STI	Rating	Outcome as % of total STI
Execute on Major Clinical Programs				
Significant progress has been made towards resubmission of the Biologics License Application (BLA) to FDA for remestemcel-L in children with steroid-refractory acute graft versus host disease. Despite delays due to supply chain issues, significant progress has been made in regards to addressing the outstanding Chemistry, Manufacturing, and Controls (CMC) issues, including work on potency assays. Important interactions and feedback from FDA on chronic heart failure and chronic low back pain programs have been completed. The latter is in a position to move into a second Phase 3 trial. The Board acknowledges that BLA resubmission timeline has not been achieved as planned. Therefore the Board assessed that this objective was only partially achieved.				
Total for Major Clinical Programs		45%	67%	30%
Remestemcel-L -Acute GVHD	<ul style="list-style-type: none"> Achieve FDA acceptance of filing of BLA re-submission for acute GVHD. Manufacturing process developments. 	(15%)		
Rexlemestrocel-L -CLBP	<ul style="list-style-type: none"> Define and commence implementation of clinical strategy. Manufacturing process developments. 	(15%)		
Rexlemestrocel-L -CHF	<ul style="list-style-type: none"> Define and commence implementation of clinical strategy. Manufacturing process developments. 	(15%)		
Execute on Financing & Partnering Strategy				
In relation to Finance, there have been substantial achievements during the year. Our senior debt facility was successfully refinanced with a new \$90.0 million five-year facility provided by funds associated with Oaktree. The refinancing successfully deferred amortization payments given the new facility has a three-year interest only period. In August 2022 we closed a \$45m private placement. However, the placement closing after the reporting period. Therefore, the Board has decided this objective has only been partially met given August was an optimal time to execute the transaction given market conditions. In relation to Partnering, no major partnering transaction of significant value was closed. The Board has decided this outcome was not met.				
Finance	<ul style="list-style-type: none"> Successfully refinanced our senior debt facility which deferred amortization repayments. Successfully raised US\$45 million through a private of capital in August 2022. 	30%	83%	25%
Partnering	<ul style="list-style-type: none"> Close a major partnering transaction of significant value. 	20%	Nil	Nil
Execute on Organization Structure & Development				
During the year we appointed of Dr. Eric Rose as the Company's Chief Medical Officer (CMO). This strategic appointment enhanced both our regulatory expertise and compliments the Board appointments of Dr. Philip Krause and Jane Bell as non-executive directors. The Board has decided this objective has been met.				
Structure & Development	<ul style="list-style-type: none"> Appointed Dr. Eric Rose as the Company's Chief Medical Officer (CMO) which enhanced our regulatory expertise, and complemented the Board appointments of non-executive directors. 	5%	100%	5%

This results in an overall STI outcome of 60% of maximum, such that the CEO has forfeited 40% of his total incentive opportunity.

Our CMO's STI objectives and outcomes are to execute on major clinical programs. His specific objectives are in the section labeled execute on major clinical programs in table 7. Our CMO was appointed part way through the assessable period and as a result his performance for his objectives has been rated as 60% given that certain achievements had been completed prior to his appointment. Overall the CMO's STI outcome has been assessed as 60% of maximum, with 40% of this total incentive opportunity being forfeited.

Our CFO, Mr. Muntner resigned effective August 21, 2021, he had not achieved any of the STI objectives for FY22 and therefore 100% of his STI opportunity was forfeited.

LTI

Two conditions must be met for milestone options to vest.

- The milestone for that option must be met
- Achievement must be within the performance period

When LTI milestones are set it is not expected that all or any milestones will be achieved within the next 12 months. The LTI plan is design to align the CEO objectives with creating long term shareholder value.

The vesting of the CEO's LTI is based on meeting clinical and commercialization milestones, as well as completion of licensing or collaboration agreements to build shareholder value.

In relation to our CMO, on appointment the Board approved a grant of 1,250,000 options. These options are subject to shareholder approval and therefore have not been included in the table below.

Details on the LTI options that could have vested based on both FY22 performance and prior year performance as summarized in Table 8, along with the financial year in which those options will vest after milestones have been met.

Where an LTI milestone remains commercial in confidence it has been described in general terms. Many milestones also have an associated delivery window and/or budget which are taken into account when determining if it was achieved. Some clinical outcomes can be partially met depending on the quality and/or cost of results or extent of patient participation.

Table 8 – LTI Outcomes of CEO milestone-based grants

	Number of options granted/Date granted	Milestone	Portion of grant attributed to milestone	Status	FY in which the tranche will vest based on time-based vesting conditions
CEO	1,550,000 Nov 2021(1)	<ul style="list-style-type: none"> Regulatory/Commercialisation progress with respect to our aGVHD program and clinical progress across the Company's lead programs with specific allocation for each program milestone based on priority. 	40%	Pending	Pending
		<ul style="list-style-type: none"> Completion of a significant licensing/collaboration agreement to build shareholder value and other confidential financing objectives. 	40%	Pending	Pending
		<ul style="list-style-type: none"> Manufacturing milestones related to process development. 	20%	Pending	Pending
	1,200,000 Nov 2020(2)	<ul style="list-style-type: none"> Clinical/Commercialisation milestones related to clinical and commercialization progress across the Company's lead programs. 	40%	Achieved	FY22- Nil(5) FY23- 55.6% FY24- 44.4%
		<ul style="list-style-type: none"> Completion of a significant licensing/collaboration agreement to build shareholder value and other confidential financing objectives. 	40%	Pending	Pending
		<ul style="list-style-type: none"> Manufacturing milestones related to process development. 	20%	Achieved	FY22- Nil(5) FY23- 55.6% FY24- 44.4%
	1,346,667(3) Nov 2019	<ul style="list-style-type: none"> Granting of a PDUFA date for remestemcel-L(4). 	50%	Achieved during FY20	FY21- 66.7% FY22- 33.3%
		<ul style="list-style-type: none"> US FDA approval of remestemcel-L(4). 	50%	Pending	Pending

- (1) This grant was approved by the Board on September 8, 2021 and granted on November 29, 2021 after shareholder approval for the grant was received at the AGM.
- (2) This grant was approved by the Board on July 16, 2020 and granted on November 24, 2020 after shareholder approval for the grant was received at the AGM.
- (3) This grant was approved by the Board on July 20, 2019 and granted on November 27, 2019 after shareholder approval for the grant was received at the AGM. 538,667 of the options granted were not milestone based and have not been included in the above table. The 538,667 options were granted as a substitute for a reduction made to the FY2019 short-term cash bonus to conserve cash.
- (4) For the treatment of pediatric SR acute GVHD.
- (5) Regardless of when the milestone was achieved, the milestone vesting date is determined as the date of Board approval. In this case Board approval was in August 2022.

Table 9 represents remuneration paid to each executive KMP during the year as required by Section 300A of the Corporations Act 2001.

Table 9 – Statutory remuneration paid to executive KMP

Name	Year	Currency	Short-term benefits					Post-employment benefits Super-annuation \$	Long-term benefits Long service leave \$	Share-based payments Options(3) \$	Other Termination benefits \$	Total Statutory Remuneration \$	% of performance-based remuneration %
			Base salary \$	Short-term cash bonus(1) \$	Annual Leave/Holiday Pay \$	Non-monetary benefits \$	Health and Other Benefits (2) \$						
Silvia Itescu	2022	AS	1,010,000	303,000	46,616	—	—	23,568	16,880	569,314	—	1,969,378	44%
Silvia Itescu	2021	AS	1,010,000	328,250	77,687	—	—	21,694	16,880	1,207,365	—	2,661,876	58%
Eric Rose(4)	2022	AS	354,377	106,313	27,273	—	—	—	—	71,560	—	559,523	32%
Eric Rose(4)	2021	AS	—	—	—	—	—	—	—	—	—	—	—
Total Executive Directors	2022	AS	1,364,377	409,313	73,890	—	—	23,568	16,880	640,874	—	2,528,901	42%
Total Executive Directors	2021	AS	1,010,000	328,250	77,687	—	—	21,694	16,880	1,207,365	—	2,661,876	58%
Total Executive Directors	2022	US\$	986,581	295,974	53,430	—	—	17,042	12,206	463,416	—	1,828,649	42%
Total Executive Directors	2021	US\$	756,692	248,925	58,203	—	—	16,253	12,646	904,558	—	1,994,277	58%
Josh Muntner	2022	AS	88,047	—	50,796	—	9,011	—	—	(288,561)	—	(140,707)	NM
Josh Muntner	2021	AS	509,877	213,255	7,842	—	47,192	—	—	404,296	—	1,182,462	52%
Total Executive KMP	2022	AS(5)	88,047	—	50,796	—	9,011	—	—	(288,561)	—	(140,707)	NM
Total Executive KMP	2021	AS(5)	509,877	213,255	7,842	—	47,192	—	—	404,296	—	1,182,462	52%
Total Executive KMP	2022	US\$	63,667	—	36,731	—	6,516	—	—	(208,659)	—	(101,745)	205%
Total Executive KMP	2021	US\$	382,000	159,771	5,875	—	35,356	—	—	302,898	—	885,900	52%

- In FY2021, the CFO bonus amount includes a deferred sign-on payment of US\$45,171 in addition to an amount of US\$114,600 awarded for achieving 60% of his STI target.
- Includes health, dental, vision, life, long and short-term disability insurances.
- In FY2022, Eric Rose's share-based payment is related to options agreed to be granted to Eric on his appointment as an executive director on February 1, 2022. This grant is subject to shareholder approval at the upcoming AGM.
- Eric Rose has been a non-executive director of Mesoblast since 2013. On February 1, 2022, he was appointed as an executive director of Mesoblast. The table above includes statutory remuneration paid to Eric Rose in his capacity as an executive director from February 1, 2022.
- The AS results have been determined by calculating the average rate of the exchange rates on the last trading day of each month during the period. A US\$:AS exchange rate of 1:0.7231 has been used for the year ended June 30, 2022 and 1:0.7492 for the year ended June 30, 2021.

Fixed remuneration

The CEO fixed remuneration has not changed since 2015. Eric Rose was appointed as our CMO in FY2022 and was not receiving executive remuneration in FY2021.

Non-Executive Director (“NED”) Remuneration

As at June 30, 2022 the Board comprised of seven NEDs; one based in Australia, five in the United States and one in Switzerland. These directors are global experts in the biopharmaceutical industry and capital markets, each with relevant experience in biotechnology and/or healthcare industries.

The NED fees (in Table 10) reflect responsibilities and work involved with directing a company of Mesoblast’s technological and geographical complexity, our financial position, regulatory and compliance context, and market practice in each director’s domicile. The fee levels and structures reflect what is necessary to recruit and retain directors with global experience in this industry. There have been no changes to NED fees from last year.

Table 10 – NED fees
(exclusive of superannuation where applicable for Australian directors)

Position	Currency	As at June 30, 2022		
		Board of Directors	Audit and Risk Committee	Nomination and Remuneration Committee
Chair	US\$	250,000	—	—
Chair	A\$	—	20,000	20,000
Vice Chair	A\$	175,000	—	—
Member	A\$	128,250	10,000	10,000

The NEDs’ fixed fees for their services are not to exceed a maximum fee pool of A\$1,500,000, as approved by shareholders at the 2018 Annual General Meeting.

NEDs do not receive performance-related remuneration and are not provided with retirement benefits other than statutory superannuation. NEDs are reimbursed for costs directly related to conducting Mesoblast business. The key terms of NED service are documented in a letter of appointment to the Board.

Mesoblast grants options to NEDs, usually at the start of their tenure. Options in lieu of cash are typical in the biotechnology industry. These options vest one third each after one, two and three years. For our NEDs, options are only forfeited if the director engages in conduct that is adverse to the company or breach the terms of their engagement.

The grants enable Mesoblast to secure NEDs with global pharmaceutical experience cash-effectively. Governance is not compromised because no performance or service conditions apply. The majority of shareholders voted in favor of our NED LTI grants at the November 2019 and 2021 AGMs.

Further details on the number of options and exercise price can be found in section “Terms and conditions of share-based payment arrangements”.

Remuneration Details - NEDs

Details of the remuneration of our NEDs for the years ended June 30, 2022 and June 30, 2021 are in Table 11.

Table 11 – Director Fees

Name	Year	Currency	Base Salary	Super-annuation	Share-based payments Options	Total Statutory Remuneration
Joseph Swedish	2022	AS	344,157	—	19,731	363,888
Joseph Swedish	2021	AS	334,876	—	75,224	410,100
William Burns	2022	AS	185,000	—	19,525	204,525
William Burns	2021	AS	185,000	—	50,327	235,327
Philip Facchina	2022	AS	137,417	—	124,921	262,337
Philip Facchina	2021	AS	32,063	—	22,087	54,150
Philip Krause	2022	AS	34,873	—	—	34,873
Philip Krause	2021	AS	—	—	—	—
Donal O'Dwyer	2022	AS	105,500	10,550	2,534	118,584
Donal O'Dwyer	2021	AS	158,250	15,034	9,921	183,205
Eric Rose ⁽¹⁾	2022	AS	74,813	—	19,525	94,337
Eric Rose	2021	AS	128,250	—	50,327	178,577
Michael Spooner	2022	AS	158,250	9,231	2,534	170,016
Michael Spooner	2021	AS	158,250	15,034	9,921	183,205
Shawn Tomasello	2022	AS	138,250	—	463	138,713
Shawn Tomasello	2021	AS	136,583	—	17,595	154,178
Total Non-Executive Directors	2022	AS	1,178,259	19,781	189,233	1,387,274
Total Non-Executive Directors	2021	AS	1,133,272	30,068	235,402	1,398,742
Total Non-Executive Directors (2)	2022	US\$	851,999	14,304	136,835	1,003,138
Total Non-Executive Directors (2)	2021	US\$	849,047	22,527	176,363	1,047,938

- (1) Eric Rose has been a non-executive director of Mesoblast since 2013. On February 1, 2022, he was appointed as an executive director of Mesoblast and payments of director fees ceased at that time. Share-based payments reported as part of Eric's director fees above relate to options granted during his appointment as a non-executive director.
- (2) The AS results have been determined by calculating the average rate of the exchange rates on the last trading day of each month during the period. A US\$:AS exchange rate of 1:0.7231 has been used for the year ended June 30, 2022 and 1:0.7492 for the year ended June 30, 2021.
- (3) Jane Bell was appointed on August 18, 2022 and was paid \$Nil director fees in the year ended June 30, 2022.

Terms and conditions of option grants and equity holdings

Details of options over ordinary shares provided as remuneration to each director and member of key management personnel for the years ended June 30, 2022 and June 30, 2021 are provided in the tables below.

Table 12 – The value of options granted, exercised and lapsed.

	Number of options granted	Remuneration consisting of options (1)	Value of options granted (2) A\$	Value of options exercised (3) A\$	Value of options lapsed (4) A\$
For the year ended June 30, 2022					
Silviu Itescu	1,550,000	29%	386,105	—	—
Eric Rose ⁽⁵⁾	—	14%	—	—	—
William Burns	—	10%	—	—	—
Philip Facchina ⁽⁶⁾	200,000	48%	222,000	—	—
Philip Krause	—	—	—	—	—
Donal O'Dwyer	—	2%	—	—	—
Michael Spooner	—	1%	—	—	—
Shawn Tomasello	—	0%	—	—	—
Joseph Swedish	—	5%	—	—	—
Josh Muntner	—	NM	—	—	97,500
For the year ended June 30, 2021					
Silviu Itescu	1,200,000	46%	1,104,000	—	—
William Burns	—	21%	—	—	—
Philip Facchina ⁽⁶⁾	—	41%	—	—	—
Donal O'Dwyer	—	5%	—	—	—
Eric Rose	—	28%	—	—	—
Michael Spooner	—	5%	—	—	—
Joseph Swedish	—	18%	—	—	—
Shawn Tomasello	—	11%	—	—	—
Josh Muntner	350,000	35%	322,000	533,664	—

(1) The percentage of the value of remuneration consisting of options, based on the value of options expensed during the year presented in accordance with IFRS 2 *Share-based Payment*. For details on the assumptions made for each grant, see information in note 17 Share-based payments within Item 18 Financial Statements of this report.

(2) The accounting value at acceptance date of options that were granted during the year presented as part of remuneration, determined using Black-Scholes valuation model and in accordance with IFRS 2 *Share-based Payment*. The acceptance date is the date at which the entity and the employee agree to a share-based payment arrangement, being when the entity and the employee have a shared understanding of the terms and conditions of the arrangement.

(3) The intrinsic value at exercise date of options that were exercised during the year presented, having been granted as part of remuneration previously.

(4) The intrinsic value at lapse date of options that lapsed during the year.

(5) On Eric's appointment as our CMO, the board approved a grant of 1,250,000 options for Eric Rose on February 1, 2022, this grant is subject to shareholder approval at the upcoming AGM.

(6) This grant was approved by the Board on April 15, 2021 and granted on November 29, 2021 after shareholder approval for the grant was received at the AGM.

(7) Jane Bell was appointed on August 18, 2022 and was granted nil options in the year ended June 30, 2022.

There have been no modifications to any terms and conditions of share-based payment transactions during the years ended June 30, 2022 and 2021.

Reconciliation of Options held by KMP

The table below shows a reconciliation of options over ordinary shares of Mesoblast Limited held by each KMP from the beginning to the end of FY2022.

Table 13 – Reconciliation of options held by each KMP during FY2022.

Name	Grant Date	Balance at July 1, 2021		Granted during FY2022 Number	Vested during FY2022		Exercised during FY2022		Forfeited / Lapsed during FY2022		Balance at June 30, 2022	
		Vested	Unvested		Number	%	Number	%	Number	%	Vested and exercisable	Unvested
Silviu Itescu	29-Nov-21(1)	—	—	1,550,000	—	—	—	—	—	—	—	1,550,000
Silviu Itescu	24-Nov-20(2)	—	1,200,000	—	—	—	—	—	—	—	—	1,200,000
Silviu Itescu	27-Nov-19(3)	628,445	1,256,889	—	404,001	21	—	—	—	—	1,032,446	852,888
Eric Rose	27-Nov-19(4)	80,000	40,000	—	40,000	33	—	—	—	—	120,000	—
Eric Rose	17-Nov-19	33,333	66,667	—	33,333	33	—	—	—	—	66,666	33,334
William Burns	27-Nov-19	33,333	66,667	—	33,333	33	—	—	—	—	66,666	33,334
William Burns	30-Nov-18	80,000	40,000	—	40,000	33	—	—	—	—	120,000	—
Donal O'Dwyer	30-Nov-18	66,666	33,334	—	33,334	33	—	—	—	—	100,000	—
Michael Spooner	30-Nov-18	66,666	33,334	—	33,334	33	—	—	—	—	100,000	—
Joseph Swedish	27-Nov-19	200,000	100,000	—	100,000	33	—	—	—	—	300,000	—
Joseph Swedish	30-Nov-18	200,000	—	—	—	—	—	—	—	—	200,000	—
Shawn Tomasello	30-Nov-18	133,334	66,666	—	66,666	33	—	—	—	—	200,000	—
Philip Facchina	29-Nov-21(5)	—	—	200,000	66,667	33	—	—	—	—	66,667	133,333
Josh Muntner	16-Jul-20	—	350,000	—	—	—	—	—	350,000	100	—	—
Josh Muntner	20-Jul-19	166,667	333,333	—	166,667	33	—	—	500,000	100	—	—
Josh Muntner	15-Jul-18	50,000	100,000	—	50,000	33	—	—	150,000	100	—	—

- (1) This grant was approved by the Board on September 8, 2021 and granted on November 29, 2021 after shareholder approval for the grant was received at the AGM.
- (2) This grant was approved by the Board on July 16, 2020 and granted on November 24, 2020 after shareholder approval for the grant was received at the AGM.
- (3) This grant was approved by the Board on July 20, 2019 and granted on November 27, 2019 after shareholder approval for the grant was received at the AGM.
- (4) On Eric's appointment as our CMO, the board approved a grant of 1,250,000 options for Eric Rose on February 1, 2022, this grant is subject to shareholder approval at the upcoming AGM.
- (5) This grant was approved by the Board on April 15, 2021 and granted on November 29, 2021 after shareholder approval for the grant was received at the AGM.
- (6) Jane Bell was appointed on August 18, 2022 and was granted nil options in the year ended June 30, 2022.

Terms and conditions of share-based payment arrangements

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Table 14 – Terms and conditions of share-based payment arrangements

Grant date	Recipients of Grants	Vesting date	Expiry date	Exercise price AS	Value per option at acceptance date AS
29-Nov-21 ⁽¹⁾	Silviu Itescu	Vesting in accordance with the following schedule, but only after achievement of performance milestones: one third - 8-Sep-2022 one third - 8-Sep-2023 one third - 8-Sep-2024	7-Sep-28	1.77	0.25 ⁽⁵⁾
29-Nov-21 ⁽²⁾	Philip Facchina	one third - 15-Apr-2022 one third - 15-Apr-2023 one third - 15-Apr-2024	14-Apr-28	2.28	1.11
24-Nov-20 ⁽³⁾	Silviu Itescu	Vesting in accordance with the following schedule, but only after achievement of performance milestones: one third - 16-Jul-2021 one third - 16-Jul-2022 one third - 16-Jul-2023	15-Jul-27	3.41	0.92 ⁽⁶⁾
16-Jul-20	Josh Muntner	Vesting in accordance with the following schedule, but only after achievement of performance milestones: one third - 16-Jul-2021 one third - 16-Jul-2022 one third - 16-Jul-2023	15-Jul-27	3.41	0.92 ⁽⁶⁾
27-Nov-19 ⁽⁴⁾	Silviu Itescu	Vesting in accordance with the following schedule, but only after achievement of performance milestones: one third - 19-Jul-2020 one third - 19-Jul-2021 one third - 19-Jul-2022	19-Jul-26	1.47	1.03
27-Nov-19 ⁽⁴⁾	Silviu Itescu	one third - 19-Jul-2020 one third - 19-Jul-2021 one third - 19-Jul-2022	19-Jul-26	1.47	1.03
27-Nov-19	William Burns Eric Rose	one third - 17-Nov-2020 one third - 17-Nov-2021 one third - 17-Nov-2022	17-Nov-26	1.83	0.94
27-Nov-19	Joseph Swedish	one third - 4-Apr-2020 one third - 4-Apr-2021 one third - 4-Apr-2022	3-Apr-26	1.48	0.78
20-Jul-19	Josh Muntner	Vesting in accordance with the following schedule, but only after achievement of performance milestones: one third - 19-Jul-2020 one third - 19-Jul-2021 one third - 19-Jul-2022	19-Jul-26	1.47	1.09 ⁽⁷⁾
30-Nov-18	William Burns Eric Rose Michael Spooner Donal O'Dwyer	one third - 30-Nov-2019 one third - 30-Nov-2020 one third - 30-Nov-2021	29-Nov-25	1.33	0.54
30-Nov-18	Joseph Swedish	one third - 18-Jun-2019 one third - 18-Jun-2020 one third - 18-Jun-2021	17-Jun-25	1.52	0.85
30-Nov-18	Shawn Tomasello	one third - 11-Jul-2019 one third - 11-Jul-2020 one third - 11-Jul-2021	10-Jul-25	1.56	0.78

15-Jul-18	Josh Muntner	one third - 15-Jul-2019 one third - 15-Jul-2020 one third - 15-Jul-2021	14-Jul-25	1.72	0.58(8)
25-Nov-14	William Burns Eric Rose	one third - 25-Nov-2015 one third - 25-Nov-2016 one third - 25-Nov-2017	24-Nov-19	4.00	1.30

- (1) This grant was approved by the Board on September 8, 2021 and granted on November 29, 2021 after shareholder approval for the grant was received at the AGM.
- (2) This grant was approved by the Board on April 15, 2021 and granted on November 29, 2021 after shareholder approval for the grant was received at the AGM.
- (3) This grant was approved by the Board on July 16, 2020 and granted on November 24, 2020 after shareholder approval for the grant was received at the AGM.
- (4) This grant was approved by the Board on July 20, 2019 and granted on November 27, 2019 after shareholder approval for the grant was received at the AGM.
- (5) The acceptance date on which these options have been valued is June 30, 2022.
- (6) The acceptance date on which these options have been valued is July 5, 2021.
- (7) The acceptance date on which these options have been valued is December 17, 2019.
- (8) The acceptance date on which these options have been valued is January 17, 2019.

Table 15 - Shares provided to KMPs on the exercise of remuneration options

	No. of options exercised during the period	No. of ordinary shares in Mesoblast Limited issued	Exercise Date	Value per share at exercise date AS	Exercise price per option AS
For the year ended June 30, 2022					
Nil	—	—	—	—	—
For the year ended June 30, 2021					
Josh Muntner	150,000	150,000	31-Aug-20	5.28	1.72

Options Granted as Remuneration

The following table presents options that have been granted over unissued shares during or since the end of the year ended June 30, 2022, to our Directors and our next 5 most highly remunerated officers.

Table 16 – Options Granted as Remuneration

Name	Issue Date	Exercise Price AS	Number of shares, under option
Directors			
Silviu Itescu	29-Nov-21 ⁽¹⁾	1.77	1,550,000
Eric Rose ⁽²⁾	—	—	—
Non-Directors			
Kenneth Borow	8-Sep-21	1.77	350,000
Fred Grossman ⁽³⁾	8-Sep-21	1.77	650,000
Dagmar Rose-Bjorkeson	8-Sep-21	1.77	550,000
Michael Schuster	8-Sep-21	1.77	500,000
Geraldine Storton	8-Sep-21	1.77	400,000

- (1) This grant was approved by the Board on September 8, 2021 and granted on November 29, 2021 after shareholder approval for the grant was received at the AGM.
- (2) On Eric's appointment as our CMO, the board approved a grant of 1,250,000 options for Eric Rose on February 1, 2022, this grant is subject to shareholder approval at the upcoming AGM.
- (3) Resigned effective January 30, 2022 but remains a consultant.

KMP Shareholdings

The table below shows a reconciliation of ordinary shares held by each KMP from the beginning to the end of the 2022 financial year.

Table 17 – KMP Shareholdings

Name	Balance at the start of the year	Received during the year upon exercise of options	Acquisitions/ (Disposals) during the year	Balance at the end of the year
Silviu Itescu	68,958,928	—	—	68,958,928
Eric Rose	—	—	—	—
William Burns	63,000	—	—	63,000
Philip Facchina	273,224	—	—	273,224
Philip Krause	—	—	—	—
Donal O'Dwyer	1,234,392	—	—	1,234,392
Michael Spooner ⁽¹⁾	1,091,335	—	—	1,091,335
Shawn Tomasello	—	—	—	—
Joseph Swedish	—	—	—	—
Josh Muntner	—	—	—	—

(1) This total includes shareholdings of related parties, of this balance, Mr. Spooner has a relevant interest, as defined under the Corporations Act, of 1,069,000 ordinary shares.

(2) Jane Bell was not appointed until after the conclusion of the year ended June 30, 2022 and has therefore not been included in Table 17.

Employment Agreements

The employment of our CEO and CMO are formalized in employment agreements, the key terms of which are as follows:

Table 18 – KMP Employment Agreements

Name	Term	Notice period	Termination benefit
Silviu Itescu (CEO)	Initial term of 3 years commencing April 1, 2014, and continuing subject to a 12 month notice period.	12 months	12 months base salary
Eric Rose (CMO)	An ongoing employment agreement until notice is given by either party.	3 months	3 months base salary

On termination of employment our CEO, who is based in Australia, is entitled to receive his statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

On termination of employment our CMO, who is based in the United States, is entitled to participate in the Company's healthcare plan during the severance period.

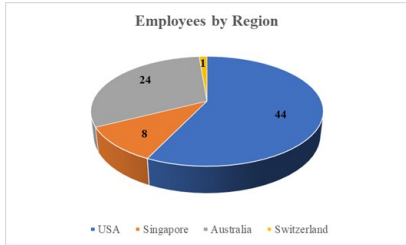
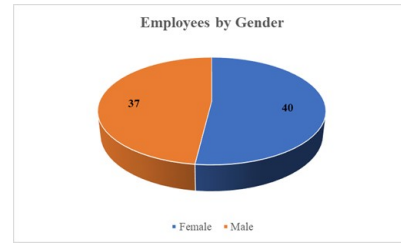
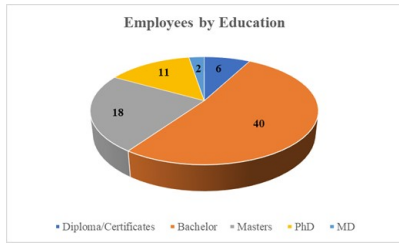
There is no entitlement to a termination payment in the event of resignation (except, in the case of the CMO, if the Company has materially reduced his role or benefits or materially moved office location) or removal for misconduct.

KMP Loans or related transactions

There were no loans or related transactions with KMP during the financial year.

Employee Profile

As of June 30, 2022, we had 77 (2021:83) employees globally:



57% of our employees and a majority of our executives are based in the United States where Mesoblast operational activities are concentrated.

Australia is corporate headquarters where 31% of the employees work. This includes the CEO and a portion of the executive team. The remaining 11% of employees are located in Singapore and 1% in Switzerland where research and development activities are primarily conducted.

(End of Remuneration Report)

Australian Disclosure Requirements

Shares under option

Unissued ordinary shares of Mesoblast Limited under option at the date of this Directors' report are as follows:

Grant date	Exercise price of options AS	Expiry date of options	Number of shares under option
27/04/2016	2.80	6/03/2023	1,678,979
31/10/2016	2.80	6/03/2023	200,000
8/07/2020	2.86	8/07/2023	1,500,000
6/12/2016	1.31	5/12/2023	533,000
6/12/2016	1.19	5/12/2023	1,950,730
16/09/2017	1.54	15/09/2024	50,000
16/09/2017	1.40	15/09/2024	150,000
13/10/2017	1.94	12/10/2024	975,000
13/10/2017	1.76	12/10/2024	902,425
24/11/2017	1.41	23/11/2024	750,000
24/11/2017	1.28	23/11/2024	750,000
18/06/2018	1.52	17/06/2025	200,000
11/07/2018	1.56	10/07/2025	200,000
18/07/2018	1.87	17/07/2025	3,793,332
18/07/2018	1.87	17/07/2025	350,000
30/11/2018	1.33	29/11/2025	590,000
19/01/2019	1.45	18/01/2026	3,333
19/01/2019	1.45	18/01/2026	150,000
4/04/2019	1.48	3/04/2026	300,000
20/07/2019	1.62	19/07/2026	3,098,670
20/07/2019	1.47	19/07/2026	3,499,998
20/07/2019	1.47	19/07/2026	1,346,667
20/07/2019	1.47	19/07/2026	538,667
20/07/2019	1.47	19/07/2026	700,000
20/07/2019	1.47	19/07/2026	400,000
29/08/2019	1.62	28/08/2026	400,000
29/08/2019	1.47	28/08/2026	800,000
25/11/2019	1.98	24/11/2026	153,334
29/05/2019	1.48	28/05/2026	350,000
18/11/2019	1.83	17/11/2026	200,000
25/11/2019	1.80	24/11/2026	100,000
25/11/2019	1.98	24/11/2026	450,000
24/01/2020	3.38	23/01/2027	10,000
18/05/2020	4.02	17/05/2027	1,200,000
18/05/2020	3.65	17/05/2027	2,400,000
16/07/2020	3.75	15/07/2027	3,498,333
16/07/2020	3.41	15/07/2027	2,700,000
16/07/2020	3.41	15/07/2027	350,000
16/07/2020	3.41	15/07/2027	300,000
16/07/2020	3.41	15/07/2027	1,200,000
26/08/2020	5.76	25/08/2027	5,000
11/09/2020	4.78	10/09/2027	200,000
20/11/2020	3.60	19/11/2027	200,000
20/11/2020	3.60	19/11/2027	100,000
17/02/2021	2.67	16/02/2028	250,000
15/04/2021	2.28	14/04/2028	200,000
8/09/2021	1.77	7/09/2028	3,423,000
8/09/2021	1.77	7/09/2028	4,150,000
8/09/2021	1.77	7/09/2028	1,550,000
8/09/2021	1.77	7/09/2028	650,000
23/12/2021	1.42	22/12/2028	200,000
Grand Total			49,650,468

No option holder has any right under the options plan to participate in any other of our share issues.

Shares issued on exercise of options during the year

Detail of shares or interests issued as a result of the exercise of options during or since the end of the financial year are:

Grant date	Currency	Number of shares issued	Issue Price	Amount unpaid per share
06-Dec-16	AS	50,000	1.31	—
18-Jul-18	AS	20,000	1.87	—
20-Jul-19	AS	113,334	1.62	—
30-Jun-21	AS	45,746	—	—
Total		229,080		—

Indemnification of Officers

During the financial year, we paid premiums in respect of a contract insuring our directors and company secretaries, and all of our executive officers. The liabilities insured are to the extent permitted by the *Corporations Act 2001*. Further disclosure required under section 300(9) of the *Corporations Act 2001* is prohibited under the terms of the insurance contract.

Proceedings on Our Behalf

The *Corporations Act 2001* allows specified persons to bring, or intervene in, proceedings on our behalf. No proceedings have been brought or intervened in on our behalf with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-Audit Services

We may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience are relevant and considered to be important.

The board of directors considers the position and in accordance with advice received from the audit committee, only permits the provision of the non-audit services compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

During both the current and prior financial years, no fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms.

Auditor's Independence Declaration

A copy of the auditor's independence declaration under Section 307C of the *Corporations Act* in relation to the audit for the year ended June 30, 2022 is included in Exhibit 99.2 of this annual report on Form 20-F.

Rounding of Amounts

Our company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Unless mentioned otherwise, amounts within this report have been rounded off in accordance with that Legislative Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

The components of our directors' report are incorporated in various places within this annual report on the Form 20-F. A table charting these components is included within 'Exhibit 99.1 Appendix 4E'.

Directors' Resolution

This report is made in accordance with a resolution of the directors.

/s/ Joseph R Swedish
Joseph R Swedish
Chairman

/s/ Silviu Itescu
Silviu Itescu
Chief Executive Officer

Dated: August 31, 2022

Our board of directors currently consists of eight members: six non-executive directors and two executive directors, being our Chief Executive Officer and Dr. Rose, our Chief Medical Officer.

Our directors are generally elected to serve three-year terms in a manner similar to a “staggered” board of directors under Delaware law. No director, except the Managing Director (currently designated as our Chief Executive Officer, Silviu Itescu), may hold office for a period in excess of three years, or beyond the third annual general meeting following the director’s last election, whichever is the longer, without submitting himself or herself for re-election. As a result of the staggered terms, not all of our directors will be elected in any given year. The current term of Mr. Burns and Mr. Rose will expire at the annual shareholders’ meeting in 2022. In addition, the terms of Mr. Krause and Ms. Bell, who were elected under section 63 of the Company’s Constitution, also terminate at that annual shareholders’ meeting; they will be eligible for election for a 3-year term at that meeting.

Name	First election at AGM	Last election at AGM	End of current term
William Burns	2014	2019	2022
Donal O’Dwyer(1)	2004	2020	N/A
Eric Rose	2013	2019	2022
Michael Spooner	2004	2021	2024
Joseph Swedish	2018	2021	2024
Shawn Cline Tomasello(2)	2018	2021	N/A
Philip Facchina	2021	2021	2024
Philip Krause(3)	N/A	N/A	N/A
Jane Bell(4)	N/A	N/A	N/A

- (1) Mr. O’Dwyer resigned from the board on February 25, 2022.
(2) Ms. Tomasello resigned from the board on August 18, 2022.
(3) Mr. Krause joined the board on March 24, 2022 and will be eligible for election at the upcoming AGM.
(4) Ms. Bell joined the board on August 18, 2022 and will be eligible for election at the upcoming AGM.

We believe that each of our directors has relevant industry experience. The membership of our board of directors is directed by the following requirements:

- our Constitution specifies that there must be a minimum of 3 directors and a maximum of 10, and our board of directors may determine the number of directors within those limits;
- we may appoint or remove any director by resolution passed in the general meeting of shareholders;
- our directors may appoint any person to be a director, and that person only holds office until the next general meeting at which time the director may stand for election by shareholders at that meeting;
- it is the intention of our board of directors that its membership consists of a majority of independent directors who satisfy the criteria for independence recommended by the ASX’s Corporate Governance Principles and Recommendations;
- the chairperson of our board of directors should be an independent director who satisfies the criteria for independence recommended by the ASX’s Corporate Governance Principles and Recommendations;
- Australia’s Corporations Act requires that at least two of our directors must be resident Australians; and
- our board of directors should, collectively, have the appropriate level of personal qualities, skills, experience, and time commitment to properly fulfill its responsibilities or have ready access to such skills where they are not available.

Our board of directors is responsible for, and has the authority to determine, all matters relating to our corporate governance, including the policies, practices, management and operation. The principal roles and responsibilities of our board of directors are to:

- facilitate board of directors and management accountability to our company and its shareholders;
- ensure timely reporting to shareholders;
- provide strategic guidance to us, including contributing to the development of, and approving, the corporate strategy;

- oversee management and ensure there are effective management processes in place;
- monitor:
 - o organizational performance and the achievement of our strategic goals and objectives;
 - o financial performance including approval of the annual and half-year financial reports and liaison with our auditors;
 - o progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments;
 - o compliance with our code of conduct;
 - o progress in relation to our diversity objectives and compliance with its diversity policy;
- review and approve business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- approve major corporate initiatives;
- enhance and protect the reputation of the organization;
- oversee the operation of our system for compliance and risk management reporting to shareholders; and
- ensure appropriate resources are available to senior management.

Our non-executive directors do not have any service contracts with Mesoblast that provide for benefits upon termination of those services.

Committees

To assist our board of directors with the effective discharge of its duties, it has established a Nomination and Remuneration Committee and an Audit and Risk Management Committee. Each committee operates under a specific charter approved by our board of directors.

Nomination and Remuneration Committee. The members of our Nomination and Remuneration Committee for the full year ended June 30, 2022 to the date of this report unless otherwise noted are Messrs. Burns (Chairman) (from June 22, 2022), O'Dwyer (Chairman) (resignation effective February 25, 2022), Swedish (from June 22, 2022), Spooner, Facchina (from June 22, 2022), Krause (from June 22, 2022), Ms. Bell (from August 24, 2022) and Ms. Tomasello (from June 22, 2022 to resignation effective August 18, 2022). The remuneration committee is a committee of our board of directors, and is primarily responsible for making recommendations to our board of directors on:

- board appointments;
- non-executive director fees;
- the executive remuneration framework;
- remuneration of executive directors, including the CEO and other key executives;
- short-term and long-term incentive awards; and
- share ownership plans.

The committee's objective is to ensure remuneration policies are fair and competitive and in line with similar industry benchmarks while aligned with our objectives. The remuneration committee seeks independent advice from remuneration consultants as and when it deems necessary. See "Management—Remuneration."

Audit and Risk Management Committee. The members of our Audit and Risk Management Committee for the full year ended June 30, 2022 to the date of this report unless otherwise noted are Messrs. O'Dwyer (resignation effective February 25, 2022), Spooner (Chairman), Facchina (from August 1, 2021), Swedish and Ms. Bell (from August 24, 2022), all of whom are independent, non-executive directors. This committee oversees, reviews, acts on and reports on various auditing and accounting matters to our board of directors, including the selection of our independent accountants, the scope of our annual audits, fees to be paid to the independent accountants, the performance of our independent accountants and our accounting practices. In addition, the committee oversees, reviews, acts on and reports on various risk management matters to our board of directors.

The effective management of risk is central to our ongoing success. We have adopted a risk management policy to ensure that:

- appropriate systems are in place to identify, to the extent that is reasonably practical, all material risks that we face in conducting our business;
- the financial impact of those risks is understood and appropriate controls are in place to limit exposures to them;
- appropriate responsibilities are delegated to control the risks; and
- any material changes to our risk profile are disclosed in accordance with our continuous disclosure reporting requirements in Australia.

It is our objective to appropriately balance, protect and enhance the interests of all of our shareholders. Proper behavior by our directors, officers, employees and those organizations that we contract to carry out work is essential in achieving this objective.

We have established a code of conduct, which sets out the standards of behavior that apply to every aspect of our dealings and relationships, both within and outside Mesoblast. The following standards of behavior apply:

- patient well-being;
- comply with all laws that govern us and our operations;
- act honestly and with integrity and fairness in all dealings with others and each other;
- avoid or manage conflicts of interest;
- use our assets properly and efficiently for the benefit of all of our shareholders; and
- seek to be an exemplary corporate citizen.

6.D Employees

As of June 30, 2022, we had 77 employees, 44 of whom are based in the United States, 24 of whom are based in Australia, including our CEO and certain executive team members, 8 of whom are based in Singapore, and 1 of whom is based in Switzerland. We had 83 and 102 employees as of June 30, 2021 and 2020, respectively.

The table below sets forth the breakdown of the total year-end number of our employees by main category of activity and geographic area for the past three years:

As of June 30, 2022	Research & Development	Commercial	Manufacturing	Corporate	Total
USA	32	—	4	8	44
Australia	8	—	1	15	24
Singapore	1	—	6	1	8
Switzerland	1	—	—	—	1
Total	42	—	11	24	77
As of June 30, 2021	Research & Development	Commercial	Manufacturing	Corporate	Total
USA	35	1	1	11	48
Australia	9	—	—	16	25
Singapore	6	—	2	1	9
Switzerland	1	—	—	—	1
Total	51	1	3	28	83
As of June 30, 2020	Research & Development	Commercial	Manufacturing	Corporate	Total
USA	43	11	3	13	70
Australia	7	—	—	15	22
Singapore	5	—	3	1	9
Switzerland	—	—	—	1	1
Total	55	11	6	30	102

We have no collective bargaining agreement with our employees. We have not experienced any work stoppages to date and consider our relations with our employees to be good.

6.E Share Ownership

The table below sets forth information regarding the beneficial ownership of our ordinary shares based on 650,454,551 ordinary shares outstanding at June 30, 2022 by each of our directors and key management personnel.

We have determined beneficial ownership in accordance with the rules of the SEC. A person has a beneficial ownership of a security if he, she or it possesses sole or shared voting or investment power of that security, including options that are exercisable within 60 days of June 30, 2022. Ordinary shares subject to options currently exercisable or exercisable within 60 days of June 30, 2022 are deemed to be outstanding for computing the percentage ownership of the person holding these options and the percentage ownership of any group of which the holder is a member, however are not deemed outstanding for computing the percentage of any other person.

Unless otherwise indicated, to our knowledge each shareholder possesses sole voting and investment power over the ordinary shares listed. None of our shareholders has different voting rights from other shareholders. Unless otherwise indicated, the principal address of each of the shareholders below is c/o Mesoblast Limited, Level 38, 55 Collins Street, Melbourne 3000, Australia.

Name	Ordinary Shares beneficially owned	
	Number	%
Directors and key management personnel:		
Silviu Itescu ⁽¹⁾	70,170,929	10.8%
William Burns ⁽²⁾	249,666	*
Eric Rose ⁽³⁾	186,666	*
Michael Spooner ⁽⁴⁾	1,160,000	*
Joseph Swedish ⁽⁵⁾	500,000	*
Shawn Tomasello ⁽⁶⁾	200,000	*
Philip Facchina ⁽⁷⁾	408,197	*
Philip Krause	—	*
Jane Bell ⁽⁸⁾	—	*
All directors and key management personnel as a group (9 persons)	72,875,458	11.2%

* Less than 1% of the outstanding ordinary shares.

- (1) Includes (a) 67,756,838 ordinary shares owned by Dr. Itescu, (b) 487,804 ordinary shares owned by Josaka Investments Pty Ltd, the trustee of Dr. Itescu's self-managed superannuation fund, (c) 714,286 ordinary shares owned by Tamit Nominees Pty Ltd, an Australian corporation owned by Dr. Itescu and (d) 1,212,001 ordinary shares subject to options exercisable at a price of AS\$1.47 per share until July 19, 2026.
- (2) Includes (a) 63,000 ordinary shares owned by Mr. Burns and (b) 186,666 ordinary shares subject to options of which; 120,000 exercisable at a price of AS\$1.33 per share until November 29, 2025 and 66,666 exercisable at a price of AS\$1.83 per share until November 17, 2026.
- (3) Includes 186,666 ordinary shares subject to options of which; 120,000 are exercisable at a price of AS\$1.33 per share until November 29, 2025 and 66,666 are exercisable at a price of AS\$1.83 per share until November 17, 2026.
- (4) Includes (a) 1,060,000 ordinary shares owned by Mr. Spooner and (b) 100,000 ordinary shares subject to options exercisable at a price of AS\$1.33 per share until November 29, 2025.
- (5) Includes 500,000 ordinary shares subject to options of which; 200,000 are exercisable at a price of AS\$1.52 per share until June 17, 2025 and 300,000 are exercisable at a price of AS\$1.48 per share until April 3, 2026.
- (6) Includes 200,000 ordinary shares subject to options exercisable at a price of AS\$1.56 per share until July 10, 2025. On August 18, 2022, Ms. Tomasello resigned as director of the Company.
- (7) Includes (a) 273,224 ordinary shares owned by HNP, LLC, (b) 68,306 warrants over ordinary shares owned by HNP, LLC and (c) 66,667 ordinary shares subject to options exercisable at a price of AS\$2.28 per share until April 14, 2028.
- (8) Ms. Bell was appointed as director of the Company effective August 18, 2022. Ms. Bell has a relevant interest in 114,285 ordinary shares which were acquired on August 9, 2022.

Item 7. Major Shareholders and Related Party Transactions**7.A Major Shareholders**

The following table and accompanying footnotes present certain information regarding the beneficial ownership of our ordinary shares based on 737,121,218 ordinary shares outstanding at August 31, 2022 by each person known by us to be the beneficial owner of more than 5% of our ordinary shares. Based upon information known to us, as of August 31, 2022 we had 40 shareholders (ordinary shares) in the United States. These shareholders held an aggregate of 172,144,362 of our ordinary shares, or approximately 23% of our outstanding ordinary shares. None of our shareholders has different voting rights from other shareholders.

Name	Ordinary Shares beneficially owned	
	Number	%
5% or Greater Shareholders:		
Silviu Itescu ⁽¹⁾	69,991,374	9.5%
M&G Investment Group ⁽²⁾	94,789,570	12.9%

(1) Includes (a) 67,756,838 ordinary shares owned by Dr. Itescu, (b) 487,804 ordinary shares owned by Josaka Investments Pty Ltd, the trustee of Dr. Itescu's self-managed superannuation fund and (c) 714,286 ordinary shares owned by Tamit Nominees Pty Ltd, an Australian corporation owned by Dr. Itescu and (d) 1,032,446 ordinary shares subject to options exercisable at a price of AS\$1.47 per share until July 19, 2026.

(2) Includes ordinary shares owned indirectly through custodial accounts, over which shares M&G Investment Group retains voting and dispositive power, as well as 1,639,344 ordinary shares underlying warrants. The address for M&G Investment Group is 5 Laurence Pountney Hill, London EC4R 0HH, United Kingdom.

To our knowledge, there have not been any significant changes in the ownership of our ordinary shares by major shareholders over the past three years, except as follows (which is based on substantial shareholder notices filed with the ASX and SEC).

- M&G Investment Group reported on July 10, 2019 in total it held 65,636,115 ordinary shares (including 1,491,414 ADSs, each representing 5 ordinary shares), or 13.15% of the total voting power as of that date. It reported that as of October 8, 2019 in total it held 70,636,115 ordinary shares (including 1,491,414 ADSs, each representing 5 ordinary shares), or 13.15% of the total voting power as of that date. It reported that as of May 25, 2020 in total it held 70,068,935 ordinary shares (including 1,391,475 ADSs, each representing 5 ordinary shares), or 12.05% of the total voting power as of that date. It reported that as of August 6, 2020 in total it held 64,531,906 ordinary shares (including 1,385,525 ADSs, each representing 5 ordinary shares), or 11.04% of the total voting power as of that date. It reported that as of August 20, 2020 in total it held 58,000,971 ordinary shares (including 1,142,337 ADSs, each representing 5 ordinary shares), or 9.91% of the total voting power as of that date. It reported that as of September 3, 2020 in total it held 51,752,865 ordinary shares (including 908,090 ADSs, each representing 5 ordinary shares), or 8.84% of the total voting power as of that date. It reported that as of August 12, 2022 in total it held 93,150,226 ordinary shares (including 1,320,000 ADSs, each representing 5 ordinary shares), or 12.64% of the total voting power as of that date.

7.B Related Party Transactions

The Company has not entered into any related party transactions during the year ended June 30, 2022 other than compensation made to Directors and other members of key management personnel, see "Item 6.B Compensation".

7.C Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information**8.A Consolidated Statements and Other Financial Information**

See "Item 18. Financial Statements."

Legal Proceedings

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, its former Chief Financial Officer and its former Chief Medical Officer for alleged violations of the U.S. Securities Exchange Act of 1934. The parties have reached an

agreement in principle to settle the securities class action on a class wide basis for \$2.0 million, with no admission of liability. This settlement was paid by the Company's insurer in May 2022, other than the minimum excess as per the Company's insurance policy. The settlement is subject to final documentation, notice to the class members, and approval of the court. The court granted preliminary approval of the settlement on April 8, 2022 and final approval on August 15, 2022.

A class action proceeding in the Federal Court of Australia was served on the Company in May 2022 by the law firm William Roberts Lawyers on behalf of persons who, between February 22, 2018 and December 17, 2020, acquired an interest in Mesoblast shares, American Depositary Receipts, and/or related equity swap arrangements. In June 2022, the law firm Phi Finney McDonald commenced a second shareholder class action against the Company in the Federal Court of Australia asserting similar claims arising during the same period. Like the class action lawsuit from October 2020 filed in the U.S. Federal District Court for the Southern District of New York, the Australia class actions relate to the Complete Response Letter released by the FDA; they also, unlike the U.S. action, relate to certain representations made by the Company in relation to our COVID-19 product candidate and the decline in the market price of our ordinary shares in December 2020. The Australian class actions have been assigned to Justice Beach, who has set a hearing date of October 25, 2022 to rule on whether to consolidate the Australian class actions into one lawsuit. Justice Beach has ordered that the Company need not file a defense until further order. The Company will continue to vigorously defend against both proceedings. The Company cannot provide any assurance as to the possible outcome or cost to us from the lawsuits, particularly as they are at an early stage, nor how long it may take to resolve such lawsuits. Thus, the Company has not accrued any amounts in connection with such legal proceedings.

Dividend policy

Since our inception, we have not declared or paid any dividends on our shares. We intend to retain any earnings for use in our business and do not currently intend to pay cash dividends on our ordinary shares. Dividends, if any, on our outstanding ordinary shares will be declared by and subject to the discretion of our board of directors, and subject to Australian law.

Any dividend we declare will be paid to the holders of ADSs, subject to the terms of the deposit agreement, to the same extent as holders of our ordinary shares, to the extent permitted by applicable law and regulations, less the fees and expenses payable under the deposit agreement. Any dividend we declare will be distributed by the depositary bank to the holders of our ADSs, subject to the terms of the deposit agreement. See "Item 12.D. Description of American Depositary Shares."

8.B Significant Changes

In August 2022, we completed a US\$45.0 million (A\$65.0 million) financing in a global private placement predominantly to major shareholders of the Company. The proceeds from the placement will facilitate activities for launch and commercialization for remestemcel-L, in the treatment of children with SR-aGVHD for which we seek FDA approval under a planned resubmission of our Biologics License Application ("BLA"); and commencement of a second Phase 3 clinical trial of rexlaxestrocet-L to confirm reduction in chronic low back pain associated with degenerative disc disease.

There were no events that have arisen subsequent to June 30, 2022 and prior to the signing of this report that would likely have a material impact on the financial results presented.

Item 9. The Offer and Listing

9.A Offer and Listing Details

Our ordinary shares have been listed in Australia on the Australian Securities Exchange (ASX) since December 2004. Our ordinary shares have been trading under the symbol "MSB".

American Depositary Shares ("ADSs"), each representing five ordinary shares, are available in the US through an American Depositary Receipts ("ADR") program. This program was established under the deposit agreement which we entered into with JP Morgan Chase Bank N.A. as depositary and our ADR holders. Our ADRs have been listed on the Nasdaq Global Select Market since August 2015 and are traded under the symbol "MESO".

9.B Plan of Distribution

Not applicable.

9.C Markets

See "Item 9.A Offer and Listing Details."

9.D Selling Shareholders

Not applicable.

9.E Dilution

Not applicable.

9.F Expenses of the Issue

Not applicable.

Item 10. Additional Information

10.A Share Capital

Not applicable.

10.B Memorandum and Articles of Association

Our Constitution is similar in nature to the bylaws of a U.S. corporation. It does not provide for or prescribe any specific objectives or purposes of Mesoblast. Our Constitution is subject to the terms of the ASX Listing Rules and the Australian Corporations Act. It may be modified or repealed and replaced by special resolution passed at a meeting of shareholders, which a resolution is passed by at least 75% of the votes cast by shareholders (including proxies and representatives of shareholders) entitled to vote on the resolution.

Under Australian law, a company has the legal capacity and powers of an individual both within and outside Australia. The material provisions of our Constitution are summarized below. This summary is not intended to be complete nor to constitute a definitive statement of the rights and liabilities of our shareholders, and is qualified in its entirety by reference to the complete text of our Constitution, a copy of which is on file with the SEC.

Directors

Interested Directors

Except as permitted by the Corporations Act and the ASX Listing Rules, a director must not vote in respect of a matter that is being considered at a directors' meeting in which the director has a material personal interest according to our Constitution. Such director must not be counted in a quorum, must not vote on the matter and must not be present at the meeting while the matter is being considered.

Pursuant to our Constitution, the fact that a director holds office as a director, and has fiduciary obligations arising out of that office will not require the director to account to us for any profit realized by or under any contract or arrangement entered into by or on behalf of Mesoblast and in which the director may have an interest.

Unless a relevant exception applies, the Corporations Act requires our directors to provide disclosure of certain interests and prohibits directors of companies listed on the ASX from voting on matters in which they have a material personal interest and from being present at the meeting while the matter is being considered. In addition, unless a relevant exception applies, the Corporations Act and the ASX Listing Rules require shareholder approval of any provision of financial benefits (including the issue by us of ordinary shares and other securities) to our directors, including entities controlled by them and certain members of their families.

Borrowing Powers Exercisable by Directors

Pursuant to our Constitution, our business is managed by our board of directors. Our board of directors has the power to raise or borrow money, and charge any of our property or business or all or any of our uncalled capital, and may issue debentures or give any other security for any of our debts, liabilities or obligations or of any other person, and may guarantee or become liable for the payment of money or the performance of any obligation by or of any other person.

Election, Removal and Retirement of Directors

We may appoint or remove any director by resolution passed in a general meeting of shareholders. Additionally, our directors are elected to serve three-year terms in a manner similar to a “staggered” board of directors under Delaware law. No director except the Managing Director (currently designated as our chief executive officer, Silviu Itescu) may hold office for a period in excess of three years, or beyond the third annual general meeting following the director’s last election, whichever is the longer, without submitting himself or herself for re-election.

A director who is appointed during the year by the other directors only holds office until the next general meeting at which time the director may stand for election by shareholders at that meeting.

In addition, provisions of the Corporations Act apply where at least 25% of the votes cast on a resolution to adopt our remuneration report (which resolution must be proposed each year at our annual general meeting) are against the adoption of the report at two successive annual general meetings. Where these provisions apply, a resolution must be put to a vote at the second annual general meeting to the effect that a further meeting, or a spill meeting, take place within 90 days. At the spill meeting, the directors in office when the remuneration report was considered at the second annual general meeting (other than the Managing Director) cease to hold office and resolutions to appoint directors (which may involve re-appointing the former directors) are put to a vote.

Voting restrictions apply in relation to the resolutions to adopt our remuneration report and to propose a spill meeting. These restrictions apply to our key management personnel and their closely related parties. See “Rights and Restrictions on Classes of Shares—Voting Rights” below.

Pursuant to our Constitution, a person is eligible to be elected as a director at a general meeting only if:

- the person is in office as a director immediately before the meeting, in respect of an election of directors at a general meeting that is a spill meeting as defined in section 250V(1) of the Corporations Act;
- the person has been nominated by the directors before the meeting;
- where the person is a shareholder, the person has, at least 35 business days but no more than 90 business days before the meeting, given to us a notice signed by the person stating the person’s desire to be a candidate for election at the meeting; or
- where the person is not a shareholder, a shareholder intending to nominate the person for election at that meeting has, at least 35 business days but no more than 90 business days before the meeting, given to us a notice signed by the shareholder stating the shareholder’s intention to nominate the person for election, and a notice signed by the person stating the person’s consent to the nomination.

Share Qualifications

There are currently no requirements for directors to own our ordinary shares in order to qualify as directors.

Rights and Restrictions on Classes of Shares

Subject to the Corporations Act and the ASX Listing Rules, the rights attaching to our ordinary shares are detailed in our Constitution. Our Constitution provides that any of our ordinary shares may be issued with preferential, deferred or special rights, privileges or conditions, with any restrictions in regard to dividends, voting, return of share capital or otherwise as our board of directors may determine from time to time. Subject to the Corporations Act, the ASX Listing Rules and any rights and restrictions attached to a class of shares, we may issue further ordinary shares on such terms and conditions as our board of directors resolve. Currently, our outstanding ordinary share capital consists of only one class of ordinary shares.

Dividend Rights

Our board of directors may from time to time determine to pay dividends to shareholders; however, no dividend is payable except in accordance with the thresholds set out in the Corporations Act.

Voting Rights

Under our Constitution, the general conduct and procedures of each general meeting of shareholders will be determined by the chairperson, including any procedures for casting or recording votes at the meeting whether on a show of hands or on a poll. A poll may be demanded by the chairman of the meeting; by at least five shareholders present and having the right to vote on at the meeting; or any shareholder or shareholders representing at least 5% of the votes that may be cast on the resolution on a poll. On a show of hands, each shareholder entitled to vote at the meeting has one vote regardless of the number of ordinary shares held by such shareholder. If voting takes place on a poll, rather than a show of hands, each shareholder entitled to vote has one vote for each ordinary share held and a fractional vote for each ordinary share that is not fully paid, such fraction being equivalent to the proportion of the amount that has been paid (not credited) of the total amounts paid and payable, whether or not called (excluding amounts credited), to such date on that ordinary share.

Under Australian law, an ordinary resolution is passed on a show of hands if it is approved by a simple majority (more than 50%) of the votes cast by shareholders present (in person or by proxy) and entitled to vote. If a poll is demanded, an ordinary resolution is passed if it is approved by holders representing a simple majority of the total voting rights of shareholders present (in person or by proxy) who (being entitled to vote) vote on the resolution. Special resolutions require the affirmative vote of not less than 75% of the votes cast by shareholders present (in person or by proxy) and entitled to vote at the meeting.

Pursuant to our Constitution, each shareholder entitled to attend and vote at a meeting may attend and vote:

- in person physically or by electronic means;
- by proxy, attorney or by representative; or
- other than in relation to any clause which specifies a quorum, a member who has duly lodged a valid vote delivered to us by post, fax or other electronic means approved by the directors in accordance with the Constitution.

Under Australian law, shareholders of a public listed company are generally not permitted to approve corporate matters by written consent. Our Constitution does not specifically provide for cumulative voting.

Note that ADS holders may not directly vote at a meeting of the shareholders but may instruct the depositary to vote the number of deposited ordinary shares their ADSs represent. Under voting by a show of hands, multiple “yes” votes by ADS holders will only count as one “yes” vote and will be negated by a single “no” vote, unless a poll is demanded.

There are a number of circumstances where the Corporations Act or the ASX Listing Rules prohibit or restrict certain shareholders or certain classes of shareholders from voting. For example, key management personnel whose remuneration details are included elsewhere in this prospectus are prohibited from voting on the resolution that must be proposed at each annual general meeting to adopt our remuneration report, as well as any resolution to propose a spill meeting. An exception applies to exercising a directed proxy which indicates how the proxy is to vote on the proposed resolution on behalf of someone other than the key management personnel or their closely related parties; or that person is chair of the meeting and votes an undirected proxy where the shareholder expressly authorizes the chair to exercise that power. Key management personnel and their closely related parties are also prohibited from voting undirected proxies on remuneration related resolutions. A similar exception to that described above applies if the proxy is the chair of the meeting.

Right to Share in Our Profits

Subject to the Corporations Act and pursuant to our Constitution, our shareholders are entitled to participate in our profits by payment of dividends. The directors may by resolution declare a dividend or determine a dividend is payable, and may fix the amount, the time for and method of payment.

Rights to Share in the Surplus in the Event of Winding Up

Our Constitution provides for the right of shareholders to participate in a surplus in the event of our winding up.

Redemption Provisions

Under our Constitution and subject to the Corporations Act, the directors have power to issue and allot shares with any preferential, deferred or special rights, privileges or conditions; with any restrictions in regard to the dividend, voting, return of capital or otherwise; and preference shares which are liable to be redeemed or converted.

Sinking Fund Provisions

Our Constitution allows our directors to set aside any amount available for distribution as a dividend such amounts by way of reserves as they think appropriate before declaring or determining to pay a dividend, and may apply the reserves for any purpose for which an amount available for distribution as a dividend may be properly applied. Pending application or appropriation of the reserves, the directors may invest or use the reserves in our business or in other investments as they think fit.

Liability for Further Capital Calls

According to our Constitution, our board of directors may make any calls from time to time upon shareholders in respect of all monies unpaid on partly paid shares respectively held by them, subject to the terms upon which any of the partly paid shares have been issued. Each shareholder is liable to pay the amount of each call in the manner, at the time and at the place specified by our board of directors. Calls may be made payable by instalment.

Provisions Discriminating Against Holders of a Substantial Number of Shares

There are no provisions under our Constitution discriminating against any existing or prospective holders of a substantial number of our ordinary shares.

Variation or Cancellation of Share Rights

The rights attached to shares in a class of shares may only be varied or cancelled by a special resolution of shareholders, together with either:

- a special resolution passed at a separate meeting of members holding shares in the class; or
- the written consent of members with at least 75% of the votes in the class.

General Meetings of Shareholders

General meetings of shareholders may be called by our board of directors or, under the Corporations Act, by a single director. Except as permitted under the Corporations Act, shareholders may not convene a meeting. Under the Corporations Act, shareholders with at least 5% of the votes that may be cast at a general meeting may call and arrange to hold a general meeting. The Corporations Act requires the directors to call and arrange to hold a general meeting on the request of shareholders with at least 5% of the votes that may be cast at a general meeting. Notice of the proposed meeting of our shareholders is required at least 28 days prior to such meeting under the Corporations Act.

No business shall be transacted at any general meeting unless a quorum is present at the time when the meeting proceeds to business. Under our Constitution, the presence, in person or by proxy, attorney or representative, of two shareholders constitutes a quorum, or if we have less than two shareholders, then those shareholders constitute a quorum. If a quorum is not present within 30 minutes after the time appointed for the meeting, the meeting must be either dissolved if it was requested or called by shareholders or adjourned in any other case. A meeting adjourned for lack of a quorum is adjourned to the same day in the following week at the same time and place, unless otherwise decided by our directors. The reconvened meeting is dissolved if a quorum is not present within 30 minutes after the time appointed for the meeting.

Change of Control

Takeovers of listed Australian public companies, such as Mesoblast, are regulated by the Corporations Act, which prohibits the acquisition of a "relevant interest" in issued voting shares in a listed company if the acquisition will lead to that person's or someone else's voting power in Mesoblast increasing from 20% or below to more than 20% or increasing from a starting point that is above 20% and below 90% ("Takeovers Prohibition"), subject to a range of exceptions.

Generally, a person will have a relevant interest in securities if the person:

- is the holder of the securities or the holder of an ADS over the shares;
- has power to exercise, or control the exercise of, a right to vote attached to the securities; or
- has the power to dispose of, or control the exercise of a power to dispose of, the securities (including any indirect or direct power or control)

If, at a particular time:-

- a person has a relevant interest in issued securities; and
- the person has:
 - o entered or enters into an agreement with another person with respect to the securities;
 - o given or gives another person an enforceable right, or has been or is given an enforceable right by another person, in relation to the securities; or
 - o granted or grants an option to, or has been or is granted an option by, another person with respect to the securities; and
- the other person would have a relevant interest in the securities if the agreement were performed, the right enforced or the option exercised,

then, the other person is taken to already have a relevant interest in the securities.

There are a number of exceptions to the above Takeovers Prohibition on acquiring a relevant interest in issued voting shares above 20%. In general terms, some of the more significant exceptions include:

- when the acquisition results from the acceptance of an offer under a formal takeover bid;
- when the acquisition is conducted on market by or on behalf of the bidder during the bid period for a full takeover bid that is unconditional or only conditional on certain 'prescribed' matters set out in the Corporations Act;
- when the acquisition has been previously approved by resolution passed at general meeting by shareholders of Mesoblast;
- an acquisition by a person if, throughout the six months before the acquisition, that person or any other person has had voting power in Mesoblast of at least 19% and, as a result of the acquisition, none of the relevant persons would have voting power in Mesoblast more than three percentage points higher than they had six months before the acquisition;
- when the acquisition results from the issue of securities under a pro rata rights issue;
- when the acquisition results from the issue of securities under a dividend reinvestment plan or bonus share plan;
- when the acquisition results from the issue of securities under certain underwriting arrangements;
- when the acquisition results from the issue of securities through a will or through operation of law;
- an acquisition that arises through the acquisition of a relevant interest in another company listed on the ASX or other Australian financial market or a foreign stock exchange approved in writing by ASIC;
- an acquisition arising from an auction of forfeited shares; or
- an acquisition arising through a compromise, arrangement, liquidation or buy-back.

A formal takeover bid may either be a bid for all securities in the bid class or a fixed proportion of such securities, with each holder of bid class securities receiving a bid for that proportion of their holding. Under our Constitution, a proportionate takeover bid must first be approved by resolution of our shareholders in a general meeting before it may proceed.

Breaches of the takeovers provisions of the Corporations Act are criminal offenses. In addition, ASIC and, on application by ASIC or an interested party, such as a shareholder, the Australian Takeovers Panel have a wide range of powers relating to breaches of takeover provisions, including the ability to make orders cancelling contracts, freezing transfers of, and rights (including voting rights) attached to, securities, and forcing a party to dispose of securities including by vesting the securities in ASIC for sale. There are certain defenses to breaches of the takeover provisions provided in the Corporations Act.

Ownership Threshold

There are no provisions in our Constitution that require a shareholder to disclose ownership above a certain threshold. The Corporations Act, however, requires a substantial shareholder to notify us and the ASX once a 5% interest in our ordinary shares is obtained. Further, once a shareholder has (alone or together with associates) a 5% or greater interest in us, such shareholder must notify us and the ASX of any increase or decrease of 1% or more in its interest in our ordinary shares. In addition, the Constitution requires a shareholder to provide information to the Company in relation to its entry into any arrangement restricting the transfer or other disposal of shares, which are of the nature of arrangements that Mesoblast is required to disclose under the ASX Listing Rules. Following our initial public offering in the United States, our shareholders are also subject to disclosure requirements under U.S. securities laws.

Issues of Shares and Change in Capital

Subject to our Constitution, the Corporations Act, the ASX Listing Rules and any other applicable law, we may at any time grant options over unissued shares and issue shares on any terms, with any preferential, deferred or special rights, privileges or conditions; with any restrictions in regard to dividend, voting, return of capital or otherwise, and for the consideration and other terms that the directors determine. Our power to issue shares includes the power to issue bonus shares (for which no consideration is payable to Mesoblast), preference shares and partly paid shares.

Subject to the requirements of our Constitution, the Corporations Act, the ASX Listing Rules and any other applicable law, including relevant shareholder approvals, we may reduce our share capital (provided that the reduction is fair and reasonable to our shareholders as a whole, does not materially prejudice our ability to pay creditors and obtains the necessary shareholder approval) or buy back our ordinary shares including under an equal access buy-back or on a selective basis. Under the Constitution, the directors may do anything required to give effect to any resolution altering or approving the reduction of our share capital.

Access to and Inspection of Documents

Inspection of our records is governed by the Corporations Act. Any member of the public has the right to inspect or obtain copies of our share registers on the payment of a prescribed fee. Shareholders are not required to pay a fee for inspection of our share registers or minute books of the meetings of shareholders. Other corporate records, including minutes of directors' meetings, financial records and other documents, are not open for inspection by shareholders. Where a shareholder is acting in good faith and an inspection is deemed to be made for a proper purpose, a shareholder may apply to the court to make an order for inspection of our books.

10.C Material Contracts

Manufacturing Service Agreements with Lonza Bioscience Singapore Pte. Ltd.

In September 2011, we entered into a manufacturing services agreement, or MSA, with Lonza Walkersville, Inc. and Lonza Bioscience Singapore Pte. Ltd., collectively referred to as Lonza, a global leader in biopharmaceutical manufacturing. Under the MSA, we pay Lonza on a fee for service basis to provide us with manufacturing process development capabilities for our product candidates, including formulation development, establishment and maintenance of master cell banks, records preparation, process validation, manufacturing and other services.

We have agreed to order a certain percentage of our clinical requirements and commercial requirements for MPC products from Lonza. Lonza has agreed not to manufacture or supply commercially biosimilar versions of any of our product candidates to any third party, during the term of the MSA, subject to our meeting certain thresholds for sales of our products.

We can trigger a process requiring Lonza to construct a purpose-built manufacturing facility exclusively for our product candidates. In return if we exercise this option, we will purchase agreed quantities of our product candidates from this facility. We also have a right to buy out this manufacturing facility at a pre-agreed price two years after the facility receives regulatory approval.

The MSA will expire on the three-year anniversary of the date of the first commercial sale of product supplied under the MSA, unless it is sooner terminated. We have the option of extending the MSA for an additional 10 years, followed by the option to extend for successive three-year periods subject to Lonza's reasonable consent. We may terminate the MSA with two years prior written notice, and Lonza may terminate with five years prior written notice. The MSA may also terminate for other reasons, including if the manufacture or development of a product is suspended or abandoned due to the results of clinical trials or guidance from a regulatory authority. In the event we request that Lonza construct the manufacturing facility described above, neither we nor Lonza may terminate before the third anniversary of the date the facility receives regulatory approval to manufacture our product candidates, except in certain limited circumstances. Upon expiration or termination of the MSA, we have the right to require Lonza to transfer certain technologies and lease the Singapore facility or the portion of such facility where our product candidates are manufactured, subject to good faith negotiations.

We currently rely, and expect to continue to rely, on Lonza for the manufacture of our MPC product candidates for preclinical and clinical testing, as well as for commercial manufacture of our MPC product candidates if marketing approval is obtained.

In October 2019, we entered into an agreement with Lonza for commercial manufacture of remestemcel-L for pediatric SR-aGVHD. This agreement will facilitate inventory build ahead of the planned US market launch of remestemcel-L and commercial supply to meet Mesoblast's long-term market projections. The agreement provides for Lonza to expand its Singapore cGMP facilities if required to meet long-term growth and capacity needs for the product. Additionally, it anticipates introduction of new technologies and process improvements which are expected to result in significant increases in yields and efficiencies.

Under the agreement, we agree to order a certain percentage of our commercial requirements for remestemcel-L from Lonza. The agreement is subject to standard provisions for termination and its effects, including termination by either party for uncured, material breach of the other, by us in the event of FDA rejects our BLA filing for remestemcel-L and after a specified minimum period following the initiation date by either party, on advance notice to the other, which in the case Lonza is the terminating party is intended to provide us sufficient time to transfer the manufacture of the product to an alternative manufacturer.

License Agreement with Gr✓nenthal GmbH

In September 2019, we entered into a strategic partnership with Gr✓nenthal GmbH (Gr✓nenthal) to develop and commercialize MPC-06-ID, the Company's Phase 3 allogeneic cell therapy candidate for the treatment of chronic low back pain due to degenerative disc disease in patients who have exhausted conservative treatment options. The agreement was amended by the parties in June 2021. Under the partnership, Gr✓nenthal will have exclusive commercialization rights to MPC-06-ID for Europe and Latin America. We may receive up to \$112.5 million in upfront and milestone payments prior to product launch, inclusive of \$17.5 million already received, if certain clinical and regulatory milestones are satisfied and reimbursement targets are achieved. Cumulative milestone payments could exceed \$1.0 billion depending on the final outcome of Phase 3 studies and patient adoption. We will also receive tiered double-digit royalties on product sales. There cannot be any assurance as to the total amount of future milestone and royalty payments that Mesoblast will receive nor when they will be received.

Gr✓nenthal is able to terminate the agreement with a specified period of notice without cause, or on shorter notice in the case of certain clinical, regulatory and commercial events. We have termination rights with respect to certain patent challenges by Gr✓nenthal. Either party may terminate the agreement on material breach of the agreement if such breach is not cured within the specified cure period or if certain events related to bankruptcy of the other party occurs. For more information, see "Item 18. Financial Statements - Note 3 – Revenue recognition."

Agreements with JCR Pharmaceuticals Co., Ltd.

In October 2013, we acquired all of Osiris Therapeutics, Inc.'s business and assets related to culture expanded MSCs. These assets included assumption of a collaboration agreement with JCR ("JCR Agreement"), which will continue in existence until the later of 15 years from the first commercial sale of any product covered by the agreement and expiration of the last Osiris patent covering any such product. JCR is a research and development oriented pharmaceutical company in Japan. Under the JCR Agreement we assumed from Osiris, JCR has the right to develop our MSCs in two fields for the Japanese market: exclusive in conjunction with the treatment of hematological malignancies by the use of HSCs derived from peripheral blood, cord blood or bone marrow, or the First JCR Field; and non-exclusive for developing assays that use liver cells for non-clinical drug screening and evaluation, or the Second JCR Field. Under the JCR Agreement, JCR obtained rights in Japan to our MSCs, for the treatment of aGVHD. JCR also has a right of first negotiation to obtain rights to commercialize MSC-based products for additional orphan designations in Japan. We retain all rights to those products outside of Japan.

JCR received full approval in September 2015 for its MSC-based product for the treatment of children and adults with aGVHD, TEMCELL. TEMCELL is the first culture-expanded allogeneic cell therapy product to be approved in Japan. It was launched in Japan in February 2016.

Under the JCR Agreement, JCR is responsible for all development and manufacturing costs including sales and marketing expenses. With respect to the First JCR Field, we have received all sales milestone payments, a total of \$3.0 million. Ongoing we are entitled to escalating double-digit royalties in the twenties. These royalties are subject to possible renegotiation downward in the event of competition from non-infringing products in Japan. With respect to the Second JCR Field, we are entitled to a double digit profit share in the fifties.

Intellectual property is licensed both ways under the JCR Agreement, with JCR receiving exclusive and non-exclusive rights as described above from us and granting us non-exclusive, royalty-free rights (excluding in the First JCR Field and Second JCR Field in Japan) under the intellectual property arising out of JCR's development or commercialization of MSC-based products licensed in Japan.

JCR has the right to terminate the JCR Agreement for any reason, and we have a limited right to terminate the JCR Agreement, including a right to terminate in the event of an uncured material breach by JCR. In the event of a termination of the JCR Agreement other than for our breach, JCR must provide us with its owned product registrations and technical data related to MSC-based products licensed in Japan and all licenses of our intellectual property rights will revert to us.

We have expanded our partnership with JCR in Japan for two new indications: for wound healing in patients with EB in October 2018, and for neonatal HIE, a condition suffered by newborns who lack sufficient blood supply and oxygen to the brain, in June 2019. We will receive royalties on TEMCELL product sales for EB and HIE, if and when such indications receive marketing approval in Japan.

We have the right to use all safety and efficacy data generated by JCR in Japan to support our development and commercialization plans for our MSC product candidate remestemcel-L in the United States and other major healthcare markets, including for GVHD, EB and HIE.

Loan Agreement with Oaktree

In November 2021, our senior debt facility with Hercules was refinanced with a new \$90.0 million five-year facility provided by funds associated with Oaktree. We drew the first tranche of \$60.0 million on closing, with \$55.5 million of proceeds being used to discharge our obligations under the Hercules loan. Up to an additional \$30.0 million may be drawn on or before December 31, 2022, subject to us achieving certain milestones. The facility has a three-year interest only period, at a fixed rate of 9.75% per annum, after which time 40% of the principal amortizes over two years and a final payment is due no later than November 2026. The facility also allows us to make quarterly payments of interest at a rate of 8.0% per annum for the first two years, and the unpaid interest portion (1.75% per annum) will be added to the outstanding loan balance and shall accrue further interest at a fixed rate of 9.75% per annum. The loan agreement contains certain covenants, see "Item 5.B Liquidity and Capital Resource – Borrowings."

In November 2021, Oaktree was also granted warrants to purchase 1,769,669 American Depositary Shares ("ADSs") at US\$7.26 per ADS, a 15% premium to the 30-day VWAP. The warrants were legally issued in January 2022 and may be exercised within 7 years of issuance.

Loan Agreement with Hercules

In March 2018, we entered into a loan and security agreement with Hercules for a \$75.0 million non-dilutive, secured four-year credit facility. We drew the first tranche of \$35.0 million on closing and a further tranche of \$15.0 million was drawn in January 2019.

In November 2021, this loan was refinanced with a new \$90.0 million five-year facility provided by Oaktree. We drew the first tranche of \$60.0 million on closing, with \$55.5 million of proceeds being used to repay the outstanding balance with Hercules. Prior to extinguishing our loan with Hercules, we had amended the terms of the loan and security agreement to extend the interest-only period to January 2022 and therefore we had not commenced principal repayments.

The interest rate was floating. It was computed daily based on the actual number of days elapsed and it is the greater of either 9.45% or the prime rate as reported in the Wall Street Journal plus a certain margin. On June 30, August 1, September 19 and October 31, 2019, in line with the changes in the U.S. prime rate, the interest rate on the loan was 10.45%, 10.20%, 9.95% and 9.70%, respectively and remained at 9.70% in line with the amended terms of the loan agreement until extinguishing our loan with Hercules.

Loan Agreement with NovaQuest

In June 2018, we entered into an eight-year non-dilutive secured loan with NovaQuest for \$40.0 million. We drew the first tranche of \$30.0 million on closing. The loan term includes an interest only period of approximately four years through until July 8, 2022, then a four-year amortization period through until maturity on July 8, 2026.

All interest and principal payments will be deferred until after the first commercial sale of our allogeneic product candidate remestemcel-L for the treatment in pediatric patients with SR-aGVHD, in the United States and other geographies excluding Asia ("pediatric aGVHD"). Principal is repayable in equal quarterly instalments over the amortization period of the loan and is subject to the payment cap described below. Interest on the loan will accrue at a fixed rate of 15% per annum. If there are no net sales of remestemcel-L for pediatric SR-aGVHD, the loan is only repayable at maturity. We can elect to prepay all outstanding amounts owing at any time prior to maturity, subject to a prepayment charge, and may decide to do so if net sales of pediatric aGVHD are significantly higher than current forecasts.

Following approval and first commercial sales, repayments commence based on a percentage of net sales and are limited by a payment cap which is equal to the principal due for the next 12 months, plus accumulated unpaid principal and accrued unpaid interest. During the four-year period commencing July 8, 2022, principal amortizes in equal quarterly instalments payable only after approval and first commercial sales. If in any quarterly period, 25% of net sales of pediatric SR-aGVHD exceed the annual payment

cap, we will pay the payment cap and an additional portion of excess sales which will be used towards the prepayment amount in the event there is an early prepayment of the loan. If in any quarterly period 25% of net sales of pediatric SR-aGVHD is less than the annual payment cap, then the payment is limited to 25% of net sales of pediatric SR-aGVHD. Any unpaid interest will be added to the principal amounts owing and will accrue further interest. At maturity date, any unpaid loan balances are repaid. The loan agreement contains certain covenants, see “Item 5.B Liquidity and Capital Resource – Borrowings.”

Osiris Acquisition—Continuing Obligations

In October 2013, we and Osiris entered into a purchase agreement, as amended, or the Osiris Purchase Agreement, under which we acquired all of Osiris’ business and assets related to culture expanded MSCs. Pursuant to the Osiris Purchase Agreement, we also agreed to make certain milestone and royalty payments to Osiris pertaining to remestemcel-L for the treatment of aGVHD and Crohn’s disease. Each milestone payment is for a fixed dollar amount and may be paid in cash or our ordinary shares or ADSs, at our option. The maximum amount of future milestone payments we may be required to make to Osiris is \$40.0 million. Any ordinary shares or ADSs we issue as consideration for a milestone payment will be subject to a contractual one year holding period, which may be waived in our discretion. In the event that the price of our ordinary shares or ADSs decreases between the issue date and the expiration of any applicable holding period, we will be required to make an additional payment to Osiris equal to the reduction in the share price multiplied by the amount of issued shares under that milestone payment. This additional payment can be made either wholly in cash or 50% in cash and 50% in our ordinary shares, in our discretion. We have also agreed to pay varying earnout amounts as a percentage of annual net sales of acquired products, ranging from low single-digit to 10% of annual sales in excess of \$750.0 million. These royalty payments will cease after the earlier of a ten year commercial sales period and the first sale of a relevant competing product. The first royalty payments were made in 2016.

Agreements with Tasly Pharmaceutical Group

In July 2018, we entered into a Development and Commercialization Agreement with Tasly.

The Development and Commercialization Agreement provides Tasly with exclusive rights to develop, manufacture and commercialize in China MPC-150-IM for the treatment or prevention of chronic heart failure and MPC-25-IC for the treatment or prevention of acute myocardial infarction. Tasly will fund all development, manufacturing and commercialization activities in China for MPC-150-IM and MPC-25-IC. On closing, we received a \$20.0 million upfront technology access fee. Further, we will receive \$25.0 million on product regulatory approvals in China. Mesoblast will receive double-digit escalating royalties on net product sales. Mesoblast is eligible to receive six escalating milestone payments upon the product candidates reaching certain sales thresholds in China.

The Development and Commercialization Agreement provides that Tasly can terminate this agreement with a specified amount of notice, on the later of (a) third anniversary of the agreement coming into effect and (b) receipt of marketing approval in China for each of MPC-150-IM or MPC-25-IC. Mesoblast has termination rights with respect to certain patent challenges by Tasly and if certain competing activities are undertaken by Tasly. Either party may terminate the agreement on material breach of the agreement if such breach is not cured within the specified cure period or if certain events related to bankruptcy of the other party occurs.

TiGenix NV – patent license for treatment of fistulae

In December 2017, we entered into a Patent License Agreement with TiGenix NV, now a wholly owned subsidiary of Takeda, which granted Takeda exclusive access to certain of our patents to support global commercialization of the adipose-derived mesenchymal stromal cell product Alofisel®, previously known as Cx601, a product candidate of Takeda, for the local treatment of fistulae. The agreement includes the right for Takeda to grant sub-licenses to affiliates and third parties.

As part of the agreement, we received \$5.9 million (€5.0 million) before withholding tax as a non-refundable upfront payment and a further payment of \$5.9 million (€5.0 million) before withholding tax 12 months after the patent license agreement date. We are entitled to further payments up to €10.0 million when Takeda reaches certain product regulatory milestones. Additionally, we receive single digit royalties on net sales of Alofisel®.

The agreement will continue in full force in each country (other than the United States) until the date upon which the last issued claim of any licensed patent covering Alofisel® expires in such country (currently expected to be 2029) or, with respect to the United States, until the later of (i) the date upon which the last issued claim of any licensed patent covering Alofisel® in the United States expires (currently expected to be around 2031) or (ii) the expiration of the regulatory exclusivity period in the United States with an agreed maximum term.

Either we or Takeda may terminate the agreement for any material breach that is not cured within 90 days after notice. We also have the right to terminate the agreement with a written notice in the event that Takeda file a petition in bankruptcy or insolvency or Takeda makes an assignment of substantially all of its assets for the benefit of its creditors.

Takeda has the right to terminate its obligation to pay royalties for net sales in a specific country if it is of the opinion that there is no issued claim of any licensed patent covering Alofisel® in such country, subject to referral of the matter to the joint oversight/cooperation committee established under the agreement if we disagree.

10.D Exchange Controls

The Australian dollar is freely convertible into U.S. dollars. In addition, there are currently no specific rules or limitations regarding the export from Australia of profits, dividends, capital or similar funds belonging to foreign investors, except that certain payments to non-residents must be reported to the Australian Transaction Reports and Analysis Centre ("AUSTRAC"), which monitors such transaction, and amounts on account of potential Australian tax liabilities may be required to be withheld unless a relevant taxation treaty can be shown to apply.

Regulation of acquisition by foreign entities

Under Australian law, in certain circumstances foreign persons are prohibited from acquiring more than a limited percentage of the shares in an Australian company without approval from the Australian Treasurer. These limitations are set forth in the Australian Foreign Acquisitions and Takeovers Act 1975. These limitations are in addition to the more general overarching Takeovers Prohibition of an acquisition of more than a 20% interest in a public company (in the absence of an applicable exception) under the takeovers provisions of Australia's Corporations Act by any person whether foreign or otherwise.

Under the Foreign Acquisitions and Takeovers Act, as currently in effect, any foreign person, together with associates, or parties acting in concert, is prohibited from acquiring 20% or more of the shares in any company having consolidated total assets of or that is valued at A\$266.0 million or more (or A\$1,154.0 million or more in case of U.S. investors or investors from certain other countries). No asset threshold applies in the case of foreign government investors. Different rules apply to sensitive industries (such as media, telecommunications, and encryption and security technologies), companies owning land or that are agribusinesses. "Associates" is a broadly defined term under the Foreign Acquisitions and Takeovers Act and includes in relation to any person:

- any relative of the person;
- any person with whom the person is acting or proposes to act in concert;
- any person with whom the person carries on a business in partnership;
- any entity of which the person is a 'senior officer' (such as a director or executive);
- if the person is an entity, any holding entity or any senior officer of the entity;
- any entity whose senior officers are accustomed or obliged to act in accordance with the directions, instructions or wishes of the person or if the person is an entity, its senior officers or vice versa;
- any corporation in which the person holds a 'substantial interest' (i.e., 20%) or any person holding a substantial interest in the person if a corporation;
- a trustee of a trust in which the person holds a substantial interest or if the person is the trustee of a trust, a person who holds a substantial interest in the trust;
- if the person is a foreign government, a separate government entity or a foreign government investor in relation to a foreign country, any other person that is a foreign government, a separate government entity or foreign government investor, in relation to that country.

The Australian Treasurer also has power in certain circumstances to make an order specifying that two or more persons are associates.

In addition, a foreign person may not acquire shares in a company having consolidated total assets of or that is valued at A\$266 million or more (or A\$1,154 million or more in case of U.S. investors or investors from certain other countries) if, as a result of that acquisition, the total holdings of all foreign persons and their associates will exceed 40% in aggregate without the approval of the Australian Treasurer. If the necessary approvals are not obtained, the Treasurer may make an order requiring the acquirer to dispose of the shares it has acquired within a specified period of time. The same rule applies if the total holdings of all foreign persons and their associates already exceeds 40% and a foreign person (or its associate) acquires any further shares, including in the course of trading in the secondary market of the ADSs. Different rules apply to government investors, and acquisitions of interests in sensitive business acquisitions, agribusiness and land owning entities.

Each foreign person seeking to acquire holdings in excess of the above caps (including their associates, as the case may be) would need to complete an application form setting out the proposal and relevant particulars of the acquisition/shareholding and pay the relevant application fees. The Australian Treasurer then has 30 days to consider the application and make a decision. However, the Australian Treasurer may extend the period by up to a further 90 days by publishing an interim order. The Australian Foreign Investment Review Board, an Australian advisory board to the Australian Treasurer has provided a guideline titled *Australia's Foreign Investment Policy* which provides an outline of the policy. As for the risk associated with seeking approval, the policy provides, among other things, that the Treasurer will reject an application if it is contrary to the national interest.

If the level of foreign ownership in Mesoblast exceeds 40% at any time, we would be considered a foreign person under the Foreign Acquisitions and Takeovers Act. In such event, we would be required to obtain the approval of the Australian Treasurer for our company, together with our associates, to acquire (i) more than 20% of an Australian company or business having total assets of, or that is valued at, AS\$266 million or more; or (ii) any direct or indirect ownership in Australian land; or (iii) any 'direct interest' in any agribusiness.

The percentage of foreign ownership in our company may also be included in determining the foreign ownership of any Australian company or business in which we may choose to invest. Since we have no current plans for any such acquisition and do not own any property, any such approvals required to be obtained by us as a foreign person under the Takeovers Act will not affect our current or future ownership or lease of property in Australia.

Our Constitution does not contain any additional limitations on the right to hold or vote our securities by reason of being a non-resident.

Australian law requires the transfer of shares in our company to be made in writing or electronically through the Clearing House Electronic Sub-register System.

10.E Taxation

The following summary of the material Australian and U.S. federal income tax consequences of an investment in our ADSs or ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this Form 20-F, all of which are subject to change, possibly with retroactive effect. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or ordinary shares, such as the tax consequences under U.S. state, local and other tax laws other than Australian and U.S. federal income tax laws.

Certain Material U.S. Federal Income Tax Considerations to U.S. Holders

The following summary describes certain material U.S. federal income tax consequences to U.S. holders (as defined below) of the ownership and disposition of our ordinary shares and ADSs as of the date hereof. Except where noted, this summary deals only with our ordinary shares or ADSs acquired and held as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"). This section does not discuss the tax consequences to any particular holder, nor any tax considerations that may apply to holders subject to special tax rules, such as:

- banks, insurance companies, regulated investment companies and real estate investment trusts;
- financial institutions;
- individual retirement and other tax-deferred accounts;
- certain former U.S. citizens or long-term residents;
- brokers or dealers in securities or currencies;
- traders that elect to use a mark-to-market method of accounting;
- partnerships and other entities treated as partnership or pass through entities for U.S. federal income tax purposes, and partners or investors in such entities;
- tax-exempt organizations (including private foundations);
- persons that may have been subject to the alternative minimum tax;
- persons that hold or dispose of ordinary shares or ADSs as a position in a straddle or as part of a hedging, constructive sale, conversion or other integrated transaction;
- persons that have a functional currency other than the U.S. dollar;

- persons that own (directly, indirectly or constructively) 10% or more of the vote or value of our equity;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to ordinary shares or ADSs being taken into account in an applicable financial statement;
- persons who acquire ordinary shares or ADSs pursuant to the exercise of any employee share option or otherwise as compensation; or
- persons that are not U.S. holders (as defined below).

In this section, a “U.S. holder” means a beneficial owner of ordinary shares or ADSs, other than a partnership or other entity treated as a partnership for U.S. federal income tax purposes, that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States (for U.S. federal income tax purposes);
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate the income of which is includable in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust (i) the administration of which is subject to the primary supervision of a court in the United States and for which one or more U.S. persons have the authority to control all substantial decisions or (ii) that has an election in effect under applicable U.S. income tax regulations to be treated as a U.S. person.

The discussion below is based upon the provisions of the Code, and the U.S. Treasury regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be replaced, revoked or modified, possibly with retroactive effect, so as to result in U.S. federal income tax consequences different from those discussed below. In addition, this summary is based, in part, upon the terms of the deposit agreement and assumes that the deposit agreement, and all other related agreements, will be performed in accordance with their terms.

If a partnership or an entity or arrangement treated as a partnership for U.S. federal income tax purposes acquires, owns or disposes of ordinary shares or ADSs, the U.S. federal income tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership. Partners of partnerships that acquire, own or dispose of ordinary shares or ADSs should consult their tax advisors.

You are urged to consult your own tax advisor with respect to the U.S. federal, as well as state, local and non-U.S., tax consequences to you of acquiring, owning and disposing of ordinary shares or ADSs in light of your particular circumstances, including the possible effects of changes in U.S. federal income and other tax laws and the effects of any tax treaties.

ADSs

Assuming the deposit agreement and all other related agreements will be performed in accordance with their terms, a U.S. holder of ADSs will be treated as the beneficial owner for U.S. federal income tax purposes of the underlying shares represented by the ADSs. The U.S. Treasury has expressed concerns that parties to whom American depository shares are released before shares are delivered to the depository, or intermediaries in the chain of ownership between holders of American depository shares and the issuer of the security underlying the American depository shares, may be taking actions that are inconsistent with claiming foreign tax credits by holders of American depository shares. These actions would also be inconsistent with claiming the reduced rate of tax, described below, applicable to dividends received by certain non-corporate holders. Accordingly, the creditability of any foreign taxes and the availability of the reduced tax rate for dividends received by certain non-corporate U.S. holders, each described below, could be affected by actions taken by such parties or intermediaries.

Distributions

Subject to the passive foreign investment company, or PFIC, rules discussed below, U.S. holders generally will include as dividend income the U.S. dollar value of the gross amount of any distributions of cash or property (without deduction for any withholding tax), other than certain pro rata distributions of ordinary shares, with respect to ordinary shares or ADSs to the extent the distributions are made from our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. A U.S. holder will include the dividend income on the day actually or constructively received: (i) by the holder, in the case of ordinary shares, or (ii) by the depository, in the case of ADSs. To the extent, if any, that the amount of any distribution by us exceeds our current and accumulated earnings and profits, as so determined, the excess will be treated first as a tax-free return of the U.S. holder’s tax basis in the ordinary shares or ADSs and thereafter as capital gain. Notwithstanding the foregoing, we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles. Consequently, any distributions generally will be reported as dividend income for U.S. information reporting purposes. See “—Backup Withholding Tax and Information Reporting Requirements” below. Dividends paid by us will not be eligible for the dividends-received deduction generally allowed to U.S. corporate shareholders.

The U.S. dollar amount of dividends received by an individual, trust or estate with respect to the ordinary shares or ADSs will be subject to taxation at preferential rates if the dividends are “qualified dividends.” Dividends paid on ordinary shares or ADSs will be treated as qualified dividends if (i)(a) we are eligible for the benefits of a comprehensive income tax treaty with the United States that the Secretary of the Treasury of the United States determines is satisfactory for this purpose and includes an exchange of information program or (b) the dividends are with respect to ordinary shares (or ADSs in respect of such shares) which are readily tradable on a U.S. securities market; (ii) certain holding period requirements are met; and (iii) we are not classified as a PFIC for the taxable year in which the dividend is paid or for the preceding taxable year. The Agreement between the Government of the United States of America and the Government of Australia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, or the Treaty, has been approved for the purposes of the qualified dividend rules, and we expect to qualify for benefits under the Treaty. In addition, our ADSs are listed on the Nasdaq Global Select Market, and as such U.S. Treasury Department guidance indicates that our ADSs will be readily tradable on an established U.S. securities market. Thus, we believe that as long as we are not a PFIC, dividends we pay generally should be eligible for the preferential tax rates on qualified dividends. However, the determination of whether a dividend qualifies for the preferential tax rates must be made at the time the dividend is paid. U.S. holders should consult their own tax advisors regarding the availability of the preferential tax rates on dividends.

Includible distributions paid in Australian dollars, including any Australian withholding taxes, will be included in the gross income of a U.S. holder in a U.S. dollar amount calculated by reference to the spot exchange rate in effect on the date of actual or constructive receipt, regardless of whether the Australian dollars are converted into U.S. dollars at that time. If Australian dollars are converted into U.S. dollars on the date of actual or constructive receipt, the tax basis of the U.S. holder in those Australian dollars will be equal to their U.S. dollar value on that date and, as a result, a U.S. holder generally should not be required to recognize any foreign currency exchange gain or loss. If Australian dollars so received are not converted into U.S. dollars on the date of receipt, the U.S. holder will have a basis in the Australian dollars equal to their U.S. dollar value on the date of receipt. Any foreign currency exchange gain or loss on a subsequent conversion or other disposition of the Australian dollars generally will be treated as ordinary income or loss to such U.S. holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Dividends received by a U.S. holder with respect to ordinary shares (or ADSs in respect of such shares) will be treated as foreign source income, which may be relevant in calculating the holder’s foreign tax credit limitation. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by us with respect to ADSs or ordinary shares will generally constitute “passive category income” but could, in the case of certain U.S. holders, constitute “general category income.”

Subject to certain complex limitations, including the PFIC rules discussed below, a U.S. holder generally will be entitled, at such holder’s option, to claim either a credit against such holder’s U.S. federal income tax liability or a deduction in computing such holder’s U.S. federal taxable income in respect of any Australian taxes withheld. If a U.S. holder elects to claim a deduction, rather than a foreign tax credit, for Australian taxes withheld for a particular taxable year, the election will apply to all foreign taxes paid or accrued by or on behalf of the U.S. holder in the particular taxable year.

The availability of the foreign tax credit and the application of the limitations on its availability are fact specific and are subject to complex rules. You are urged to consult your own tax advisor as to the consequences of Australian withholding taxes and the availability of a foreign tax credit or deduction. See “—Australian Tax Considerations Australian—Income Tax—Taxation of Dividends” below.

Sale, Exchange or Other Disposition of Ordinary Shares or ADSs

Subject to the PFIC rules discussed below, a U.S. holder generally will, for U.S. federal income tax purposes, recognize capital gain or loss, if any, on a sale, exchange or other disposition of ordinary shares or ADSs equal to the difference between the amount realized on the disposition and the U.S. holder’s tax basis (in U.S. dollars) in the ordinary shares or ADSs. This recognized gain or loss will generally be long-term capital gain or loss if the U.S. holder has held the ordinary shares or ADSs for more than one year. Generally, for U.S. holders who are individuals (as well as certain trusts and estates), long-term capital gains are subject to U.S. federal income tax at preferential rates. For foreign tax credit limitation purposes, gain or loss recognized upon a disposition generally will be treated as from sources within the United States. The deductibility of capital losses is subject to limitations for U.S. federal income tax purposes.

You should consult your own tax advisor regarding the tax consequences if a foreign tax is imposed on a disposition of ADSs or ordinary shares, including availability of a foreign tax credit or deduction in respect of any Australian tax imposed on a sale or other disposition of ordinary shares or ADSs. See “—Australian Tax Considerations—Australian Income Tax—Tax on Sales or Other Dispositions of Shares—Capital Gains Tax.”

Passive Foreign Investment Company

As a non-U.S. corporation, we will be a PFIC for any taxable year if either: (i) 75% or more of our gross income for the taxable year is passive income (such as certain dividends, interest, rents or royalties and certain gains from the sale of shares and securities or commodities transactions, including amounts derived by reason of the temporary investment of funds raised in offerings of our ordinary shares or ADSs); or (ii) the average quarterly value of our gross assets during the taxable year that produce passive income or are held for the production of passive income is at least 50% of the value of our total assets. For purposes of the PFIC asset test, passive assets generally include any cash, cash equivalents and cash invested in short-term, interest bearing debt instruments or bank deposits that are readily convertible into cash. If we own at least 25% (by value) of the stock of another corporation, we will be treated, for purposes of the PFIC income and asset tests, as owning our proportionate share of the other corporation's assets and receiving our proportionate share of the other corporation's income.

We do not believe that we were a PFIC for the taxable year ending June 30, 2022. However, if there is a change in the type or composition of our gross income, or our actual business results do not match our projections, it is possible that we may become a PFIC in future taxable years. Investors should be aware that our gross income for purposes of the PFIC income test depends on the receipt of Australian research and development tax incentive credits and other revenue, and there can be no assurances that such tax incentive credit programs will not be revoked or modified, that we will continue to conduct our operations in the manner necessary to be eligible for such incentives or that we will receive other gross income that is not considered passive for purposes of the PFIC income test. The value of our assets for purposes of the PFIC asset test will generally be determined by reference to our market capitalization, which may fluctuate. The composition of our income and assets will also be affected by how, and how quickly, we spend the cash raised in offerings of our ordinary shares or ADSs. Under circumstances where our gross income from activities that produce passive income significantly increases relative to our gross income from activities that produce non-passive income or where we decide not to deploy significant amounts of cash for active purposes, our risk of becoming classified as a PFIC may substantially increase. Since a separate factual determination as to whether we are or have become a PFIC must be made each year (after the close of such year), we cannot assure you that we will not be or become a PFIC in the current year or any future taxable year. There can be no assurance that we will not be a PFIC for any taxable year, as PFIC status is determined each year and depends on the composition of our income and assets and the value of our assets in such year. If we are a PFIC for any taxable year, upon request, we intend to provide U.S. holders with the information necessary to make and maintain a "Qualified Electing Fund" election, as described below.

Default PFIC Rules

If we are a PFIC for any taxable year during which you own our ordinary shares or ADSs, unless you make the mark-to-market election or the Qualified Electing Fund election described below, you will generally be (and remain) subject to additional taxes and interest charges, regardless of whether we remain a PFIC in any subsequent taxable year, (i) on certain "excess distributions" we may make; and (ii) on any gain realized on the disposition or deemed disposition of your ordinary shares or ADSs. Distributions in respect of your ordinary shares (or ADSs in respect of such shares) during the taxable year will generally constitute "excess" distributions if, in the aggregate, they exceed 125% of the average amount of distributions in respect of your ordinary shares (or ADSs) over the three preceding taxable years or, if shorter, the portion of your holding period before such taxable year.

To compute the tax on "excess" distributions or any gain: (i) the "excess" distribution or the gain will be allocated ratably to each day in your holding period for the ADSs or the ordinary shares; (ii) the amount allocated to the current taxable year and any taxable year before we became a PFIC will be taxed as ordinary income in the current year; (iii) the amount allocated to other taxable years will be taxable at the highest applicable marginal rate in effect for that year; and (iv) an interest charge at the rate for underpayment of taxes will be imposed with respect to any portion of the "excess" distribution or gain described under (iii) above that is allocated to such other taxable years. In addition, if we are a PFIC or, with respect to a particular U.S. holder, we are treated as a PFIC for the taxable year in which the distribution was paid or the prior taxable year, no distribution that you receive from us will qualify for taxation at the preferential rate for non-corporate holders discussed in "—Distributions" above. You should consult with your own tax advisor regarding the application of the default PFIC rules based on your particular circumstances.

If we are a PFIC for any taxable year during which a U.S. holder holds our ADSs or ordinary shares and any of our non-U.S. subsidiaries is also a PFIC (i.e., a lower-tier PFIC), such U.S. holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC and would be subject to the rules described above on certain distributions by the lower-tier PFIC and our disposition of shares of the lower-tier PFIC, even though such U.S. holder would not receive the proceeds of those distributions or dispositions. You should consult with your own tax advisor regarding the application to you of the PFIC rules to any of our subsidiaries if we are a PFIC.

Mark-to-Market Election

If we are a PFIC for any taxable year during which you own our ADSs or ordinary shares, you will be able to avoid the rules applicable to “excess” distributions or gains described above if the ordinary shares or ADSs are “marketable” and you make a timely “mark-to-market” election with respect to your ordinary shares or ADSs. The ordinary shares or ADSs will be “marketable” stock as long as they remain regularly traded on a national securities exchange, such as the Nasdaq Global Select Market, or a foreign securities exchange regulated by a governmental authority of the country in which the market is located and which meets certain requirements, including that the rules of the exchange effectively promote active trading of listed stocks. If such stock is traded on such a qualified exchange or other market, such stock generally will be “regularly traded” for any calendar year during which such stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter, but no assurances can be given in this regard. Our ordinary shares are traded on the ASX, which may qualify as an eligible foreign securities exchange for this purpose.

If you are eligible to make a “mark-to-market” election with respect to our ordinary shares or ADSs and you make this election in a timely fashion, you will generally recognize as ordinary income or ordinary loss the difference between the fair market value of your ordinary shares or ADSs on the last day of any taxable year and your adjusted tax basis in the ordinary shares or ADSs. Any ordinary income resulting from this election will generally be taxed at ordinary income rates. Any ordinary losses will be deductible only to the extent of the net amount of previously included income as a result of the mark-to-market election, if any. Your adjusted tax basis in the ordinary shares or ADSs will be adjusted to reflect any such income or loss. Any gain recognized on the sale or other disposition of your ordinary shares or ADSs in a year when we are a PFIC will be treated as ordinary income, and any loss will be treated as an ordinary loss (but only to the extent of the net amount previously included as ordinary income as a result of the mark-to-market election).

Because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. holder may continue to be subject to the PFIC rules with respect to such holder’s indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes, including shares in any of our subsidiaries that are treated as PFICs.

You should consult with your own tax advisor regarding the applicability and potential advantages and disadvantages to you of making a “mark-to-market” election with respect to your ordinary shares or ADSs if we are or become a PFIC, including the tax issues raised by lower-tier PFICs that we may own and the procedures for making such an election.

QEF Election

Alternative rules to those set forth under “Default PFIC Rules” above apply if an election is made to treat us as a “Qualified Electing Fund,” or QEF, under Section 1295 of the Code. A QEF election is available only if a U.S. holder receives an annual information statement from us setting forth such holder’s pro rata share of our ordinary earnings and net capital gains, as calculated for U.S. federal income tax purposes.

Upon request from a U.S. holder, we will endeavor to provide to the U.S. holder within 90 days after the request an annual information statement, in order to enable the U.S. holder to make and maintain a QEF election for us or for any of our subsidiaries that is or becomes a PFIC. However, there is no assurance that we will have timely knowledge of our or our subsidiaries’ status as a PFIC in the future or of the required information to be provided. You should consult your own tax advisor regarding the availability and tax consequences of a QEF election with respect to the ordinary shares or ADSs or with respect to any lower-tier PFIC that we may own under your particular circumstances.

Reporting

If we are a PFIC for any taxable year during which you own our ordinary shares or ADSs, as a U.S. holder, you will generally be required to file IRS Form 8621 on an annual basis and other reporting requirements may apply. The PFIC rules are complex and you should consult with your own tax advisor regarding whether we or any of our subsidiaries are a PFIC, the tax consequences of any elections that may be available to you, and how the PFIC rules may affect the U.S. federal income tax consequences of the receipt, ownership, and disposition of our ordinary shares or ADSs.

Tax on Net Investment Income

Certain non-corporate U.S. holders will be subject to a 3.8% tax on the lesser of (i) the U.S. holder’s “net investment income” for the relevant taxable year; and (ii) the excess of the U.S. holder’s modified adjusted gross income for the taxable year over a certain threshold. A U.S. holder’s net investment income will generally include dividends received on the ordinary shares or ADSs and net gains from the disposition of ordinary shares or ADSs, unless such dividend income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). A U.S. holder that is an individual, estate or trust should consult the holder’s tax advisor regarding the applicability of the tax on net investment income to the holder’s dividend income and gains in respect of the holder’s investment in the ordinary shares or ADSs.

Backup Withholding Tax and Information Reporting Requirements

U.S. backup withholding tax and information reporting requirements generally apply to payments to non-corporate holders of ordinary shares or ADSs. Information reporting will apply to payments of dividends on, and to proceeds from the disposition of, ordinary shares or ADSs by a paying agent within the United States to a U.S. holder, other than U.S. holders that are exempt from information reporting and properly certify their exemption. A paying agent within the United States will be required to withhold at the applicable statutory rate, currently 24%, in respect of any payments of dividends on, and the proceeds from the disposition of, ordinary shares or ADSs within the United States to a U.S. holder (other than U.S. holders that are exempt from backup withholding and properly certify their exemption) if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with applicable backup withholding requirements. U.S. holders who are required to establish their exempt status generally must provide a properly completed IRS Form W-9.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. holder's U.S. federal income tax liability. A U.S. holder generally may obtain a refund of any amounts withheld under the backup withholding rules in excess of such holder's U.S. federal income tax liability by filing the appropriate claim for refund with the IRS in a timely manner and furnishing any required information.

Certain U.S. holders may be required to report (on IRS Form 8938) information with respect to such holder's interest in "specified foreign financial assets" (as defined in Section 6038D of the Code), including stock of a non-U.S. corporation that is not held in an account maintained by a U.S. "financial institution". Persons who are required to report specified foreign financial assets and fail to do so may be subject to substantial penalties. U.S. holders are urged to consult their own tax advisors regarding foreign financial asset reporting obligations and their possible application to the holding of ordinary shares or ADSs.

The discussion above is a general summary only. It is not intended to constitute a complete analysis of all tax considerations applicable to an investment in our ADSs or ordinary shares. You should consult with your own tax advisor concerning the tax consequences to you of an investment in our ADSs or ordinary shares in light of your particular circumstances.

Australian Tax Considerations

In this section, we discuss the material Australian income tax, stamp duty and goods and services ("GST") tax considerations related to the acquisition, ownership and disposal by the absolute beneficial owners of the ordinary shares or ADSs. It is based upon existing Australian tax law as of the date of this annual report, which is subject to change, possibly retrospectively. This discussion does not address all aspects of Australian tax law which may be important to particular investors in light of their individual investment circumstances, such as shares held by investors subject to special tax rules (for example, financial institutions, insurance companies, tax exempt organizations or employee share scheme participants). In addition, this summary does not discuss any non-Australian tax considerations. Prospective investors are urged to consult their tax advisors regarding the Australian and foreign income and other tax considerations of the acquisition, ownership and disposition of the shares. This summary is based upon the premise that the holder is not an Australian tax resident and is not carrying on business in Australia through a permanent establishment (referred to as a "Foreign Shareholder" in this summary).

Australian Income Tax

Nature of ADSs for Australian Taxation Purposes

Ordinary shares represented by ADSs held by a U.S. holder will be treated for Australian income tax purposes as held under a "bare trust" for such holder. Consequently, the underlying ordinary shares will be regarded as owned by the ADS holder for Australian income tax (including capital gains tax ("CGT")) purposes. Dividends paid on the underlying ordinary shares will also be treated as dividends paid to the ADS holder, as the person beneficially entitled to those dividends.

Taxation of Dividends

Australia operates a dividend imputation system under which dividends may be declared to be "franked" to the extent of tax paid on company profits. Fully franked dividends paid to Foreign Shareholders are not subject to dividend withholding tax. Dividends paid to Foreign Shareholders are generally subject to dividend withholding tax, to the extent that the dividends are not foreign (i.e. non-Australian) sourced and declared to be "conduit foreign income" ("CFI"), and are unfranked. Dividend withholding tax will be imposed at 30%, unless a Foreign Shareholder is a resident of a country with which Australia has a double taxation agreement (DTA) and qualifies for the benefits of the DTA. Under the provisions of the current DTA between Australia and the United States ("Australia-U.S. DTA"), the rate of tax Australian tax to be withheld on unfranked dividends paid by Mesoblast Limited (the "Company") (which are not declared to CFI) to which a resident of the United States is beneficially entitled, is generally limited to 15% if the U.S. resident holds less than 10% of the voting power in the Company.

If a Foreign Shareholder is a company that is a resident of the United States holds 10% or more of the voting power in the Company and is beneficially entitled to dividends from the Company, the rate of Australian dividend withholding tax is limited to 5%. In limited circumstances, the rate of withholding can be reduced to zero.

Tax on Sales or Other Dispositions of Shares – CGT

Foreign Shareholders will not be subject to Australian CGT on any gain made on the sale or other disposal of ordinary shares in the Company, unless broadly they, together with associates, hold 10% or more of the issued capital in the Company, at the time of disposal or for 12 months of the last 2 years prior to disposal.

Foreign Shareholders who, together with associates, own a 10% or more interest would be subject to Australian CGT on the sale of that interest if more than 50% of the Company's assets (held directly or indirectly and determined by reference to market value), consists of Australian real property, which includes land and leases of land, as well as mining, quarrying or prospecting rights (this is referred to as "taxable Australian property" ("TAP")). Relief from Australian CGT is unlikely to be provided by the Australian-U.S. DTA. Australian CGT applies to net capital gains of Foreign Shareholders at the Australian tax rates for non-Australian residents, which start at a marginal rate of 32.5% for individuals. Net capital gains are calculated after reduction for capital losses (including carry forward net capital losses provided that the relevant loss utilization tests have been satisfied), noting that capital losses may only be offset against capital gains.

The 50% CGT discount is not available to non-Australian residents on gains accrued after May 8, 2012. Companies, whether Australian resident or not, are not entitled to the CGT discount.

Broadly, where there is a disposal of TAP, the purchaser will be required to withhold and remit to the Australian Taxation Office ("ATO") 12.50% of the proceeds from the sale. A transaction is excluded from the withholding requirements in certain circumstances, including where the value of the TAP is less than A\$750,000, the transaction is an on-market transaction conducted on an approved stock exchange, a securities lending arrangement, or the transaction is conducted using a broker operated crossing system. There is also an exception to the requirement to withhold where the Commissioner issues a clearance certificate which broadly certifies that the vendor is not a foreign person. The Foreign Shareholder may be entitled to receive a tax credit for the tax withheld by the purchaser which they may claim in their Australian income tax return.

Tax on Sales or Other Dispositions of Shares – Shareholders Holding Shares on Revenue Account

Some Foreign Shareholders may hold ordinary shares on "revenue" rather than on capital account – for example, share traders. These shareholders may have the gains made on the sale or other disposal of the ordinary shares included in their assessable income under the ordinary income or trading stock provisions of the income tax law, if the gains are sourced in Australia.

Foreign Shareholders assessable under these ordinary income provisions in respect of gains made on ordinary shares held on revenue account would be assessed for such gains at the Australian tax rates for non-Australian residents, which start at a marginal rate of 32.5% for individuals. Relief from Australian income tax may be available to such Foreign Shareholders under the Australia-U.S. DTA.

The comments above in "Tax on Sales or Other Dispositions of Shares—Capital Gains Tax" regarding a purchaser being required to withhold 12.5% tax on the acquisition of TAP equally applies where the disposal of the Australian real property asset by a foreign resident is likely to generate gains on revenue account, rather than a capital gain.

Australian Death Duty

Australia does not have estate or death duties. As a general rule, no CGT liability is realized upon the inheritance of a deceased person's ordinary shares. The disposal of inherited ordinary shares by beneficiaries may, however, give rise to a CGT liability if the gain falls within the scope of Australia's jurisdiction to tax (as discussed above).

Stamp Duty

Generally, no Australian stamp duty is payable by Australian residents or non-Australian residents on the issue, agreement to transfer, transfer, surrender of, or other dealing in, the ADSs or the ordinary shares in the Company, provided that at the time of such dealing, all of the ADSs and ordinary shares in the Company are quoted on Nasdaq and ASX and the dealing does not result in a person or entity acquiring or commencing to hold or being beneficially entitled to (together with associates and having regard to any associated transactions) 90% or more of the total issued shares in the Company.

GST

The supply of ADSs and/or ordinary shares in the Company will not be subject to Australian GST.

10.F Dividends and Paying Agents

Not applicable.

10.G Statement by Experts

Not applicable.

10.H Documents on Display

Any statement in this Form 20-F about any of our contracts or other documents is not necessarily complete. If the contract or document is filed as an exhibit to the Form 20-F the contract or document is deemed to modify the description contained in this Form 20-F. You must review the exhibits themselves for a complete description of the contract or document.

You may review a copy of our filings with the SEC, as well as other information furnished to the SEC, including exhibits and schedules filed with it, at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information. In addition, the SEC maintains a website at <http://www.sec.gov> that contains reports and other information regarding issuers that file electronically with the SEC. These SEC filings are also available to the public from commercial document retrieval services.

We are required to file or furnish reports and other information with the SEC under the Securities Exchange Act of 1934 and regulations under that act. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the form and content of proxy statements and our officers, directors and principal shareholders are exempt from the reporting and short swing profit recovery provisions contained in Section 16 of the Exchange Act.

10.I Subsidiary Information

For information about our subsidiaries, see "Item 18. Financial Statements – Note 12."

Item 11. Quantitative and Qualitative Disclosures about Market Risk

For information about our exposure to market risk and how we manage this risk, see "Item 18. Financial Statements – Note 10."

Item 12. Description of Securities Other than Equity Securities

12.A Debt Securities

Not applicable.

12.B Warrants and Rights

Not applicable.

12.C Other Securities

Not applicable.

12.D American Depositary Shares

Fees Payable by ADR Holders

Holders of our ADRs may have to pay our ADS depository, JPMorgan Chase Bank N.A. (JPMorgan), fees or charges up to the amounts described in the following table:

<u>Persons depositing or withdrawing ordinary shares or ADS holders must pay:</u>	<u>Description of service</u>
\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	<ul style="list-style-type: none">• Issuance of ADSs, including issuances pursuant to a deposits of shares, share or rights distributions, stock dividend, stock split, merger or any other transactions affecting the issuance of ADSs• Cancellation of ADSs for the purpose of withdrawal of deposited securities• Cash distribution to ADS holders• Transfers of ADRs• Administrative services performed by the depository
\$0.05 (or less) per ADS	
\$1.50 per ADR	
\$0.05 (or less) per ADS per calendar year	

Fees Payable by the Depository to the Issuer

From time to time, the depository may make payments to us to reimburse and/or share revenue from the fees collected from ADS holders, or waive fees and expenses for services provided, generally relating to costs and expenses arising out of establishment and maintenance of the ADS program. In performing its duties under the deposit agreement, the depository may use brokers, dealers or other service providers that are affiliates of the depository and that may earn or share fees or commissions.

Item 13. Defaults, Dividend Arrearages and Delinquencies

Not applicable.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable.

Item 15. Controls and Procedures***Evaluation of Disclosure Controls and Procedures***

Our management, with the participation of our Chief Executive Officer and our interim Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2022. "Disclosure controls and procedures," as defined in Rules 13a-151 and 15d-15(e) under the Exchange Act, are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) accumulated and communicated to the company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Based on the evaluation of our disclosure controls and procedures, our Chief Executive Officer and interim Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2022.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Our management conducted an assessment of the effectiveness of our internal control over financial reporting as of June 30, 2022 based on the criteria set forth in *Internal Control-Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment, our management has concluded that its internal control over financial reporting was effective as of June 30, 2022. Our auditor, PricewaterhouseCoopers, an independent registered public accounting firm, have provided an attestation report on our internal control over financial reporting, which is included herein.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting that occurred during the period covered by this Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Internal Control

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Item 16. [Reserved]**Item 16A. Audit Committee Financial Expert**

The Board of Directors of Mesoblast Ltd has determined that Michael Spooner possesses specific accounting and financial management expertise and is an Audit Committee Financial Expert as defined by the SEC. The Board of Directors has also determined that Joseph Swedish, Philip Facchina and Jane Bell, members of the Audit and Risk Management Committee, have sufficient experience and ability in finance and compliance matters to enable them to adequately discharge their responsibilities. All members of the Audit and Risk Management Committee are "independent" according to the listing standards of the Nasdaq Global Select Market.

Item 16B. Code of Ethics

Our Code of Conduct covers conflicts of interest, confidentiality, fair dealing, protection of assets, compliance with laws and regulations, whistle blowing, security trading and commitments to stakeholders. In summary, the code requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies. This document is accessible on our internet website at: <http://www.mesoblast.com/company/corporate-governance/code-of-conduct-and-values>.

Item 16C. Principal Accountant Fees and Services

Pre-Approval of Audit and Non-Audit Services

The Audit and Risk Management Committee's pre-approval is required for all services provided by PwC. These services may include audit services, audit-related services, tax services and permissible non-audit services, and are subject to a specific budget. The Audit and Risk Management Committee uses a combination of two approaches – general pre-approval and specific pre-approval – in considering whether particular services or categories of services are consistent with the SEC's rules on auditor independence. Under general pre-approval proposed services may be pre-approved without consideration of specific case-by-case services.

Audit and Non-Audit Services Fees

See "Item 18. Financial Statements – Note 18". For the purpose of SEC classification, there were no audit-related, tax or other fees that were paid or payable to PwC that were not pre-approved by the Audit and Risk Management Committee during the years ended June 30, 2022 and 2021.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Under Nasdaq Stock Market Rule 5615(a)(3), foreign private issuers, such as our company, are permitted to follow certain home country corporate governance practices instead of certain provisions of the Nasdaq Stock Market Rules. For example, we may follow home country practice with regard to certain corporate governance requirements, such as the composition of the board of directors and quorum requirements applicable to shareholders' meetings. In addition, we may follow home country practice instead of the Nasdaq Stock Market Rules requirement to hold executive sessions and to obtain shareholder approval prior to the issuance of securities in connection with certain acquisitions or private placements of securities. Further, we may follow home country practice instead of the Nasdaq Stock Market Rules requirement to obtain shareholder approval prior to the establishment or amendment of certain share option, purchase or other compensation plans. A foreign private issuer that elects to follow a home country practice instead of any Nasdaq rule must submit to Nasdaq, in advance, a written statement from an independent counsel in such issuer's home country certifying that the issuer's practices are not prohibited by the home country's laws. We submitted such a written statement to Nasdaq.

Other than as set forth below, we currently intend to comply with the corporate governance listing standards in the Nasdaq Stock Market Rules to the extent possible under Australian law. However, we may choose to change such practices to follow home country practice in the future.

The Nasdaq Stock Market Rules require that a listed company specify that the quorum for any meeting of the holders of share capital be at least 33 1/3% of the outstanding shares of the company's common voting stock. We follow our home country practice, rather than complying with this rule. Consistent with Australian law, our bylaws do not require a quorum of at least 33 1/3% of the issued voting shares of Mesoblast for any general meeting of its shareholders. Our constitution provides that a quorum for a general meeting of our shareholders constitutes two shareholders present in person, by proxy, by attorney, or, where the shareholders is a body corporate, by representative. This provision and our practice of holding meetings with this quorum are not prohibited by the ASX Listing Rules or any other Australian law.

Item 16H. Mine Safety Disclosure

Not applicable.

Item 16I. Disclosure Regarding Foreign Jurisdiction that Prevent Inspections

Not applicable

PART III

Item 17. Financial Statements

See “Item 18. Financial Statements”.

Item 18. Financial Statements

The following financial statements are filed as part of this Annual Report on Form 20-F.

Australian Disclosure Requirements

All press releases, financial reports and other information are available on our website: www.mesoblast.com.

Index to Financial Statements

[Report Of Independent Registered Public Accounting Firm](#) (PricewaterhouseCoopers, Melbourne, Australia, Auditor Firm ID: 1379)
[Consolidated Income Statement](#)
[Consolidated Statement of Comprehensive Income](#)
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To the Board of Directors and Shareholders of Mesoblast Limited

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheet of Mesoblast Limited and its subsidiaries (the "Company") as of June 30, 2022 and 2021, and the related consolidated income statement and statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended June 30, 2022, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of June 30, 2022, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2022 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and Australian equivalent International Financial Reporting Standards as issued by the Australian Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2022, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1(i) to the consolidated financial statements, the Company has net cash outflows from operating activities and will need to obtain financing from one or more sources that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1(i). The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in

accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Impairment assessment of in-process research and development intangible assets and goodwill

As described in Note 6(c) to the consolidated financial statements, the Company's consolidated in-process research and development ("IPRD") intangible assets balance and consolidated goodwill balance were \$427.8 million and \$134.5 million as of June 30, 2022, respectively. Management tests the IPRD intangible assets and goodwill balances for impairment on an annual basis. The recoverability of the carrying values of IPRD intangible assets and goodwill are estimated by management using future cash flow projections and assumptions related to the outcome of research and development activities. These significant judgements and assumptions made by management are specific to the nature of the Company's activities including estimates of market populations, product pricings, launch timings, probabilities of success and discount rates.

The principal considerations for our determination that performing procedures relating to the impairment assessment of IPRD intangible assets and goodwill is a critical audit matter are there were significant judgments made by management in estimating the recoverable amount of the Company's IPRD intangible assets and goodwill. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures to evaluate management's cash flow projections and significant assumptions, including estimates of market populations, product pricings, launch timings, probabilities of success and discount rates. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's impairment assessment, including controls over significant assumptions. These procedures also included, among others, testing the Company's process used to develop the fair value estimate, which included (i) evaluating the appropriateness of the valuation methodology and discounted cash flow models used to estimate the recoverable amount of the Company's IPRD intangible assets and goodwill; (ii) testing the completeness, accuracy and relevance of the underlying data used in the models; and (iii) evaluating the reasonableness of significant assumptions used by management including estimates of market populations, product pricings, launch timings, probabilities of success and discount rates. Evaluating the significant assumptions relating to the estimates of the recoverable amount of IPRD intangible assets and goodwill involved evaluating whether the significant assumptions used by management were reasonable considering consistency with (i) external market and industry data; (ii) the outcome of clinical trials; (iii) announcements made by the Company; and (iv) other comparable estimates of the Company's valuation released by securities analysts. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's discount rates assumption.

Fair value measurement of the provision for contingent consideration

As described in Note 5(g) to the consolidated financial statements, the Company had a balance of \$23.3 million as of June 30, 2022 for the provision for contingent consideration, which management determined using an internal valuation with a discounted cash flow model requiring the use of inputs classified as level 3 in the fair value hierarchy. Significant assumptions used by management to value the provision for contingent consideration included probabilities of success.

The principal considerations for our determination that performing procedures relating to the fair value measurement of contingent consideration is a critical audit matter are there were significant judgements made by management in estimating the fair value of the provision for contingent consideration. This in turn led to high degree of auditor judgement, subjectivity and effort in performing procedures to evaluate management's cash flow projections and significant assumptions, including probabilities of success.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's process for valuing the provision for contingent consideration, including controls over significant assumptions. These procedures also included, among others, testing the Company's process used to develop the fair value estimate, which included (i) evaluating the appropriateness of the valuation methodology and discounted cash flow model used to estimate the value of the provision; (ii) testing the completeness, accuracy and relevance of the underlying data used in the model; and (iii) evaluating the reasonableness of significant assumptions used by management, including probabilities of success. Evaluating the significant assumptions relating to the estimate of the fair value measurement of the provision for contingent consideration involved evaluating whether the assumptions used by management were reasonable considering consistency with (i) external market and industry data; (ii) the outcome of clinical trials; (iii) announcements made by the Company; and (iv) evidence obtained from our procedures over the impairment assessment of IPRD intangible assets and goodwill.

/s/ PricewaterhouseCoopers
Melbourne, Australia
August 31, 2022

We have served as the Company's auditor since 2008.

Consolidated Income Statement

(in U.S. dollars, in thousands, except per share amount)	Note	Year Ended June 30,		
		2022	2021	2020
Revenue	3	10,214	7,456	32,156
Research & development		(32,815)	(53,012)	(56,188)
Manufacturing commercialization		(30,757)	(32,719)	(25,309)
Management and administration		(27,210)	(30,867)	(25,609)
Fair value remeasurement of contingent consideration	3	913	18,687	1,380
Fair value remeasurement of warrant liability	3	5,896	—	—
Other operating income and expenses	3	(539)	1,539	324
Finance costs	3	(17,288)	(10,714)	(14,109)
Loss before income tax	3	(91,586)	(99,630)	(87,355)
Income tax benefit/(expense)	4	239	819	9,415
Loss attributable to the owners of Mesoblast Limited		(91,347)	(98,811)	(77,940)
Losses per share from continuing operations attributable to the ordinary equity holders of the Group:				
Basic - losses per share	19	Cents (14.08)	Cents (16.33)	Cents (14.74)
Diluted - losses per share	19	(14.08)	(16.33)	(14.74)

The above consolidated income statement should be read in conjunction with the accompanying Notes.

Consolidated Statement of Comprehensive Income

(in U.S. dollars, in thousands)	Note	Year Ended June 30,		
		2022	2021	2020
Loss for the period		(91,347)	(98,811)	(77,940)
Other comprehensive (loss)/income				
<i>Items that may be reclassified to profit and loss</i>				
Exchange differences on translation of foreign operations	7(b)	91	(1,524)	1,146
<i>Items that will not be reclassified to profit and loss</i>				
Financial assets at fair value through other comprehensive income	7(b)	(322)	209	(446)
Other comprehensive (loss)/income for the period, net of tax		(231)	(1,315)	700
Total comprehensive losses attributable to the owners of Mesoblast Limited		(91,578)	(100,126)	(77,240)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying Notes.

Consolidated Statement of Changes in Equity

(in U.S. dollars, in thousands)	Note	Issued Capital	Share Option Reserve	Investment Revaluation Reserve	Foreign Currency Translation Reserve	Warrant Reserve	Retained Earnings/ (accumulated losses)	Total
Balance as of July 1, 2019		910,405	80,034	17	(39,413)	—	(469,991)	481,052
Adjustment on adoption of IFRS 16 (net of tax)		—	—	—	—	—	(827)	(827)
Adjusted balance as of July 1, 2019		910,405	80,034	17	(39,413)	—	(470,818)	480,225
Loss for the period		—	—	—	—	—	(77,940)	(77,940)
Other comprehensive income/(loss)		—	—	(446)	1,146	—	—	700
Total comprehensive profit/(loss) for the period		—	—	(446)	1,146	—	(77,940)	(77,240)
Transactions with owners in their capacity as owners:								
Contributions of equity net of transaction costs		137,840	—	—	—	—	—	137,840
		137,840	—	—	—	—	—	137,840
Tax credited / (debited) to equity		—	979	—	—	—	—	979
Transfer of exercised options		3,205	(3,205)	—	—	—	—	—
Fair value of share-based payments	17	—	7,522	—	—	—	—	7,522
		3,205	5,296	—	—	—	—	8,501
Balance as of June 30, 2020	7(a)	1,051,450	85,330	(429)	(38,267)	—	(548,758)	549,326
Balance as of July 1, 2020		1,051,450	85,330	(429)	(38,267)	—	(548,758)	549,326
Loss for the period		—	—	—	—	—	(98,811)	(98,811)
Other comprehensive income/(loss)		—	—	209	(1,524)	—	—	(1,315)
Total comprehensive profit/(loss) for the period		—	—	209	(1,524)	—	(98,811)	(100,126)
Transactions with owners in their capacity as owners:								
Contributions of equity net of transaction costs		106,809	—	—	—	—	—	106,809
		106,809	—	—	—	—	—	106,809
Tax credited / (debited) to equity		—	(91)	—	—	—	—	(91)
Transfer of exercised options		4,894	(4,894)	—	—	—	—	—
Fair value of share-based payments	17	—	12,510	—	—	—	—	12,510
Issuance of warrants	7(b)	—	—	—	—	12,969	—	12,969
		4,894	7,525	—	—	12,969	—	25,388
Balance as of June 30, 2021	7(a)	1,163,153	92,855	(220)	(39,791)	12,969	(647,569)	581,397
Balance as of July 1, 2021		1,163,153	92,855	(220)	(39,791)	12,969	(647,569)	581,397
Loss for the period		—	—	—	—	—	(91,347)	(91,347)
Other comprehensive income/(loss)		—	—	(322)	91	—	—	(231)
Total comprehensive profit/(loss) for the period		—	—	(322)	91	—	(91,347)	(91,578)
Transactions with owners in their capacity as owners:								
Contributions of equity net of transaction costs		1,928	—	—	—	—	—	1,928
		1,928	—	—	—	—	—	1,928
Tax credited / (debited) to equity		—	(239)	—	—	—	—	(239)
Transfer of exercised options		228	(228)	—	—	—	—	—
Fair value of share-based payments		—	5,536	—	—	—	—	5,536
		228	5,069	—	—	—	—	5,297
Balance as of June 30, 2022	7(a)	1,165,309	97,924	(542)	(39,700)	12,969	(738,916)	497,044

The above consolidated statement of changes in equity should be read in conjunction with the accompanying Notes.

Consolidated Balance Sheet

(in U.S. dollars, in thousands)	Note	As of June 30,	
		2022	2021
Assets			
Current Assets			
Cash & cash equivalents	5(a)	60,447	136,881
Trade & other receivables	5(b)	4,403	4,842
Prepayments	5(b)	4,987	6,504
Total Current Assets		69,837	148,227
Non-Current Assets			
Property, plant and equipment	6(a)	2,045	3,021
Right-of-use assets	6(b)	7,920	9,119
Financial assets at fair value through other comprehensive income	5(c)	1,758	2,080
Other non-current assets	5(d)	1,930	1,724
Intangible assets	6(c)	578,652	580,546
Total Non-Current Assets		592,305	596,490
Total Assets		662,142	744,717
Liabilities			
Current Liabilities			
Trade and other payables	5(e)	23,079	19,598
Provisions	6(d)	17,906	18,710
Borrowings	5(f)	5,017	53,200
Lease liabilities	6(b)	3,186	2,765
Warrant liability	5(f)	2,185	—
Total Current Liabilities		51,373	94,273
Non-Current Liabilities			
Provisions	6(d)	12,523	17,017
Borrowings	5(f)	91,617	41,045
Lease liabilities	6(b)	7,085	8,485
Deferred consideration	6(f)	2,500	2,500
Total Non-Current Liabilities		113,725	69,047
Total Liabilities		165,098	163,320
Net Assets		497,044	581,397
Equity			
Issued Capital	7(a)	1,165,309	1,163,153
Reserves	7(b)	70,651	65,813
(Accumulated losses)/retained earnings		(738,916)	(647,569)
Total Equity		497,044	581,397

The above consolidated balance sheet should be read in conjunction with the accompanying Notes.

Consolidated Statement of Cash Flows

(in U.S. dollars, in thousands)	Note	2022	Year Ended June 30, 2021	2020
Cash flows from operating activities				
Commercialization revenue received		9,980	6,121	7,676
Upfront and milestone payments received		—	—	17,500
Government grants and tax incentives received		24	68	1,577
Payments to suppliers and employees (inclusive of goods and services tax)		(75,769)	(106,920)	(77,710)
Interest received		7	17	546
Income taxes paid		(24)	(35)	(7)
Net cash (outflows) in operating activities	8(b)	(65,782)	(100,749)	(50,418)
Cash flows from investing activities				
Investment in fixed assets		(157)	(1,647)	(2,096)
Payments for contingent consideration		—	—	(1,027)
Payments for licenses		(75)	—	(150)
Net cash (outflows) in investing activities		(232)	(1,647)	(3,273)
Cash flows from financing activities				
Proceeds from borrowings		51,919	—	512
Repayment of borrowings		(55,458)	—	(512)
Payment of transaction costs from borrowings		(5,527)	(13)	—
Interest and other costs of finance paid		(6,084)	(5,932)	(5,947)
Proceeds from issue of shares		209	106,268	144,946
Proceeds from issue of warrants		8,081	12,969	—
Payments for share issue costs		(222)	(1,827)	(6,277)
Payments for lease liabilities		(2,788)	(2,931)	(1,625)
Net cash (outflows)/inflows by financing activities		(9,870)	108,534	131,097
Net (decrease)/increase in cash and cash equivalents		(75,884)	6,138	77,406
Cash and cash equivalents at beginning of period		136,881	129,328	50,426
FX (loss)/gain on the translation of foreign bank accounts		(550)	1,415	1,496
Cash and cash equivalents at end of period	8(a)	60,447	136,881	129,328

The above consolidated statement of cash flows should be read in conjunction with the accompanying Notes.

Mesoblast Limited (“the Company”) and its subsidiaries (“the Group”) are primarily engaged in the development of regenerative medicine products. The Group’s primary proprietary regenerative medicine technology platform is based on specialized cells known as mesenchymal lineage cells. The Company was formed in 2004 as an Australian company and has been listed on the Australian Securities Exchange (the “ASX”) since 2004. In November 2015, the Company listed in the United States of America (“U.S.”) on the Nasdaq Global Select Market (“Nasdaq”) and from this date has been dual-listed in Australia and the U.S.

These financial statements and notes are presented in U.S. dollars (“\$” or “USD” or “US\$”), unless otherwise noted, including certain amounts that are presented in Australian dollars (“AUD” or “A\$”) and Singapore dollars (“SGD” or “S\$”).

I. Basis of preparation

The general purpose financial statements of Mesoblast Limited and its subsidiaries have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board and Australian equivalent International Financial Reporting Standards, as issued by the Australian Accounting Standards Board. Mesoblast Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial statements cover Mesoblast Limited and its subsidiaries. The financial statements were authorized for issue by the board of directors on August 31, 2022. The directors have the power to amend and reissue the financial statements.

(i) Going concern

As of June 30, 2022, the Group held total cash reserves of \$60.4 million. On August 9, 2022, the Group raised additional gross proceeds of \$45.0 million. The Group continues its focus on maintaining tight control of net cash outflows from operating activities, which were \$65.8 million for the 12 months ended June 30, 2022, a reduction of 35% compared to the prior period. Management and the directors believe that the Group’s existing cash reserves are sufficient to meet the Group’s next 12 months of expenditure requirements, including expenditure needed for the BLA approval process of remestemcel-L for SR-aGvHD, from the issuance date of the consolidated financial statements.

If the Group obtain first product approval and launch within the next 12 months, the Group will be able to access funds from the Group’s existing loan arrangements. If the Group is delayed, additional cash inflows from strategic partnerships, product specific financing, debt or equity capital markets will be required. Because of the uncertainty on whether the Group can achieve cash inflows, this creates material uncertainty related to events or conditions that may cast significant doubt (or raise substantial doubt as contemplated by Public Company Accounting Oversight Board (“PCAOB”) standards) on the Group’s ability to continue as a going concern and, therefore, that the Group may be unable to realize our assets and discharge our liabilities in the normal course of business. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

(iii) New and amended standards adopted by the Group

There were no new or amended standards adopted by the Group in the year ended June 30, 2022. These financial statements follow the same accounting policies as compared to the June 30, 2021 consolidated financial statements and related notes as filed with the Australian Securities Exchange and the Securities and Exchange Commission.

(iv) New accounting standards and interpretations not yet adopted by the Group

There were no new accounting standards and interpretations not yet adopted by the Group for the June 30, 2022 reporting period that are expected to materially impact the Group.

(v) Change in accounting policy

The Group routinely reviews the financial statements for opportunities to improve the quality of financial reporting. In November 2021, the Group refinanced its existing senior debt facility with a new US\$90.0 million five-year facility provided by funds managed by Oaktree Capital Management, L.P. (“Oaktree”) and as a result, the Group received proceeds from borrowings and repaid the Hercules loan. In connection with the refinancing of the Hercules debt, substantial balances related to payment of transaction costs from borrowings and charges on repayment of borrowings were recorded in the Statement of Cash Flows, this prompted management to enhance the relevance and reliability of the Statement of Cash Flows by changing the accounting policy relating to the classification of the Interest and other costs of finance paid, previously classified within the operating activities of the Statement of Cash Flows. The Group has changed its accounting policy to classify cash flows from interest and other costs of finance paid as a financing activity because it improves the relevance of the cash flows paid from obtaining capital resources. This change in accounting policy also diminishes the mismatch in operating cash flows from the profit and loss and improves the reliability of the operating cash flow balance.

This change in presentation has been retrospectively applied to the years ended June 30, 2021 and 2020 financial statements. For the years ended June 30, 2021 and 2020, \$5.9 million and \$5.9 million of interest and other costs of finance paid has been reclassified from operating activities to financing activities in the Statement of Cash Flows, respectively.

(vi) *Use of estimates*

The preparation of these consolidated financial statements requires the Group to make estimates and judgments that affect the reported amounts of assets, liabilities, income and expenses and related disclosures. On an ongoing basis, the Group evaluates its significant accounting policies and estimates. Estimates are based on historical experience and on various market-specific and other relevant assumptions that the Group believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

(vii) *Impact of COVID-19*

Estimates are assessed each period and updated to reflect current information, such as the economic considerations related to the impact that COVID-19 could have on the Group's significant accounting estimates. COVID-19 has not led to a material deterioration in the Group's financial circumstances, nor required the Group to utilize government support.

The Group is facing some challenges from the pandemic. The Group's current and potential future clinical trials have and may experience some delays given reduced capacity at hospitals for completing activities and impacts on patient mobility for treatments or final visits. In addition, requested meetings with FDA are delayed by a minimum of 3 months while the public health crisis is in effect, due to the increased workload burden on agency staff. The Group is also having to account in its product-launch plans for the impacts of the pandemic on future potential customers, such as transplant centers, which have been and may continue to be impacted by the pandemic with respect to patient care, operations/staffing, financials, and health and safety protocols. These impacts change the way (channel, message, frequency) that Mesoblast will have to engage with these entities.

Due to the COVID-19 pandemic, and recent geopolitical instability, countries in which the Group has operations have experienced some challenges in the ability of the Group's suppliers and contractors to source, supply or acquire raw materials or components needed for its manufacturing process and supply chain. As a result, the manufacturing and commercialization of remestemcel-L and other product candidates could be adversely affected.

2. Significant changes in the current reporting period

(i) *Significant events*

The financial position and performance of the Group was affected by the following events during the year ended June 30, 2022:

- In November 2021, the Group refinanced its existing senior debt facility with a new \$90.0 million five-year facility provided by funds managed by Oaktree Capital Management, L.P. ("Oaktree"). The Group drew the first tranche of \$60.0 million on closing, with \$55.5 million of proceeds being used to repay the outstanding balance of the existing senior debt facility with Hercules Capital, Inc. The \$60.0 million proceeds were first allocated to the issue of warrants at fair value of \$8.1 million, with the remainder to the loan from Oaktree. A \$1.3 million loss was recognized on prepaying the Group's outstanding balance and extinguishing the loan with Hercules Capital, Inc. Up to an additional \$30.0 million may be drawn on or before December 31, 2022, subject to the Group achieving certain milestones. The facility has a three-year interest only period, at a fixed rate of 9.75% per annum, after which time 40% of the principal amortizes over two years and a final payment is due no later than November 2026. The facility also allows the Group to make quarterly payments of interest at a rate of 8.0% per annum for the first two years, and the unpaid interest portion (1.75% per annum) will be added to the outstanding loan balance and shall accrue further interest at a fixed rate of 9.75% per annum. Oaktree was also granted warrants to purchase 1,769,669 American Depositary Shares (ADSs) at \$7.26 per ADS, a 15% premium to the 30-day VWAP. The Group has determined that an obligation to issue the warrants has arisen from the time the debt facility was signed; consequently, a liability for the warrants has been recognized in November 2021. The warrants were legally issued on January 11, 2022 and may be exercised within 7 years of issuance. Refer to Note 5(g)(vi) for more details on warrants issued.

3. Loss before income tax

(in U.S. dollars, in thousands)	Note	2022	Year Ended June 30, 2021	2020
Revenue				
Commercialization revenue		9,039	7,434	6,614
Milestone revenue		1,172	—	25,000
Interest revenue		3	22	542
Total Revenue		10,214	7,456	32,156
Clinical trial and research & development		(10,483)	(18,569)	(24,565)
Manufacturing production & development		(28,884)	(31,590)	(23,944)
Employee benefits				
Salaries and employee benefits		(18,997)	(26,804)	(25,100)
Defined contribution superannuation expenses		(402)	(379)	(327)
Equity settled share-based payment transactions ⁽¹⁾		(5,536)	(12,510)	(7,522)
Total Employee benefits		(24,935)	(39,693)	(32,949)
Depreciation and amortization of non-current assets				
Plant and equipment depreciation		(1,144)	(1,016)	(585)
Right of use asset depreciation		(1,717)	(1,691)	(1,508)
Intellectual property amortization		(1,519)	(1,557)	(1,574)
Total Depreciation and amortization of non-current assets		(4,380)	(4,264)	(3,667)
Other Management & administration expenses				
Overheads & administration		(10,157)	(7,757)	(8,276)
Consultancy		(3,751)	(5,386)	(5,168)
Legal, patent and other professional fees		(5,571)	(6,950)	(5,854)
Intellectual property expenses (excluding the amount amortized above)		(2,621)	(2,389)	(2,683)
Total Other Management & administration expenses		(22,100)	(22,482)	(21,981)
Fair value remeasurement of contingent consideration				
Remeasurement of contingent consideration	5(g)(iii)	913	18,687	1,380
Total Fair value remeasurement of contingent consideration		913	18,687	1,380
Fair value remeasurement of warrant liability				
Remeasurement of warrant liability	5(g)(vi)	5,896	—	—
Total Fair value remeasurement of warrant liability		5,896	—	—
Other operating income and expenses				
Government grant revenue		—	68	78
Foreign exchange gains/(losses)		(536)	1,471	246
Foreign withholding tax paid		(3)	—	—
Total Other operating income and expenses		(539)	1,539	324
Finance (costs)/gains				
Remeasurement of borrowing arrangements		(382)	5,225	607
Interest expense		(16,906)	(15,939)	(14,716)
Total Finance costs		(17,288)	(10,714)	(14,109)
Total loss before income tax		(91,586)	(99,630)	(87,355)

(1) Share-based payment transactions

For the years ended June 30, 2022, 2021 and 2020, share-based payment transactions have been reflected in the Consolidated Statement of Comprehensive Income functional expense categories as follows:

(in U.S. dollars)	Year Ended June 30,		
	2022	2021	2020
Research and development	3,547,182	7,782,330	3,194,695
Manufacturing and commercialization	378,096	547,998	434,403
Management and administration	1,610,567	4,179,416	3,892,647
Equity settled share-based payment transactions	5,535,845	12,509,744	7,521,745

Revenue recognition

Gr✓nenthal arrangement

In September 2019, the Group entered into a strategic partnership with Gr✓nenthal for the development and commercialization in Europe and Latin America of the Group's allogeneic mesenchymal precursor cell ("MPC") product, MPC-06-ID, receiving exclusive rights to the Phase 3 allogeneic product candidate for the treatment of low back pain due to degenerative disc disease.

The Group received a non-refundable upfront payment of \$15.0 million in October 2019, on signing of the contract with Gr✓nenthal. The Group received a milestone payment in December 2019 of \$2.5 million in relation to meeting a milestone event as part of the strategic partnership with Gr✓nenthal.

In June 2021, the Group announced its intention to leverage the results from a planned US trial to support potential product approvals in both the US and EU by including 20% EU patients in order to provide regulatory harmonization, cost efficiencies and streamlined timelines, without initiating an EU trial. As a result, the strategic partnership with Gr✓nenthal has been amended, and milestone payments relating to R&D and CMC services and other development services which were linked to the Europe trial have been removed, instead the Group is eligible to receive payments up to \$112.5 million prior to product launch in the EU, inclusive of \$17.5 million already received, if certain clinical and regulatory milestones are satisfied and reimbursement targets are achieved. Cumulative milestone payments could reach \$1 billion depending on the final outcome of Phase 3 studies and patient adoption. The Group will also receive tiered double-digit royalties on product sales as per the original agreement.

The \$2.5 million milestone payment received in December 2019 from Gr✓nenthal was considered deferred consideration as of June 30, 2022. The performance obligation for the \$2.5 million was previously satisfied under the original agreement, however under the amended agreement with Gr✓nenthal it is subject to repayment to Gr✓nenthal. Revenue will be recognized when the clinical trial has recruited the required amount of European patients, as the \$2.5 million will no longer be subject to repayment to Gr✓nenthal. For the years ended June 30, 2022, 2021 and 2020, respectively, no milestone revenue was recognized in relation to this strategic partnership with Gr✓nenthal.

See Note 23(e) for further details about the Group's revenue recognition policies.

4. Income tax benefit/(expense)

(in U.S. dollars, in thousands)	2022	Year Ended June 30, 2021	2020
(a) Reconciliation of income tax to prima facie tax payable			
Loss from continuing operations before income tax	(91,586)	(99,630)	(87,355)
Tax benefit at the Australian tax rate of 30% (2021: 30%, 2020: 30%)	(27,476)	(29,889)	(26,207)
<i>Tax effect of amounts which are not deductible/(exempt) in calculating taxable income:</i>			
Share-based payments expense	1,588	2,836	1,367
Research and development tax concessions	(869)	(894)	(876)
Foreign exchange translation gains/(losses)	159	313	129
Contingent consideration	(274)	(5,606)	(414)
Other sundry items	(2,036)	121	97
Current year tax expense/(benefit)	(28,908)	(33,119)	(25,904)
Adjustments for current tax of prior periods	(923)	(1)	283
Differences in overseas tax rates	8,407	13,218	9,397
Tax benefit not recognized	21,185	19,083	6,809
Change in tax rate on Deferred tax assets ⁽¹⁾	(8,326)	(482)	(3,412)
Change in tax rate on Deferred tax liability ⁽¹⁾	8,326	482	3,412
Previously unrecognized tax losses now recouped to reduce deferred tax expense/(benefit)	—	—	—
Income tax expense/(benefit) attributable to loss before income tax	(239)	(819)	(9,415)

- (1) On June 30, 2022, there was a change in the expected tax rate applicable on future taxable profits in Singapore. The Group was expecting to benefit from concessionary tax rates (tax holiday) in Singapore under the tax incentives granted to the Group by the Singapore Economic Development Board, however at June 30, 2022 the Group had not met the conditions under the agreement to access the concessionary tax rates and therefore have recognized a change in the expected tax rate in Singapore to reflect the statutory tax rate of 17%. The Group is in current discussions with the Singapore Economic Development Board to amend the conditions of the incentive agreement and access these concessionary tax rates in the future.

(in U.S. dollars, in thousands)	2022	Year Ended June 30, 2021	2020
(b) Income tax (benefit)/expense			
Current tax			
Current tax	—	—	—
Total current tax (benefit)/expense	—	—	—
Deferred tax			
(Increase)/decrease in deferred tax assets	(8,317)	(1,158)	(12,687)
(Decrease)/increase in deferred tax liabilities	8,078	339	3,272
Total deferred tax (benefit)/expense	(239)	(819)	(9,415)
Income tax (benefit)/expense	(239)	(819)	(9,415)

Deferred tax assets have been brought to account only to the extent that it is foreseeable that they are recoverable against future tax liabilities.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. Deferred tax assets are offset against taxable temporary differences (deferred tax liabilities) when the deferred tax balances relate to the same tax jurisdiction in accordance with our accounting policy.

Deferred taxes are measured at the rate in which they are expected to settle within the respective jurisdictions, which can change based on factors such as new legislation or timing of utilization and reversal of associated assets and liabilities.

(in U.S. dollars, in thousands)	2022	Year Ended June 30, 2021	2020
(c) Amounts that would be recognized directly in equity if brought to account			
Aggregate current and deferred tax arising in the reporting period and not recognized in net loss or other comprehensive income but which would have been directly applied to equity had it been brought to account:			
Current tax recorded in equity (if brought to account)	(142)	(525)	(2,293)
Deferred tax recorded in equity (if brought to account)	715	905	1,266
	<u>573</u>	<u>380</u>	<u>(1,027)</u>

(in U.S. dollars, in thousands)	2022	Year Ended June 30, 2021	2020
(d) Amounts recognized directly in equity			
Aggregate current and deferred tax arising in the reporting period and not recognized in net loss or other comprehensive income but debited/credited to equity			
Current tax recorded in equity	—	—	—
Deferred tax recorded in equity	239	91	(979)
	<u>239</u>	<u>91</u>	<u>(979)</u>

(in U.S. dollars, in thousands)	2022	Year Ended June 30, 2021	2020
(e) Deferred tax assets not brought to account			
Unused tax losses			
Potential tax benefit at local tax rates	111,283	77,738	55,573
Other temporary differences			
Potential tax benefit at local tax rates	11,046	7,424	6,782
Other tax credits			
Potential tax benefit at local tax rates	3,220	3,220	3,220
	<u>125,549</u>	<u>88,382</u>	<u>65,575</u>

The Group has not brought to account \$477.8 million (2021: \$424.9 million, 2020: \$160.5 million) of gross tax losses, which includes the benefit arising from tax losses in overseas countries. As of June 30, 2022 \$477.8 million of tax losses not brought to account have an indefinite life. Gross tax losses of \$44.4 million recognized as deferred tax asset expire within a range of 10 to 16 years. The benefits of unused tax losses will only be brought to account when it is probable that they will be realized.

This benefit of tax losses will only be obtained if:

- the Group derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses to be realized;
- the Group continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in tax legislation adversely affect the Group in realizing the benefit from the deductions for the losses.

5. Financial assets and liabilities

This note provides information about the Group's financial instruments, including:

- an overview of all financial instruments held by the Group;
- specific information about each type of financial instrument;
- accounting policies; and
- information used to determine the fair value of the instruments, including judgments and estimation uncertainty involved.

The Group holds the following financial instruments:

Financial assets (in U.S. dollars, in thousands)	Notes	Assets at FVOCI(1)	Assets at FVTPL(2)	Assets at amortized cost	Total
As of June 30, 2022					
Cash & cash equivalents	5(a)	—	—	60,447	60,447
Trade & other receivables	5(b)	—	—	4,403	4,403
Financial assets at fair value through other comprehensive income	5(c)	1,758	—	—	1,758
Other non-current assets	5(d)	—	—	1,930	1,930
		<u>1,758</u>	<u>—</u>	<u>66,780</u>	<u>68,538</u>
As of June 30, 2021					
Cash & cash equivalents	5(a)	—	—	136,881	136,881
Trade & other receivables	5(b)	—	—	4,842	4,842
Financial assets at fair value through other comprehensive income	5(c)	2,080	—	—	2,080
Other non-current assets	5(d)	—	—	1,724	1,724
		<u>2,080</u>	<u>—</u>	<u>143,447</u>	<u>145,527</u>

(1) Fair value through other comprehensive income

(2) Fair value through profit or loss

Financial liabilities (in U.S. dollars, in thousands)	Notes	Liabilities at FVOCI(1)	Liabilities at FVTPL(2)	Liabilities at amortized cost	Total
As of June 30, 2022					
Trade and other payables	5(e)	—	—	23,079	23,079
Borrowings	5(f)	—	—	96,634	96,634
Contingent consideration	5(g)(iii)	—	23,284	—	23,284
Warrant liability	5(g)(vi)	—	2,185	—	2,185
		<u>—</u>	<u>25,469</u>	<u>119,713</u>	<u>145,182</u>
As of June 30, 2021					
Trade and other payables	5(e)	—	—	19,598	19,598
Borrowings	5(f)	—	—	94,245	94,245
Contingent consideration	5(g)(iii)	—	25,409	—	25,409
		<u>—</u>	<u>25,409</u>	<u>113,843</u>	<u>139,252</u>

(1) Fair value through other comprehensive income

(2) Fair value through profit or loss

The Group's exposure to various risks associated with the financial instruments is discussed in Note 10. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

a. Cash and cash equivalents

(in U.S. dollars, in thousands)	As of June 30,	
	2022	2021
Cash at bank	60,034	136,430
Deposits at call(1)	413	451
	<u>60,447</u>	<u>136,881</u>

(1) As of June 30, 2022 and June 30, 2021, interest-bearing deposits at call include amounts of \$0.4 million and \$0.5 million, respectively, held as security and restricted for use.

(i) *Classification as cash equivalents*

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition.

b. Trade and other receivables and prepayments

(i) *Trade and other receivables*

(in U.S. dollars, in thousands)	As of June 30,	
	2022	2021
Trade debtors	2,224	2,000
Foreign withholding tax recoverable	471	471
U.S. Tax credits	1,473	1,473
Security deposit	—	252
Other recoverable taxes (Goods and services tax and value-added tax)	235	646
Trade and other receivables	4,403	4,842

(ii) *Prepayments*

(in U.S. dollars, in thousands)	As of June 30,	
	2022	2021
Clinical trial research and development expenditure	1,313	2,823
Prepaid insurance and subscriptions	2,420	1,921
Other	1,254	1,760
Prepayments	4,987	6,504

(iii) *Classification as trade and other receivables*

Trade receivables and other receivables represent the principal amounts due at balance date less, where applicable, any provision for expected credit losses. The Group uses the simplified approach to measuring expected credit losses, which uses a lifetime expected credit loss allowance. Debts which are known to be uncollectible are written off in the consolidated income statement. All trade receivables and other receivables are recognized at the value of the amounts receivable, as they are due for settlement within 60 days and therefore do not require remeasurement.

(iv) *Fair values of trade and other receivables*

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

(v) *Impairment and risk exposure*

Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 10(a) and (b).

c. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include the following classes of financial assets:

(in U.S. dollars, in thousands)	As of June 30,	
	2022	2021
Unlisted securities:		
Equity securities	1,758	2,080
	1,758	2,080

(i) *Classification of financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income comprises equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognize in this category. These are strategic investments and the Group considers this classification to be more relevant.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(ii) Impairment indicators for financial assets at fair value through other comprehensive income

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. See Note 23(m)(iv) for further details about the Group's impairment policies for financial assets.

(iii) Amounts recognized in other comprehensive income

For the years ended June 30, 2022, 2021 and 2020, the Group recognized in statement of comprehensive income a loss of \$0.3 million, a gain of \$0.2 million and a loss of \$0.4 million respectively, for change in fair value of the financial assets through other comprehensive income.

(iv) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value is provided in Note 5(g). None of the financial assets through other comprehensive income are either past due or impaired.

All financial assets at fair value through other comprehensive income are denominated in USD.

d. Other non-current assets

<i>(in U.S. dollars, in thousands)</i>	<i>As of June 30,</i>	
	<i>2022</i>	<i>2021</i>
Bank Guarantee	500	546
Letter of Credit	1,178	1,178
Security deposit	252	—
	<u>1,930</u>	<u>1,724</u>

(i) Classification of financial assets as other non-current assets

Bank guarantee

These funds are held in an account named Mesoblast Limited at National Australia Bank according to the terms of a Bank Guarantee which is security for the sublease agreement for our occupancy of Level 38, 55 Collins Street, Melbourne, Victoria, Australia. The Bank Guarantee is security for the full and faithful performance and observance by the subtenant of the terms, covenants and conditions of the sublease. The Bank Guarantee continues in force until it is released by the lessor.

Letter of credit

These funds held in an account named Mesoblast, Inc. at the Bank of America according to the terms of an irrevocable standby letter of credit which is security for the sublease agreement for our occupancy of 505 Fifth Avenue, New York, New York, United States of America. The letter of credit is security for the full and faithful performance and observance by the subtenant of the terms, covenants and conditions of the sublease. The letter of credit is deemed to automatically extend without amendment for a period of one year at each anniversary.

(ii) Impairment and risk exposure

No other non-current assets are either past due or impaired.

e. Trade and other payables

<i>(in U.S. dollars, in thousands)</i>	<i>As of June 30,</i>	
	<i>2022</i>	<i>2021</i>
Trade payables and other payables	23,079	19,598
Trade and other payables	<u>23,079</u>	<u>19,598</u>

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

f. Borrowings

(in U.S. dollars, in thousands)	As of June 30,	
	2022	2021
Borrowings		
Secured liabilities:		
Borrowing arrangements	81,919	80,000
Less: transaction costs	(8,247)	(6,751)
Amortization of carrying amount, net of payments made	22,962	20,996
	<u>96,634</u>	<u>94,245</u>

(in U.S. dollars, in thousands)	As of June 30,	
	2022	2021
Borrowings		
Current		
Borrowings - NovaQuest	372	336
Borrowings - Oaktree	4,645	—
Borrowings - Hercules	—	52,864
	5,017	53,200
Non-current		
Borrowings - NovaQuest	47,898	41,045
Borrowings - Oaktree	43,719	—
	91,617	41,045
	<u>96,634</u>	<u>94,245</u>

(i) Borrowing arrangements

Funds associated with Oaktree Capital Management, L.P. (“Oaktree”)

In November 2021, the Group’s senior debt facility with Hercules was refinanced with a new \$90.0 million five-year facility provided by funds associated with Oaktree. The Group drew the first tranche of \$60.0 million on closing, with \$55.5 million of proceeds being used to discharge our obligations under the Hercules loan. Up to an additional \$30.0 million may be drawn on or before December 31, 2022, subject to the Group achieving certain milestones. The facility has a three-year interest only period, at a fixed rate of 9.75% per annum, after which time 40% of the principal amortizes over two years and a final payment is due no later than November 2026. The facility also allows the Group to make quarterly payments of interest at a rate of 8.0% per annum for the first two years, and the unpaid interest portion (1.75% per annum) will be added to the outstanding loan balance and shall accrue further interest at a fixed rate of 9.75% per annum.

On November 19, 2021, Oaktree was also granted warrants to purchase 1,769,669 American Depositary Shares (“ADSs”) at US\$7.26 per ADS, a 15% premium to the 30-day VWAP. The Group determined that an obligation to issue the warrants has arisen from the time the debt facility was signed; consequently, a liability for the warrants was recognized in November 2021. The warrants were legally issued on January 11, 2022 and may be exercised within 7 years of issuance. On the issuance date of the Oaktree facility and the warrants, the warrants were initially measured at fair value and the Oaktree borrowing liability measured as the difference between the \$60.0 million received from the Oaktree facility and the fair value of the warrants. Refer to Note 5(g)(vi) for more details on warrants issued.

In the year ended June 30, 2022, the Group recognized a minimal gain in the Income Statement as remeasurement of borrowing arrangements within finance costs in relation to the adjustment of the carrying amount of our financial liability to reflect the revised estimated future cash flows from our credit facility. No remeasurement of borrowing arrangements was recognized in the years ended June 30, 2021 and 2020.

Hercules Capital, Inc.

In March 2018, the Group entered into a loan and security agreement with Hercules, for a \$75.0 million non-dilutive, four-year credit facility. The Group drew the first tranche of \$35.0 million on closing and a further tranche of \$15.0 million was drawn in January 2019.

In November 2021, this loan was refinanced with a new \$90.0 million five-year facility provided by Oaktree. The Group drew the first tranche of \$60.0 million on closing, with \$55.5 million of proceeds being used to repay the outstanding balance with Hercules. Prior to extinguishing this loan with Hercules, the Group amended the terms of the loan and security agreement to extend the interest-only period to January 2022 and therefore the Group had not commenced principal repayments.

Interest on the loan was payable monthly in arrears on the 1st day of the month. At closing date, the interest rate was 9.45%. On June 30, August 1, September 19 and October 31, 2019, in line with the changes in the U.S. prime rate, the interest rate on the loan was 10.45%, 10.20%, 9.95% and 9.70%, respectively, and remained at 9.70% in line with the terms of the loan agreement until extinguishing this loan with Hercules.

In the year ended June 30, 2022, the Group recognized a loss of \$0.9 million in the Income Statement as remeasurement of borrowing arrangements within finance costs. \$1.3 million of this loss relates to prepaying the Group's outstanding balance and extinguishing the loan with Hercules, offset by a \$0.4 million gain to the adjustment of the carrying amount of our financial liability to reflect the revised estimated future cash flows from our credit facility. In the year ended June 30, 2021, the Group recognized a gain of \$0.4 million in the Income Statement as remeasurement of borrowing arrangements within finance costs. This remeasurement relates to the adjustment of the carrying amount of our financial liability to reflect the revised estimated future cash flows from our credit facility.

NovaQuest Capital Management, L.L.C.

On June 29, 2018, the Group entered into an eight-year, \$40.0 million loan and security agreement with NovaQuest before drawing the first tranche of \$30.0 million of the principal in July 2018. The loan term includes an interest only period of approximately four years through until July 8, 2022, then a four-year amortization period through until maturity on July 8, 2026. All interest and principal payments will be deferred until after the first commercial sale of remestemcel-L for the treatment in pediatric patients with SR-aGVHD, in the United States and other geographies excluding Asia ("pediatric SR-aGVHD"). Principal is repayable in equal quarterly instalments over the amortization period of the loan and is subject to the payment cap described below. The loan has a fixed interest rate of 15% per annum. If there are no net sales of remestemcel-L for pediatric SR-aGVHD, the loan is only repayable at maturity. The Group can elect to prepay all outstanding amounts owing at any time prior to maturity, subject to a prepayment charge, and may decide to do so if net sales of remestemcel-L for pediatric SR-aGVHD are significantly higher than current forecasts.

Following approval and first commercial sales, repayments commence based on a percentage of net sales and are limited by a payment cap which is equal to the principal due for the next 12 months, plus accumulated unpaid principal and accrued unpaid interest. During the four-year period commencing July 8, 2022, principal amortizes in equal quarterly instalments payable only after approval and first commercial sales. If in any quarterly period, 25% of net sales of remestemcel-L for pediatric SR-aGVHD exceed the annual payment cap, the Group will pay the payment cap and an additional portion of excess sales which will be used towards the prepayment amount in the event there is an early prepayment of the loan. If in any quarterly period 25% of net sales of remestemcel-L for pediatric SR-aGVHD is less than the annual payment cap, then the payment is limited to 25% of net sales of remestemcel-L for pediatric SR-aGVHD. Any unpaid interest will be added to the principal amounts owing and shall accrue further interest. At maturity date, any unpaid loan balances are repaid.

Because of this relationship of net sales and repayments, changes in our estimated net sales may trigger an adjustment of the carrying amount of the financial liability to reflect the revised estimated cash flows. The carrying amount adjustment is recalculated by computing the present value of the revised estimated future cash flows at the financial instrument's original effective interest rate. The adjustment is recognized in the Income Statement as remeasurement of borrowing arrangements within finance costs in the period the revision is made.

In the year ended June 30, 2022, the Group recognized a gain of \$0.5 million in the Income Statement as remeasurement of borrowing arrangements within finance costs in relation to the adjustment of the carrying amount of our financial liability to reflect the revised estimated future cash flows as a net result of changes to the key assumptions in development timelines. In the year ended June 30, 2021 and 2020, respectively, the Group recognized a gain of \$4.8 million and a loss of \$0.7 million in the Income Statement as remeasurement of borrowing arrangements within finance costs in relation to the adjustment of the carrying amount of our financial liability to reflect the revised estimated future cash flows.

The Group recognizes a liability as current based on repayments linked to estimates of sales of remestemcel-L. However, if sales of remestemcel-L are higher than estimated, actual repayments will exceed this amount, subject to the annual payment cap described above.

The carrying amount of the loan and security agreement with NovaQuest is subordinated to the Group's fixed rate loan with the senior creditor, Oaktree. The Group have pledged a portion of our assets relating to the SR-aGVHD product candidate as collateral under the loan facility with NovaQuest.

(ii) Compliance with loan covenants

Our loan facilities with Oaktree and NovaQuest contain a number of covenants that impose operating restrictions on us, which may restrict our ability to respond to changes in our business or take specified actions. The Group has an operating objective to at all times maintain unrestricted cash reserves in excess of six months liquidity. The objective aligns with our loan and security agreement with Oaktree where the Group is currently obliged to maintain a minimum unrestricted cash balance in the United States of \$35.0 million.

The Group has complied with the financial and other restrictive covenants of its borrowing facilities during the year ended June 30, 2022 and during the year ended June 30, 2021.

(iii) Net debt reconciliation

(in U.S. dollars, in thousands)	As of June 30,	
	2022	2021
Cash and cash equivalents	60,447	136,881
Borrowings	(96,634)	(94,245)
Lease liabilities	(10,271)	(11,250)
Warrant liability	(2,185)	—
Net Debt(1)	(48,643)	31,386
Cash and cash equivalents	60,447	136,881
Gross debt - fixed interest rates	(106,905)	(52,631)
Gross debt - variable interest rates	—	(52,864)
Warrant liability	(2,185)	—
Net Debt(1)	(48,643)	31,386

(1) Net debt amount includes leases and borrowing arrangements

(in U.S. dollars, in thousands)	Liabilities from financing activities				Other assets	Total
	Borrowings	Leases	Warrant liability	Sub-total	Cash and cash equivalents	
Net Debt as at June 30, 2021	(94,245)	(11,250)	—	(105,495)	136,881	31,386
Cash Flows(1)	14,512	3,427	(8,081)	9,858	(75,884)	(66,026)
Remeasurement adjustments	(382)	—	5,896	5,514	—	5,514
Other Changes(2)	(16,519)	(1,229)	—	(17,748)	—	(17,748)
Acquisition – leases	—	(1,463)	—	(1,463)	—	(1,463)
Foreign exchange adjustments	—	244	—	244	(550)	(306)
Net Debt as at June 30, 2022	(96,634)	(10,271)	(2,185)	(109,090)	60,447	(48,643)

(1) Cash flows include the payments of borrowings, lease liabilities and interest which are presented as financing cash flows in the statement of cash flows.
(2) Other changes include modification of leases and accrued interest expenses for borrowings and leases.

(iv) Fair values of borrowing arrangements

The carrying amount of the borrowings at amortized cost in accordance with our accounting policy is a reasonable approximation of fair value.

g. Recognized fair value measurements

(i) Fair value hierarchy

The following table presents the Group's financial assets and financial liabilities measured and recognized at fair value as of June 30, 2022 and June 30, 2021 on a recurring basis, categorized by level according to the significance of the inputs used in making the measurements:

As of June 30, 2022 (in U.S. dollars, in thousands)	Notes	Level 1	Level 2	Level 3	Total
Financial Assets					
Financial assets at fair value through other comprehensive income:					
Equity securities - biotech sector	5(c)	—	—	1,758	1,758
Total Financial Assets		—	—	1,758	1,758
Financial Liabilities					
Financial liabilities at fair value through profit or loss:					
Contingent consideration	5(g)(iii)	—	—	23,284	23,284
Warrant liabilities	5(g)(vi)	—	—	2,185	2,185
Total Financial Liabilities		—	—	25,469	25,469

There were no transfers between any of the levels for recurring fair value measurements during the period.

As of June 30, 2021 (in U.S. dollars, in thousands)	Notes	Level 1	Level 2	Level 3	Total
Financial Assets					
Financial assets at fair value through other comprehensive income:					
Equity securities - biotech sector	5(c)	—	—	2,080	2,080
Total Financial Assets		—	—	2,080	2,080
Financial Liabilities					
Financial liabilities at fair value through profit or loss:					
Contingent consideration	5(g)(iii)	—	—	25,409	25,409
Total Financial Liabilities		—	—	25,409	25,409

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and financial assets at fair value through other comprehensive income securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, foreign exchange contracts) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for provisions (contingent consideration), equity securities (unlisted) and warrant liabilities.

(ii) Valuation techniques used.

The Group did not hold any level 1 or 2 financial instruments as at June 30, 2022 or June 30, 2021.

The Group's level 3 assets consists of an investment in unlisted equity securities in the biotechnology sector. Level 3 assets were 100% of total assets measured at fair value as at June 30, 2022 and June 30, 2021. The Group's level 3 liabilities consist of a contingent consideration provision related to the acquisition of Osiris' MSC business and warrant liabilities related to the warrants

granted to Oaktree as part of the debt facility. Level 3 liabilities were 100% of total liabilities measured at fair value as at June 30, 2022 and June 30, 2021. The Group used discounted cash flow analysis to determine the fair value measurements of Osiris' MSC business and used the Black-Scholes valuation method to determine the fair value of warrant liabilities. Refer to Note 5(g)(vi) for the fair value measurement and movements in warrant liability for the period ended June 30, 2022 and June 30, 2021.

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in the contingent consideration balances within the level 3 instruments for the years ended June 30, 2022 and June 30, 2021:

(in U.S. dollars, in thousands)	Contingent consideration provision
Opening balance - July 1, 2020	45,166
Amount used during the period	(1,070)
Charged/(credited) to consolidated income statement:	
Remeasurement(1)	(18,687)
Closing balance - June 30, 2021	25,409
Opening balance - July 1, 2021	25,409
Amount used during the period	(1,212)
Charged/(credited) to consolidated income statement:	
Remeasurement(2)	(913)
Closing balance - June 30, 2022	23,284

- (1) In the year ended June 30, 2021 a gain of \$18.7 million was recognized on the remeasurement of contingent consideration pertaining to the acquisition of assets from Osiris. This gain was a net result of changing the key assumptions of the contingent consideration valuation such as probability of success and developmental timelines primarily as a result of receiving the Complete Response Letter from the FDA on the BLA for remestemcel-L for the treatment of pediatric SR-aGVHD on September 30, 2020.
- (2) In the year ended June 30, 2022 a gain of \$0.9 million was recognized on the remeasurement of contingent consideration pertaining to the acquisition of assets from Osiris. This remeasurement was a net result of changing key assumptions of the contingent consideration valuation such as developmental timelines, market growth and the increase in valuation as the time period shortens between the valuation date and the potential settlement dates of contingent consideration.

(iv) Valuation inputs and relationship to fair value

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

(in U.S. dollars, in thousands, except percent data) Description	Fair value as of June 30, 2022	Fair value as of June 30, 2021	Valuation technique	Unobservable inputs ⁽¹⁾	Range of inputs (weighted average)		Relationship of unobservable inputs to fair value
					Year Ended June 30, 2022	Year Ended June 30, 2021	
Contingent consideration provision	23,284	25,409	Discounted cash flows	Risk adjusted discount rate	11%-13% (12.5%)	11%-13% (12.5%)	Year ended June 30, 2022: A change in the discount rate by 0.5% would increase/decrease the fair value by 0.2%. Year ended June 30, 2021: A change in the discount rate by 0.5% would increase/decrease the fair value by 0.3%.
				Expected unit sales price	Various	Various	Year ended June 30, 2022: A change in the price assumptions by 10% would increase/decrease the fair value by 2%.
				Expected sales volumes	Various	Various	Year ended June 30, 2021: A change in the price assumptions by 10% would increase/decrease the fair value by 3%. Year ended June 30, 2022: A change in the volume assumptions by 10% would increase/decrease the fair value by 2%.
				Probability of success	Various	Various	Year ended June 30, 2021: A change in the volume assumptions by 10% would increase/decrease the fair value by 3%. Year ended June 30, 2022: A change in the probability of success assumptions by 10% and 20% would increase/decrease the fair value by 8.6% and 17.2%, respectively. Year ended June 30, 2021: A change in the probability of success assumptions by 10% and 20% would increase/decrease the fair value by 8.6% and 17.3%, respectively.

(1) There were no significant inter-relationships between unobservable inputs that materially affect fair values.

(v) Valuation processes

In connection with the Osiris acquisition, on October 11, 2013 (the "acquisition date"), an independent valuation of the contingent consideration was carried out by an independent valuer.

For the years ended June 30, 2022 and June 30, 2021, the Group has adopted a process to value contingent consideration internally. This valuation has been completed by the Group's internal valuation team and reviewed by the Chief Financial Officer (the "CFO"). The valuation team is responsible for the valuation model. The valuation team also manages a process to continually refine the key assumptions within the model. This is done with input from the relevant business units. The key assumptions in the model

have been clearly defined and the responsibility for refining those assumptions has been assigned to the most relevant business units. For each indication we determine the probability of success based on the current development status within each jurisdiction. Cash flows relevant to each jurisdiction are discounted appropriately based on the discount rate assumed. The remeasurement charged to the consolidated income statement in the year ended June 30, 2022 was a net result of changing the key assumptions of the contingent consideration valuation such as development timelines, market growth and the increase in valuation as the time period shortens between the valuation date and the potential settlement dates of contingent consideration.

The fair value of contingent consideration (in U.S. dollars, in thousands)	As of June 30,	
	2022	2021
Fair value of cash or stock payable, dependent on achievement of future late-stage clinical or regulatory targets	17,827	18,328
Fair value of royalty payments from commercialization of the intellectual property acquired	5,457	7,081
	23,284	25,409

The main level 3 inputs used by the Group are evaluated as follows:

Risk adjusted discount rate:	The discount rate used in the valuation has been determined based on required rates of returns of listed companies in the biotechnology industry (having regards to their stage of development, their size and number of projects) and the indicative rates of return required by suppliers of venture capital for investments with similar technical and commercial risks. This assumption is reviewed as part of the valuation process outlined above.
Expected unit sales prices:	Expected market sale price of the most comparable products currently available in the market place. This assumption is reviewed as part of the valuation process outlined above.
Expected sales volumes:	Expected sales volumes of the most comparable products currently available in the market place. This assumption is reviewed as part of the valuation process outlined above.
Probability of success:	Expected cash flows used to measure contingent consideration are risk adjusted for the probability of successful development of products. This assumption is reviewed as part of the valuation process outlined above.

(vi) Warrant liability

(in U.S. dollars, in thousands)	As of June 30,	
Warrant liability	2022	2021
Opening balance	—	—
Warrants fair value at grant date - November 19, 2021	8,081	—
Remeasurement of warrant liability	(5,896)	—
Closing Balance	2,185	—

On November 19, 2021, in connection with the \$60.0 million drawdown of the Oaktree debt, Oaktree was granted the right to warrants to purchase 1,769,669 ADSs at US\$7.26 per ADS, a 15% premium to the 30-day VWAP. Given that Oaktree received an unconditional right to the warrants on November 19, 2021, this date has been determined as the measurement date. The warrant instruments were issued on January 11, 2022, following the required administrative process, and these warrants may be exercised within 7 years of issuance of the warrant instruments. The warrants do not confer any rights to dividends or a right to participate in a new issue without exercising the warrant.

The exercise price of the warrants will be received in USD, which is different to Mesoblast Limited's functional currency of AUD which gives rise to variability in the cash flow. As a result, the warrants are classified as a financial liability in accordance with *IAS32 Financial Instruments: Presentation*. The financial liability is recorded in warrant liability at fair value at grant date and subsequently remeasured at each reporting period with changes being recorded in the Income Statement as remeasurement of warrant liability. The warrant liabilities are considered level 3 liabilities as the determination of fair value includes various assumptions about the share prices and historical volatility as inputs.

As at grant date of November 19, 2021 and June 30, 2022, the fair value of warrant liability was \$8.1 million and \$2.2 million, respectively. During the period ended June 30, 2022, a gain of \$5.9 million was recognized on the remeasurement of warrant liability.

(vii) Fair value of warrants

The warrants granted are not traded in an active market and therefore the fair value has been estimated by using the Black-Scholes valuation method based on the following assumptions. Key terms of the warrants are included below. The following assumptions were based on observable market conditions that existed at the issue date and as of June 30, 2022.

Assumption	As of June 30, 2022	At Grant date - November 19, 2021	Rationale
Share Price	US\$2.22	US\$6.24	Closing share price on valuation date from external market source
Exercise Price	US\$7.26	US\$7.26	As per subscription agreement
Expected Term	6 years 6 months	7 years	As per subscription agreement
Dividend Yield	0%	0%	Based on Company's nil dividend history
Expected Volatility	83.22%	83.94%	Based on historical volatility data for the Company
Risk Free Interest Rate	3.08%	1.46%	Based on the closing U.S treasury issued bonds with tenors approximating the expected term of the warrants
Fair value per warrant	US\$1.2350	US\$4.5664	Determined using Black Scholes-valuation model with the inputs above
Fair value	\$ 2,185,476	\$ 8,081,028	Fair value of 1,769,669 warrants as at grant date and as of June 30, 2022

6. Non-financial assets and liabilities

a. Property, plant and equipment

(in U.S. dollars, in thousands)	Plant and Equipment	Office Furniture and Equipment	Computer Hardware and Software	Total
Year Ended June 30, 2021				
Opening net book amount	1,336	707	250	2,293
Additions	1,427	138	156	1,721
Exchange differences	(75)	89	9	23
Depreciation charge	(735)	(123)	(158)	(1,016)
Closing net book value	1,953	811	257	3,021
As of June 30, 2021				
Cost	6,955	2,009	3,505	12,469
Accumulated depreciation	(5,002)	(1,198)	(3,248)	(9,448)
Net book value	1,953	811	257	3,021
Year Ended June 30, 2022				
Opening net book amount	1,953	811	257	3,021
Additions	143	3	42	188
Exchange differences	54	(70)	(4)	(20)
Depreciation charge	(942)	(52)	(150)	(1,144)
Closing net book value	1,208	692	145	2,045
As of June 30, 2022				
Cost	6,846	1,925	3,379	12,150
Accumulated depreciation	(5,638)	(1,233)	(3,234)	(10,105)
Net book value	1,208	692	145	2,045

(i) Depreciation methods and useful lives

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over the estimated useful lives. The estimated useful lives are:

- Plant and equipment 3 – 15 years
- Office furniture and equipment 3 – 10 years
- Computer hardware and software 3 – 4 years

See Note 23(o) for other accounting policies relevant to property, plant and equipment.

b. Leases

(i) Amounts recognized on the balance sheet

Right-of-use assets

(in U.S. dollars, in thousands)	Buildings	Manufacturing	Total
Year Ended June 30, 2021			
Opening net book amount	3,760	4,218	7,978
Additions	395	—	395
Reassessment	2,721	842	3,563
Exchange differences	232	—	232
Depreciation charge	(1,691)	(1,358)	(3,049)
Closing net book value	5,417	3,702	9,119
As of June 30, 2021			
Cost	8,665	5,684	14,349
Accumulated depreciation	(3,248)	(1,982)	(5,230)
Net book value	5,417	3,702	9,119
Year Ended June 30, 2022			
Opening net book amount	5,417	3,702	9,119
Additions	1,464	—	1,464
Reassessment	97	494	591
Exchange differences	(165)	—	(165)
Depreciation charge	(1,717)	(1,372)	(3,089)
Closing net book value	5,096	2,824	7,920
As of June 30, 2022			
Cost	9,957	6,178	16,135
Accumulated depreciation	(4,861)	(3,354)	(8,215)
Net book value	5,096	2,824	7,920

Lease liabilities

	As of June 30,	
	2022	2021
Current	3,186	2,765
Non-current	7,085	8,485
Lease liabilities included in the balance sheet	10,271	11,250

The lease liability is measured at the present value of the fixed and variable lease payments net of cash lease incentives that are not paid at the balance date. Lease payments are apportioned between the finance charges and reduction of the lease liability using the incremental borrowing rate to achieve a constant rate of interest on the remaining balance of the liability. Lease payments for buildings exclude service fees for cleaning and other costs. The interest expense (included in finance costs) for leases was \$0.6 million for the year ended June 30, 2022 and 2021, respectively, and \$0.5 million for the year ended June 30, 2020. In the year ended June 30, 2022 and 2021, total payments associated with lease liabilities were \$3.4 million and \$3.5 million, respectively.

Payments associated with short-term leases with a lease term of 12 months or less, contracts that contain lease and non-lease components that are cancellable within 12 months and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. The expense relating to short term leases was \$3.2 million for the year ended June 30, 2022 and \$3.6 million for the year ended June 30, 2021.

(ii) Depreciation methods and useful lives of right-of-use assets

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over the estimated useful lives. Depreciation for leases for the years ended June 30, 2022, 2021 and 2020 was \$1.7 million, \$1.7 million and \$1.5 million, respectively.

(iii) Extension and termination options

Extension options and termination options may be included in the right-of-use asset leases across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options and periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

A right-of-use asset and lease liability has been recognized in relation to the manufacturing service agreement entered into with Lonza in October 2019 for the supply of commercial product for the potential approval and launch of remestemcel-L for the treatment of SR-aGVHD in the US market. Management has determined that this agreement has a non-cancellable lease term expiring within 3 years, at which time the Group has the option to exercise an extension or terminate the agreement.

As of June 30, 2022, the anticipated future contractual cash flows relating to the lease component of the Lonza agreement are \$4.1 million on an undiscounted basis, as included within lease liabilities in Note 10(c). The anticipated future contractual cash flows exclude cashflows beyond the initial non-cancellable lease term as it is not reasonably certain the Group will extend the agreement.

See Note 23(v) for other accounting policies relevant to lease accounting.

c. Intangible assets

(in U.S. dollars, in thousands)	Goodwill	Acquired licenses to patents	In-process research and development acquired	Current marketed products	Total
Year Ended June 30, 2021					
Opening net book amount	134,453	1,673	427,779	17,696	581,601
Additions	—	500	—	—	500
Exchange differences	—	1	—	21	22
Amortization charge	—	(102)	—	(1,475)	(1,577)
Closing net book amount	134,453	2,072	427,779	16,242	580,546
As of June 30, 2021					
Cost	134,453	3,407	489,698	23,999	651,557
Accumulated amortization	—	(1,335)	—	(7,757)	(9,092)
Accumulated impairment	—	—	(61,919)	—	(61,919)
Net book amount	134,453	2,072	427,779	16,242	580,546
Year Ended June 30, 2022					
Opening net book amount	134,453	2,072	427,779	16,242	580,546
Additions/(Reversals)	—	(450)	—	—	(450)
Exchange differences	—	74	—	1	75
Amortization charge	—	(64)	—	(1,455)	(1,519)
Closing net book amount	134,453	1,632	427,779	14,788	578,652
As of June 30, 2022					
Cost	134,453	2,987	489,698	24,000	651,138
Accumulated amortization	—	(1,355)	—	(9,212)	(10,567)
Accumulated impairment	—	—	(61,919)	—	(61,919)
Net book amount	134,453	1,632	427,779	14,788	578,652

(i) Carrying value of in-process research and development acquired by product

(in U.S. dollars, in thousands)	As of June 30,	
	2022	2021
Cardiovascular products(1)	254,351	254,351
Intravenous products for metabolic diseases and inflammatory/immunologic conditions(2)	70,730	70,730
MSC products(3)	102,698	102,698
	<u>427,779</u>	<u>427,779</u>

(1) Includes MPC-150-IM for the treatment or prevention of chronic heart failure and MPC-25-IC for the treatment or prevention of acute myocardial infarction

(2) Includes MPC-300-IV for the treatment of biologic-refractory rheumatoid arthritis and diabetic nephropathy

(3) Includes remestemcel-L for the treatment of children with SR-aGVHD and remestemcel-L for the treatment of Crohn's disease

For all products included within the above balances, the underlying currency of each item recorded is USD.

(ii) *Amortization methods and useful lives*

The Group amortizes intangible assets with a finite useful life using the straight-line method over the following periods:

- Acquired licenses to patents 7 – 16 years
- Current marketed products 15 – 20 years

See Note 23(p) for the other accounting policies relevant to intangible assets and Note 23(j) for the Group's policy regarding impairments.

(iii) *Significant estimate: Impairment of goodwill and assets with an indefinite useful life*

The Group tests annually whether goodwill and its assets with indefinite useful lives have suffered any impairment in accordance with its accounting policy stated in Note 23(j). The recoverable amounts of these assets and cash-generating units have been determined based on fair value less costs to dispose calculations, which require the use of certain assumptions. A full annual impairment assessment was performed at March 31, 2022 and no impairment of the in-process research and development and goodwill was identified.

(iv) *Impairment tests for goodwill and intangible assets with an indefinite useful life*

The Group has recognized goodwill as a result of two separate acquisitions. Goodwill of \$118.4 million was recognized on acquisition of Angioblast Systems Inc. in 2010, \$13.9 million was recognized on the acquisition of the MSC assets from Osiris ("MSC business combination") in 2013 and \$2.1 million was recognized on finalization of the MSC business combination of Osiris in 2015. In all cases the goodwill recognized represented excess in the purchase price over the net identifiable assets and in-process research and development acquired in the transaction.

On acquisition, goodwill was not able to be allocated to the cash generating unit ("CGU") level or to a group of CGU given the synergies of the underlying research and development. For the purpose of impairment testing, goodwill is monitored by management at the operating segment level. The Group is managed as one operating segment, being the development of cell technology platform for commercialization.

IFRS requires that acquired in-process research and development be measured at fair value and carried as an indefinite life intangible asset subject to annual impairment reviews. The Group have recognized in-process research and development as a result of two separate acquisitions. In-process research and development of \$387.0 million was recognized on the acquisition of Angioblast Systems Inc. in 2010 and \$126.7 million was recognized on the acquisition of assets from Osiris in 2013 and \$24.0 million was reclassified to current marketed products upon the TEMCELL asset becoming available for use in Japan. In 2016, the Group fully impaired \$61.9 million of in-process research and development relating to our product candidates, MPC-MICRO-IO for the treatment of age-related macular degeneration and MPC-CBE for the expansion of hematopoietic stem cells within cord blood, as the Group suspended further patient enrollment of the Phase IIa MPC-MICRO-IO clinical trial and the Phase III MPC-CBE clinical trial as the Group prioritized the funding of our Tier 1 product candidates.

The Group still believe these product candidates remain viable upon further funding, or partnership, and accordingly these products should not be regarded as abandoned, where typically, abandoned programs would be closed down and the related research and development efforts are considered impaired and the asset is fully expensed. The remaining carrying amount of in-process research and development as at June 30, 2022 and June 30, 2021 was \$427.8 million.

In-process research and development acquired is considered to be an indefinite life intangible asset on the basis that it is incomplete and cannot be used in its current form (see Note 23(p)(iii)). The intangible asset's life will remain indefinite until such time it is completed and commercialized or impaired. The carrying value of in-process research and development is a separate asset which has been subject to impairment testing at the cash generating unit level, which has been determined to be at the product level.

The recoverable amount of both goodwill and in-process research and development was assessed as of March 31, 2022 based on the fair value less costs to dispose. Management assess for indicators of impairment as at June 30, 2022 including considering events up to the date of the approval financial statements. No impairment as at June 30, 2022, was identified.

(v) Key assumptions used for fair value less costs to dispose calculations

In determining the fair value less costs to dispose the Group has given consideration to the following internal and external indicators:

- discounted expected future cash flows of programs valued by the Group's internal valuation team and reviewed by the CFO. The valuation team is responsible for the valuation model. The valuation team also manages a process to continually refine the key assumptions within the model. This is done with input from the relevant business units. The key assumptions in the model have been clearly defined and the responsibility for refining those assumptions has been assigned to the most relevant business units. When determining key assumptions, the business units refer to both external sources and past experience as appropriate. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation;
- the scientific results and progress of the trials since acquisition;
- the market capitalization of the Group on the ASX (ASX:MSB) on the impairment testing date of March 31, 2022; and
- the valuation of the Group's assets from an independent valuation as of March 31, 2020.

Costs of disposal were assumed to be immaterial as at March 31, 2022.

Discounted cash-flows used a real post-tax discount rate range of 13.8% to 15.5%, and include estimated real cash inflows and outflows for each program through to expected patent expiry which ranges from 11 to 23 years.

In relation to cash outflows consideration has been given to cost of goods sold, selling costs and clinical trial schedules including estimates of numbers of patients and per patient costs. Associated expenses such as regulatory fees and patent maintenance have been included as well as any further preclinical development if applicable.

In relation to cash inflows consideration has been given to product pricing, market population and penetration, sales rebates and discounts, launch timings and probability of success in the relevant applicable markets.

The assessment of goodwill showed the recoverable amount of the Group's operating segment, including goodwill and remaining in-process research and development, exceeds the carrying amounts, and therefore there is no impairment. Additionally, the recoverable amount of remaining in-process research and development also exceeds the carrying amounts, and therefore there is no impairment.

There are no standard growth rates applied, other than our estimates of market penetration which increase initially, plateau and then decline.

The assessment of the recoverable amount of each product has been made in accordance with the discounted cash-flow assumptions outlined above. The assessment showed that the recoverable amount of each product exceeds the carrying amount and therefore there is no impairment.

(vi) Impact of possible changes in key assumptions

The Group has considered and assessed reasonably possible changes in the key assumptions and has not identified any instances that could cause the carrying amount of our intangible assets as at June 30, 2022 to exceed its recoverable amount.

Whilst there is no impairment, the key sensitivities in the valuation remain the continued successful development of our technology platform. If the Group is unable to successfully develop our technology platforms, an impairment of the carrying amount of our intangible assets may result.

d. Provisions

(in U.S. dollars, in thousands)	As of			As of		
	Current	June 30, 2022 Non-current	Total	Current	June 30, 2021 Non-current	Total
Contingent consideration	10,823	12,461	23,284	10,764	14,645	25,409
Employee benefits	3,333	62	3,395	4,195	47	4,242
Provision for license agreements	3,750	—	3,750	3,751	2,325	6,076
	<u>17,906</u>	<u>12,523</u>	<u>30,429</u>	<u>18,710</u>	<u>17,017</u>	<u>35,727</u>

(i) Information about individual provisions and significant estimates

Contingent consideration

The contingent consideration provision relates to the Group's liability for certain milestones and royalty achievements pertaining to the acquired MSC assets from Osiris. Further disclosures can be found in Note 5(g)(iii).

Employee benefits

The provision for employee benefits relates to the Group's liability for annual leave, short term incentives and long service leave.

Employee benefits include accrued annual leave. As of June 30, 2022 and 2021, the entire amount of the annual leave accrual was \$1.0 million and \$1.0 million respectively, and is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations.

(ii) Movements

The contingent consideration provision relates to the Group's liability for certain milestones and royalty achievements. Refer to Note 5(g)(iii) for movements in contingent consideration for the years ended June 30, 2022 and 2021.

e. Deferred tax balances

(i) Deferred tax balances

(in U.S. dollars, in thousands)	As of June 30,	
	2022	2021
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Tax losses	80,411	71,916
Other temporary differences	7,831	8,248
Total deferred tax assets	88,242	80,164
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Intangible assets	88,242	80,164
Total deferred tax liabilities	88,242	80,164
Net deferred tax liabilities	—	—

(ii) Movements

(in U.S. dollars, in thousands)	Tax losses ⁽¹⁾ (DTA)	Other temporary differences ⁽¹⁾ (DTA)	Intangible assets (DTL)	Total (DTL)
As of June 30, 2020	(72,899)	(6,196)	79,825	730
Charged/(credited) to:				
- profit or loss	1,449	(2,609)	339	(821)
- directly to equity	(466)	557	—	91
As of June 30, 2021	(71,916)	(8,248)	80,164	—
Charged/(credited) to:				
- profit or loss	(8,742)	425	8,078	(239)
- directly to equity	247	(8)	—	239
As of June 30, 2022	(80,411)	(7,831)	88,242	—

(1) Deferred tax assets are netted against deferred tax liabilities.

f. Deferred consideration

(in U.S. dollars, in thousands)	As of June 30,	
	2022	2021
Opening balance ⁽¹⁾	2,500	2,500
Milestone consideration received during the period	—	—
Amount recognized as revenue during the period	—	—
Balance as of the end of the period	2,500	2,500

(1) The \$2.5 million milestone payment received in December 2019 from Gr^onenthal was considered constrained and resulted in deferred consideration as of June 30, 2022.

7. Equity

a. Contributed equity

(i) Share capital

	As of June 30,			As of June 30,		
	2022	2021	2020	2022	2021	2020
	Shares No.			(U.S. dollars, in thousands)		
Contributed equity						
(i) Share capital						
Ordinary shares	650,454,551	648,696,070	583,949,612	1,165,309	1,163,153	1,051,450
Less: Treasury Shares	(542,903)	(771,983)	(3,500,000)	—	—	—
Total Contributed Equity	649,911,648	647,924,087	580,449,612	1,165,309	1,163,153	1,051,450

(ii) Movements in ordinary share capital

	As of June 30,			As of June 30,		
	2022	2021	2020	2022	2021	2020
	Shares No.			(U.S. dollars, in thousands)		
Opening balance	648,696,070	583,949,612	498,626,208	1,163,153	1,051,450	910,405
Issues of ordinary shares during the period						
Exercise of share options ⁽¹⁾	—	—	4,223,404	209	9,223	4,364
Transfer to employee share trust ⁽¹⁾	—	3,450,000	—	—	—	—
Share based compensation for services rendered	1,758,481	1,187,168	600,000	1,698	1,867	864
Placement of shares under a share placement agreement ⁽²⁾	—	60,109,290	80,500,000	—	97,031	139,483
Transaction costs arising on share issue	—	—	—	21	(1,312)	(6,871)
Total contributions of equity during the period	1,758,481	64,746,458	85,323,404	1,928	106,809	137,840
Share options reserve transferred to equity on exercise of options	—	—	—	228	4,894	3,205
Ending balance	650,454,551	648,696,070	583,949,612	1,165,309	1,163,153	1,051,450

(1) Options are issued to employees, directors and consultants in accordance with the Mesoblast Employee Share Option Plan. From July 1, 2020, unpaid shares are issued to the share trust to enable future option exercises to be settled. On exercise of options, the proceeds of the exercise are recorded in ordinary share capital in Mesoblast Limited and the exercise is settled by transfer of the shares from the share trust to the employee. Prior to July 1, 2020, the shares issued and share capital received on the exercise of options were recorded in ordinary share capital.

(2) In October 2019, the Group completed a A\$75.0 million (US\$50.7 million) capital raise through the placement of 37.5 million new fully-paid ordinary shares at a price of A\$2.00 per share to existing and new institutional investors, representing a 3.15% discount to the 10 day volume weighted average price calculated at the close of trading. In May 2020, the Group completed a A\$138.0 million (US\$88.8 million) capital raise through the placement of 43.0 million new fully-paid ordinary shares at a price of A\$3.20 per share to existing and new institutional investors, representing a 7% discount to the 5 day volume weighted average price calculated at the close of trading May 8, 2020.

- (3) In March 2021, 60,109,290 shares were issued in an equity purchase of Mesoblast Limited at A\$2.30 per share to existing and new institutional investors, representing a 6.50% discount to the price calculated at the close of trading February 25, 2021. The investors also received warrants to acquire a further 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 March 15, 2028. These warrants have been classified within warrant reserves, refer to Note 7(b).

(iii) *Movements of shares in share trust*

	As of June 30		As of June 30	
	2022	2021	2022	2021
	Shares No.		(U.S. dollars, in thousands)	
Opening balance ⁽¹⁾	771,983	3,500,000	—	—
Movement of shares in share trust				
Transfer to employee share trust ⁽²⁾	—	3,450,000	—	—
Exercise of share options ⁽²⁾	(229,080)	(6,178,017)	—	—
Ending balance	542,903	771,983	—	—

- (1) In July 2020, the Group formed the Mesoblast Employee Share Trust, being a new trust formed to administer the Group's employee share scheme. Prior to forming the new trust, the Group had been using the Mesoblast Limited Employee Share Trust for administering some aspects of the Group's employee share scheme. In July 2020, 3,500,000 shares were transferred from Mesoblast Limited Employee Share Trust to the new Mesoblast Employee Share Trust. These trusts have been consolidated, as the substance of the relationship is that the trusts are controlled by the Group.
- (2) Options are issued to employees, directors and consultants in accordance with the Mesoblast Employee Share Option Plan. From July 1, 2020, unpaid shares are issued to the share trust to enable future option exercises to be settled. On exercise of options, the proceeds of the exercise are recorded in ordinary share capital in Mesoblast Limited and the exercise is settled by transfer of the shares from the share trust to the employee. Prior to July 1, 2020, the shares issued and share capital received on the exercise of options were recorded in ordinary share capital.

(iv) *Ordinary shares*

Ordinary shares participate in dividends and the proceeds on winding up of the Group in equal proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. Ordinary shares have no par value and the Company does not have a limited amount of authorized capital.

(v) *Employee share options*

Information relating to the Group's employee share option plan, including details of shares issued under the scheme, is set out in Note 17.

b. Reserves

(i) *Reserves*

(in U.S. dollars, in thousands)	As at June 30,	
	2022	2021
Share-based payments reserve	97,924	92,855
Investment revaluation reserve	(542)	(220)
Foreign currency translation reserve	(39,700)	(39,791)
Warrants reserve	12,969	12,969
	70,651	65,813

(ii) Reconciliation of reserves

(in U.S. dollars, in thousands)	As at June 30,	
	2022	2021
Share-based payments reserve		
Opening balance	92,855	85,330
Tax credited / (debited) to equity	(239)	(91)
Transfer to ordinary shares on exercise of options	(228)	(4,894)
Share-based payment expense for the year	5,536	12,510
Closing Balance	97,924	92,855
Investment revaluation reserve		
Opening balance	(220)	(429)
Changes in the fair value of financial assets through other comprehensive income	(322)	209
Closing Balance	(542)	(220)
Foreign currency translation reserve		
Opening balance	(39,791)	(38,267)
Currency gain/(loss) on translation of foreign operations net assets	91	(1,524)
Closing Balance	(39,700)	(39,791)
Warrant reserve		
Opening balance	12,969	—
Warrants fair value at issue date - March 18, 2021	—	12,969
Closing Balance	12,969	12,969

(iii) Nature and purpose of reserves

Share-based payment reserve

The share-based payments reserve is used to recognize:

- the fair value⁽¹⁾ of options issued but not exercised; and
- the fair value⁽¹⁾ of deferred shares granted but not yet vested.

(1) The fair value recognized is determined at the acceptance date, which is the date at which the entity and the employee agree to a share-based payment arrangement, being when the entity and the employee have a shared understanding of the terms and conditions of the arrangement.

Foreign currency translation reserve

Exchange differences arising on translation of a foreign controlled entity are recognized in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Warrants reserve

In March 2021, the Group completed a A\$138.0 million (US\$110.0 million) private placement of 60,109,290 new fully-paid ordinary shares at a price of A\$2.30. As part of this placement, the Group also issued one warrant for every four ordinary shares issued in the placement, which resulted in a further 15,027,327 warrants issued. Each warrant has an exercise price of A\$2.88 per share and a 7 year term. The Group has a right to compel exercise of the warrants at any time, subject to the price of the Group's ordinary shares trading at least A\$4.32 for 45 consecutive days on the ASX. The warrants do not confer any rights to dividends or a right to participate in a new issue without exercising the warrant.

The terms of the warrants include certain anti-dilution clauses, which adjust the exercise price or conversion ratio in the event of a rights issue or bonus issue. Management analyzed these clauses and determined the fixed-for-fixed requirement was still satisfied because the relative rights of shareholders and warrant holders were maintained. Therefore the warrants were classified as equity. The warrants were initially measured in equity at fair value, which was determined using a Monte Carlo simulation (refer to Note 7(b)(iv)),

with the residual consideration being attributed to the ordinary shares issued in the same transaction. The warrants are not remeasured for subsequent changes in fair value.

(iv) Fair value of warrants

The warrants granted are not traded in an active market and therefore the fair value has been estimated by using the Monte Carlo pricing model based on the following assumptions. Key terms of the warrants are included above. The following assumptions were based on observable market conditions that existed at the issue date.

Assumption	At Issue date - March 18, 2021	Rationale
Share Price	A\$2.41	Closing share price on valuation date from external market source
Exercise Price	A\$2.88	As per subscription agreement
Expected Term	7 years	As per subscription agreement
Dividend Yield	0%	Based on Company's nil dividend history
Expected Volatility	66.88%	Based on historical volatility data for the Company
AS-US\$ FX Spot Rate	0.7827	Closing FX rate on valuation date from the Reserve Bank of Australia historical foreign exchange rate tables
Risk Free Interest Rate	1.24%	Based on the mid-point of the Australian Government issued 5 year and 10 year bonds
Fair value per warrant	A\$1.103 US\$0.863	Determined using Monte Carlo pricing models with the inputs above
Fair value	\$ 12,968,583	Fair value of 15,027,327 warrants as at issue date

8. Cash flow information

(in U.S. dollars, in thousands)	As of June 30,		
(a) Reconciliation of cash and cash equivalents	2022	2021	2020
Cash at bank	60,034	136,430	128,916
Deposits at call	413	451	412
	60,447	136,881	129,328
(in U.S. dollars, in thousands)	As of June 30,		
(b) Reconciliation of net cash flows used in operations with loss after income tax	2022	2021	2020
Loss for the period	(91,347)	(98,811)	(77,940)
Add/(deduct) net loss for non-cash items as follows:			
Depreciation and amortization	4,380	4,264	3,667
Foreign exchange (gains)/losses	536	(1,499)	(302)
Finance costs	16,906	15,936	14,747
Remeasurement of borrowing arrangements	382	(5,225)	(607)
Remeasurement of contingent consideration	(913)	(18,687)	(1,380)
Remeasurement of warrant liabilities	(5,896)	—	—
Equity settled share-based payment	5,536	12,510	7,522
Deferred tax benefit	(235)	(819)	(9,415)
Change in operating assets and liabilities:			
Decrease/(increase) in trade and other receivables	140	(1,739)	890
Decrease/(increase) in prepayments	1,555	(213)	2,292
Increase/(decrease) in trade creditors and accruals	4,777	(5,061)	3,601
Increase/(decrease) in provisions	(1,603)	(1,405)	(7,500)
Net cash outflows used in operations	(65,782)	(100,749)	(50,418)

9. Significant estimates, judgments and errors

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgment or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgments is included in Notes 1 to 8 together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

Significant estimates and judgments

The areas involving significant estimates or judgments are:

- recognition of revenue (Note 3 and Note 23(e));
- fair value of contingent liabilities and contingent purchase consideration in a business combination (Note 5(g) and 13);
- recoverable amount of goodwill and other intangible assets including in-process research and development (Note 6(c));
- useful life of intangible assets (Note 6(c));
- recognition of deferred tax assets and deferred tax liabilities (Note 4);
- fair value of share-based payments (Note 17);
- remeasurement of borrowings due to change in estimated cash flows (Note 5(f));
- recognition of pre-launch inventory costs (Note 23(f)); and
- fair value of warrant liability (Note 5(g)).

The preparation of these consolidated financial statements requires the Group to make estimates and judgments that affect the reported amounts of assets, liabilities, income and expenses and related disclosures. On an ongoing basis, the Group evaluates its significant accounting policies and estimates. Estimates are based on historical experience and on various market-specific and other relevant assumptions that the Group believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

10. Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

Risk	Exposure arising from	Measurement	Management
Market risk – currency risk	Future commercial transactions Recognized financial assets and liabilities not denominated in the functional currency of each entity within the Group	Cash flow forecasting Sensitivity analysis	The future cash flows of each currency are forecast and the quantum of cash reserves held for each currency are managed in line with future forecasted requirements. Cross currency swaps are undertaken as required.
Market risk – interest rate risk	Long-term borrowings at floating rates	Sensitivity analysis	The Group does not currently have long-term borrowings at floating rates. Previously, long-term borrowings at floating rates were managed as follows: The facility could be refinanced and/or repaid. Interest rate swaps could be entered into to convert the floating interest rate to a fixed interest rate as required.

	Term deposits at fixed rates	Sensitivity analysis	Vary length of term deposits, utilize interest bearing accounts and periodically review interest rates available to ensure we earn interest at market rates.
Market risk – price risk	Long-term borrowings	Sensitivity analysis	Forecasts of net sales of the product underlying the NovaQuest borrowing arrangement are updated on a quarterly basis to evaluate the impact on the carrying amount of the financial liability.
Credit risk	Cash and cash equivalents, and trade and other receivables	Aging analysis Credit ratings	Only transact with the best risk rated banks available in each region giving consideration to the products required.
Liquidity risk	Cash and cash equivalents Borrowings	Rolling cash flow forecasts	Future cash flows requirements are forecasted and capital raising strategies are planned to ensure sufficient cash balances are maintained to meet the Group's future commitments.

a. Market risk

(i) Currency risk

The Group has foreign currency amounts owing relating to clinical, regulatory and overhead activities and foreign currency deposits held primarily in the Group's Australian based entity, whose functional currency is the AS. The Group also has foreign currency amounts owing in the Group's Swiss and Singapore based entities, whose functional currencies are the US\$. The Group also has foreign currency amounts owing in various other non-US\$ currencies in AS and US\$ functional currency entities in the Group relating to clinical, regulatory and overhead activities. These foreign currency balances give rise to a currency risk, which is the risk of the exchange rate moving, in either direction, and the impact it may have on the Group's financial performance.

Currency risk is minimized by ensuring the proportion of cash reserves held in each currency matches the expected rate of spend of each currency.

As of June 30, 2022, the Group held 97% of its cash in USD, and 3% in AUD. As of June 30, 2021 the Group held 89% of its cash in USD, and 11% in AUD.

The balances held at the end of the year that give rise to currency risk exposure are presented in USD in the following table, together with a sensitivity analysis which assesses the impact that a change of +/-20% in the exchange rate as of June 30, 2022 and June 30, 2021 would have had on the Group's reported net profits/(losses) and/or equity balance. The bank balances held at the end of the year that are presented in the following table give rise to currency risk exposure as they are not in the functional currency of the entity in which it is held.

(in U.S. dollars, in thousands) As of June 30, 2022	Foreign currency balance held	+20% Profit/(Loss) USD	-20% Profit/(Loss) USD
Bank accounts – USD	USD 93	\$ 19	\$ (19)
Bank accounts – CHF	CHF 55	\$ 12	\$ (12)
Bank accounts – SGD	SGD 140	\$ 20	\$ (20)
Bank accounts – EUR	EUR 289	\$ 60	\$ (60)
Trade and other receivables - SGD	SGD 205	\$ 30	\$ (30)
Trade and other receivables - CHF	CHF 6	\$ 1	\$ (1)
Trade and other receivables - EUR	EUR 153	\$ 32	\$ (32)
Trade payables and accruals - USD	(USD 274)	\$ (55)	\$ 55
Trade payables and accruals - AUD	(AUD 752)	\$ (104)	\$ 104
Trade payables and accruals - SGD	(SGD 429)	\$ (62)	\$ 62
Trade payables and accruals - GBP	(GBP 50)	\$ (12)	\$ 12
Trade payables and accruals - EUR	EUR (42)	\$ (9)	\$ 9
Trade payables and accruals - CHF	(CHF 36)	\$ (7)	\$ 7
Provisions – USD	(USD 1,750)	\$ (350)	\$ 350
Provisions – SGD	(SGD 62)	\$ (9)	\$ 9
		\$ (434)	\$ 434

(in U.S. dollars, in thousands) As of June 30, 2021	Foreign currency balance held	+20% Profit/(Loss) USD	-20% Profit/(Loss) USD
Bank accounts – USD	USD 2	\$ 0	\$ (0)
Bank accounts – CHF	CHF 68	\$ 15	\$ (15)
Bank accounts – SGD	SGD 33	\$ 5	\$ (5)
Bank accounts – EUR	EUR 147	\$ 35	\$ (35)
Trade and other receivables - SGD	SGD 369	\$ 55	\$ (55)
Trade and other receivables - CHF	CHF 5	\$ 1	\$ (1)
Trade and other receivables - EUR	EUR 136	\$ 32	\$ (32)
Trade payables and accruals - USD	(USD 1,792)	\$ (358)	\$ 358
Trade payables and accruals - AUD	(AUD 392)	\$ (59)	\$ 59
Trade payables and accruals - SGD	(SGD 356)	\$ (53)	\$ 53
Trade payables and accruals - GBP	(GBP 47)	\$ (13)	\$ 13
Trade payables and accruals - EUR	EUR (53)	\$ (13)	\$ 13
Trade payables and accruals - CHF	(CHF 53)	\$ (12)	\$ 12
Provisions – USD	(USD 1,750)	\$ (350)	\$ 350
Provisions – SGD	(SGD 94)	\$ (14)	\$ 14
		\$ (729)	\$ 729

(ii) Cash flow and interest rate risk

The Group's main interest rate risk arises from long-term borrowings with a floating interest rate, which exposes the Group to cash flow interest rate risk. As interest rates fluctuate, the amount of interest payable on financing where the interest rate is not fixed will also fluctuate. The Group can repay its loan facility at its discretion and can also refinance if the terms are suitable in the marketplace or from the existing lender. In November 2021, the Group refinanced its variable interest rate loan with a fixed rate loan thereby eliminating its current exposure to interest rate risk on long-term borrowings. As at June 30, 2022, the Group does not hold any floating interest rate borrowings.

The exposure of the Group's borrowing to interest rate changes are as follows:

(in U.S. dollars, in thousands, except percent data)	As of Jun 30, 2022		As of June 30, 2021	
	Total	% of total loans	Total	% of total loans
Financial liabilities				
Current borrowings				
Variable rate borrowings – Hercules	—	0%	52,864	55%
Non-current borrowings				
Variable rate borrowings – Hercules	—	0%	—	0%
	<u>—</u>	<u>0%</u>	<u>52,864</u>	<u>55%</u>

An analysis by maturities is provided in Note 10(c) below. The percentage of total loans shows the proportion of loans that are currently at variable rates in relation to the total amount of borrowings.

The borrowings which expose the Group to interest rate risk are described in the table below, together with the maximum and minimum interest rates being earned as of June 30, 2022 and June 30, 2021. The effect on profit is shown if interest rates change by 5%, in either direction, is as follows:

(in U.S. dollars, in thousands, except percent data)	As of Jun 30, 2022			As of June 30, 2021		
	Low	High	USD	Low	High	USD
Borrowings – USD	0.00%	0.00%	0(1)	9.70%	9.70%	52,864(1)
Rate increase by 5%	0.00%	0.00%	-	10.19%	10.19%	243
Rate decrease by 5%	0.00%	0.00%	-	9.22%	9.22%	(243)

(1) Effect on profit/loss of interest rate changes is based on the loan principal amount of nil as of June 30, 2022, and loan principal amount of \$50.0 million as of June 30, 2021. In November 2021, proceeds provided by Oaktree were used to repay the outstanding balance with Hercules.

The Group is also exposed to interest rate movements which impacts interest income earned on its deposits and at call accounts. The interest income derived from these balances can fluctuate due to interest rate changes. This interest rate risk is managed by periodically reviewing interest rates available for suitable interest bearing accounts to ensure we earn interest at market rates. The Group ensures that sufficient funds are available, in at call accounts, to meet the working capital requirements of the Group.

The deposits held which derive interest revenue are described in the table below, together with the maximum and minimum interest rates being earned as of June 30, 2022 and June 30, 2021. The effect on profit is shown if interest rates change by 10%, in either direction, is as follows:

(in U.S. dollars, in thousands, except percent data)	As of Jun 30, 2022			As of June 30, 2021		
	Low	High	USD	Low	High	USD
Funds invested – USD	0.00%(1)	0.00%(1)	49,383	0.00%(1)	0.00%(1)	107,564
Rate increase by 10%	0.03%(1)	0.03%(1)	15	0.03%(1)	0.03%(1)	32
Rate decrease by 10%	0.03%(1)	0.03%(1)	(15)	0.03%(1)	0.03%(1)	(32)

AUD	As of Jun 30, 2022			As of June 30, 2021		
	Low	High	AUD	Low	High	AUD
Funds invested – AUD	1.50%	1.50%	600	0.24%	0.24%	600
Rate increase by 10%	1.65%	1.65%	1	0.26%	0.26%	0
Rate decrease by 10%	1.35%	1.35%	(1)	0.22%	0.22%	(0)

(1) The interest rate reduced to 0% during the period ended June 30, 2021 and has remained at 0% for the period ended June 30, 2022. The sensitivity assumes the interest rate to increase or decrease by 0.03%, which is consistent with prior periods.

(iii) Price risk

Price risk is the risk that future cash flows derived from financial instruments will be altered as a result of a market price movement, which is defined as movements other than foreign currency rates and interest rates. The Group is exposed to price risk which arises from long-term borrowings under its facility with NovaQuest, where the timing and amounts of principal and interest payments is dependent on net sales of remestemcel-L for the treatment of SR-aGVHD in pediatric patients in the United States and other territories excluding Asia. As net sales of remestemcel-L for the treatment of SR-aGVHD in pediatric patients in these territories increase/decrease, the timing and amount of principal and interest payments relating to the financing arrangement will also fluctuate, resulting in an adjustment to the carrying amount of financial liability. The adjustment is recognized in the Income Statement as remeasurement of borrowing arrangements within finance costs in the period the revision is made.

The exposure of the Group's borrowing to price rate changes are as follows:

(in U.S. dollars, in thousands, except percent data)	As of Jun 30, 2022		As of June 30, 2021	
	Total	% of total loans	Total	% of total loans
Financial liabilities				
Current borrowings				
Borrowings – NovaQuest	372	0%	336	0%
Non-current borrowings				
Borrowings – NovaQuest	47,898	50%	41,045	45%
	48,270	50%	41,381	45%

As at June 30, 2022, all other factors held constant, a 20% increase in the forecast net sales of remestemcel-L for the treatment of SR-aGVHD in pediatric patients in the United States and other territories excluding Asia would increase non-current borrowing and decrease profit by \$0.2 million, whereas a 20% decrease in the net sales of remestemcel-L for the treatment of SR-aGVHD in pediatric patients in the United States and other territories excluding Asia would decrease non-current borrowings and increase profit by \$0.2 million.

The Group is also exposed to price risk on contingent consideration provision balances, as expected unit revenues are a significant unobservable input used in the level 3 fair value measurements. As at June 30, 2022, all other factors held constant, the increase/decrease in price assumptions adopted in the fair value measurements of the contingent consideration provision are discussed in Note 5(g)(iv).

The Group does not consider it has any exposure to price risk other than those already described above.

b. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause financial loss to the other party. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets. The Group's receivables are tabled below.

(in U.S. dollars, in thousands)	As of June 30,	
	2022	2021
Cash and cash equivalents		
Deposits at call (Note 5(a)) - minimum A rated	413	451
Cash at bank (Note 5(a)) - minimum A rated	60,033	136,430
Trade and other receivables		
Receivable from other parties (non-rated)	2,382	2,122
Receivable from the Australian Government (Income Tax)	5	—
Receivable from the Australian Government (Foreign Withholding Tax)	400	400
Receivable from minimum A rated bank deposits (interest)	254	257
Receivable from the Australian Government (Goods and Services Tax)	102	388
Receivable from the United States Government (Income Tax)	20	3
Receivable from the Swiss Government (Value-Added Tax)	105	—
Receivable from the United States Government (U.S. tax credits)	2	—
Other non-current assets		
Receivable from the United States Government (U.S. tax credits)	1,473	1,473

c. Liquidity risk

Liquidity risk is the risk that the Group will not be able to pay its debts as and when they fall due. Liquidity risk has been assessed in Note 1(f).

All financial liabilities, excluding contingent consideration, borrowings and lease liabilities held by the Group as of June 30, 2022 and June 30, 2021 are non-interest bearing and mature within 6 months. The total contractual cash flows associated with these liabilities equate to the carrying amount disclosed within the financial statements.

As of June 30, 2022, the maturity profile of the anticipated future contractual cash flows, on an undiscounted basis and removing probability adjustments as applicable for contingent consideration, and which, therefore differs from the carrying value, is as follows:

(in U.S. dollars, in thousands)	Within 1 year	Between 1-2 years	Between 2-5 years	Over 5 years	Total contractual cash flows	Carrying amount
Borrowings ⁽¹⁾⁽²⁾	(5,628)	(12,575)	(157,009)	—	(175,212)	(96,634)
Trade payables	(23,079)	—	—	—	(23,079)	(23,079)
Lease liabilities	(3,682)	(4,824)	(2,714)	—	(11,220)	(10,271)
Contingent consideration ⁽³⁾	(1,179)	(2,130)	(6,795)	—	(10,104)	(5,457)
	(33,568)	(19,529)	(166,518)	—	(219,615)	(135,441)

- Contractual cash flows include payments of principal, interest and other charges. Interest is calculated based on debt held at June 30, 2022 without taking into account drawdowns of further tranches.
- In relation to the contractual maturities of the NovaQuest borrowings, there is variability in the maturity profile of the anticipated future contractual cash flows given the timing and amount of payments are calculated based on our estimated net sales of remestemcel-L for the treatment of pediatric SR-aGVHD.
- In relation to the contractual maturities of the royalty payments related to contingent consideration, there is variability in the maturity profile of the anticipated future contractual cash flows given the timing and amount of payments are calculated based on our estimated net sales of remestemcel-L for the treatment of children and adults with aGVHD. The carrying amount reflects the discounted and probability adjusted contractual balance. Product royalties will be payable in cash which will be funded from royalties received from net sales. With respect to future milestone payments, contingent consideration will be payable in cash or shares at our discretion. The carrying amount reflects the discounted and probability adjusted contractual balance related to royalty payments.

11. Capital management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. See Note 5(a) for the cash reserves of the Group as at the end of the financial reporting period.

12. Interests in other entities

The Group's subsidiaries as of June 30, 2022 and 2021 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business, aside from BeiCell Ltd, which was incorporated on November 15, 2018 in the Cayman Islands however operates in Hong Kong.

	Country of incorporation	Class of shares	Equity holding	
			2022 %	As of June 30, 2021 %
Mesoblast, Inc.	USA	Ordinary	100	100
Mesoblast International Sàrl (includes Mesoblast International Sàrl Singapore Branch)	Switzerland	Ordinary	100	100
Mesoblast Australia Pty Ltd	Australia	Ordinary	100	100
Mesoblast UK Ltd	United Kingdom	Ordinary	100	100
Mesoblast International (UK) Ltd	United Kingdom	Ordinary	—	100
BeiCell Ltd	Cayman Islands	Ordinary	100	100

13. Contingent assets and liabilities

a. Contingent assets

The Group did not have any contingent assets outstanding as of June 30, 2022 and June 30, 2021.

b. Contingent liabilities

(i) Central Adelaide Local Health Network Incorporated ("CALHNI") (formerly Medvet)

The Group acquired certain intellectual property relating to our MPCs, or Medvet IP, pursuant to an Intellectual Property Assignment Deed, or IP Deed, with Medvet Science Pty Ltd, or Medvet. Medvet's rights under the IP Deed were transferred to Central Adelaide Local Health Network Incorporated, or CALHNI, in November 2011. In connection with its use of the Medvet IP, on completion of certain milestones the Group will be obligated to pay CALHNI, as successor in interest to Medvet, (i) certain aggregated milestone payments of up to \$2.2 million and single-digit royalties on net sales of products covered by the Medvet IP, for cardiac muscle and blood vessel applications and bone and cartilage regeneration and repair applications, subject to minimum annual royalties beginning in the first year of commercial sale of those products and (ii) single-digit royalties on net sales of the specified products for applications outside the specified fields.

(ii) Other contingent liabilities

The Group has entered into a number of other agreements with other third parties pertaining to intellectual property. Contingent liabilities may arise in the future if certain events or developments occur in relation to these agreements. As of June 30, 2022, the Group has assessed these contingent liabilities to be remote and specific disclosure is not required.

14. Commitments

a. Capital commitments

The Group did not have any commitments for future capital expenditure outstanding as of June 30, 2022 and June 30, 2021.

b. Purchase commitments

In December 2019, the Group commenced production under its manufacturing service agreement with Lonza for the supply of commercial product for the potential approval and launch of remestemcel-L for the treatment of pediatric SR-aGVHD in the US market. This agreement contains lease and non-lease components. As of June 30, 2022, the agreement contains a minimum remaining financial commitment of the non-lease component of \$12.2 million, payable until June 2024. The Group has accounted for the lease component within the agreement as a lease liability separately from the non-lease components. As of June 30, 2022, the lease component is \$4.1 million on an undiscounted basis, as disclosed within the total contractual cash flows as lease liabilities in Note 10(c).

The group have agreements with third parties related to contract manufacturing and other goods and services. As of June 30, 2022, the Group had \$9.4 million of non-cancellable purchase commitments related to raw materials, manufacturing agreements and other goods and services. This amount represents our minimum contractual obligations, including termination fees. Certain agreements provide for termination rights subject to termination fees. Under such agreement, the Group are contractually obligated to make certain payments, mainly, to reimburse them for their unrecoverable outlays incurred prior to cancellation.

The Group did not have any other purchase commitments as of June 30, 2022.

15. Events occurring after the reporting period

In August 2022, the Group completed a US\$45.0 million (A\$65.0 million) financing in a global private placement predominately to major shareholders of the Company. The proceeds from the placement will facilitate activities for launch and commercialization for remestemcel-L, in the treatment of children with SR-aGVHD for which we seek FDA approval under a planned resubmission of our Biologics License Application ("BLA"); and commencement of a second Phase 3 clinical trial of rexlemestrocet-L to confirm reduction in chronic low back pain associated with degenerative disc disease. On August 11, 2022, proceeds of \$42.6 million were received and recognized in cash and cash equivalents.

There were no other events that have occurred after June 30, 2022 and prior to the signing of this financial report that would likely have a material impact on the financial results presented.

16. Related party transactions

a. Parent entity

The parent entity within the Group is Mesoblast Limited.

b. Subsidiaries

Details of interests in subsidiaries are disclosed in Note 12 to the financial statements.

c. Key management personnel compensation

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below

(in U.S. dollars)	Year Ended June 30,	
	2022	2021
Short-term employee benefits	2,294,897	2,401,749
Long-term employee benefits	12,206	12,646
Post-employment benefits	31,346	36,444
Share based payments	391,592	1,469,698
	<u>2,730,041</u>	<u>3,920,537</u>

d. Transactions with other related parties

Accounts receivable from revenues, accounts payable to expenses and loans from subsidiaries as at the end of the fiscal year have been eliminated on consolidation of the Group.

e. Terms and conditions

All other transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties.

Outstanding balances are unsecured and are repayable in cash.

17. Share-based payments

The Company has adopted an Employee Share Option Plan ("ESOP") and a Loan Funded Share Plan ("LFSP") (together, "the Plans") to foster an ownership culture within the Company and to motivate senior management and consultants to achieve performance targets. Selected directors, employees and consultants may be eligible to participate in the Plans at the absolute discretion of the board of directors, and in the case of directors, upon approval by shareholders. The Company has not issued new securities under the LFSP since July 1, 2015, as of December 16, 2019 all LFSP grants had reach their expiry date.

Grant policy

In accordance with the Company's policy, options and loan funded shares are typically issued in three equal tranches. For issues granted prior to July 1, 2015 the length of time from grant date to expiry date was typically 5 years. Grants since July 1, 2015, are issued with a seven year term.

Options issued to employees generally vest based on performance or time conditions, or both. In the year ended June 30, 2022, senior executives were issued options that vest based on performance and time conditions. These options are required to satisfy certain pre-specified performance conditions and time-based vesting conditions prior to vesting. Time-based conditions restrict vesting to a maximum of one third at 12 months, two thirds at 24 months and full grant at 36 months, but only if the pre-specified performance conditions have been met. For time-based vesting options, the first tranche typically vests 12 months after grant date, the second tranche 24 months after grant date, and the third tranche 36 months after grant date.

The exercise price is determined by reference to the Company policy. Generally the exercise price is the higher of the volume weighted average share price of the five ASX trading days up to Board approval of the grant, and the last closing price of an ordinary share on the ASX at Board approval. In the case of options that have time-based vesting conditions only, the board of directors adds a 10% premium to the market price. Options with performance based vesting conditions are issued with no premium. The board of directors' policy is not to issue options at a discount to the market price.

The aggregate number of options which may be issued pursuant to the ESOP must not exceed 10,000,000 with respect to US incentive stock options, and with respect to Australian residents, the limit imposed under the Australian Securities and Investments Commission Class Order 14/1000.

In addition, the LFSP which has not been issued since July 1, 2015 and as of December 16, 2019 all LFSP grants had reach their expiry date, has the following characteristics:

On grant date, the Company issues new equity (rather than purchasing shares on market), and the loan funded shares are placed in a trust which holds the shares on behalf of the employee. The trustee issues a limited recourse, interest free, loan to the employee which is equal to the number of shares multiplied by the price. A limited-recourse loan means that the repayment amount will be the lesser of the outstanding loan value (the loan value less any amounts that may have already been repaid) and the market value of the shares that are subject to the loan. The price is the amount the employee must pay for each loan funded share if exercised.

The trustee continues to hold the shares on behalf of the employee until the employee chooses to settle the loan pertaining to the shares and all vesting conditions have been satisfied, at which point ownership of the shares is fully transferred to the employee.

Any dividends paid by the Company, while the shares are held by the trustee, are applied as a repayment of the loan at the after-tax value of the dividend.

a. Reconciliation of outstanding share based payments

Series	Grant Date(1)	Expiry Date	Exercise Price	Opening Balance	Granted No. (during the year)	Exercised No. (during the year)	Lapsed/Forfeited* No. (during the year)	Closing Balance	Vested and exercisable No (end of year)
32	10-Jul-15	30-Jun-22	AUD 4.20	1,753,334	—	—	(1,753,334)	—	—
33	26-Aug-15	16-Aug-22	AUD 4.05	75,000	—	—	(75,000)	—	—
34	27-Apr-16	06-Mar-23	AUD 2.80	1,858,979	—	—	(180,000)	1,678,979	1,678,979
34b	31-Oct-16	06-Mar-23	AUD 2.80	200,000	—	—	—	200,000	200,000
35a	08-Jul-20	08-Jul-23	AUD 2.86	1,500,000	—	—	—	1,500,000	1,500,000
36	06-Dec-16	05-Dec-23	AUD 1.31	623,000	—	(50,000)	(40,000)	533,000	533,000
36a	06-Dec-16	05-Dec-23	AUD 1.19	1,950,730	—	—	—	1,950,730	1,809,064
38	16-Sep-17	15-Sep-24	AUD 1.54	50,000	—	—	—	50,000	50,000
38a	16-Sep-17	15-Sep-24	AUD 1.40	150,000	—	—	—	150,000	150,000
39	13-Oct-17	12-Oct-24	AUD 1.94	1,090,000	—	—	(115,000)	975,000	975,000
39a	13-Oct-17	12-Oct-24	AUD 1.76	902,425	—	—	—	902,425	902,425
40	24-Nov-17	23-Nov-24	AUD 1.41	750,000	—	—	—	750,000	750,000
40a	24-Nov-17	23-Nov-24	AUD 1.28	750,000	—	—	—	750,000	—
41	18-Jun-18	17-Jun-25	AUD 1.52	200,000	—	—	—	200,000	200,000
42	11-Jul-18	10-Jul-25	AUD 1.56	200,000	—	—	—	200,000	200,000
43	18-Jul-18	17-Jul-25	AUD 1.87	4,201,666	—	(20,000)	(388,334)	3,793,332	3,793,332
43b	18-Jul-18	17-Jul-25	AUD 1.87	350,000	—	—	—	350,000	350,000
44	15-Jul-18	14-Jul-25	AUD 1.72	150,000	—	—	(150,000)	—	—
45	30-Nov-18	29-Nov-25	AUD 1.33	590,000	—	—	—	590,000	590,000
46	19-Jan-19	18-Jan-26	AUD 1.45	3,333	—	—	—	3,333	3,333
47	19-Jan-19	18-Jan-26	AUD 1.45	150,000	—	—	—	150,000	150,000
48	04-Apr-19	03-Apr-26	AUD 1.48	300,000	—	—	—	300,000	300,000
49	20-Jul-19	19-Jul-26	AUD 1.62	3,638,671	—	(113,334)	(277,999)	3,098,670	1,940,654
49	20-Jul-19	19-Jul-26	AUD 1.62	—	—	—	(148,668) *	—	—
49a	20-Jul-19	19-Jul-26	AUD 1.47	3,999,998	—	—	(333,334)	3,499,998	1,316,665
49a	20-Jul-19	19-Jul-26	AUD 1.47	—	—	—	(166,666) *	—	—
49b	20-Jul-19	19-Jul-26	AUD 1.47	1,346,667	—	—	—	1,346,667	673,334
49c	20-Jul-19	19-Jul-26	AUD 1.47	538,667	—	—	—	538,667	359,112
50	20-Jul-19	19-Jul-26	AUD 1.47	700,000	—	—	—	700,000	—
50a	20-Jul-19	19-Jul-26	AUD 1.47	400,000	—	—	—	400,000	—
51	29-Aug-19	28-Aug-26	AUD 1.47	150,000	—	—	(150,000) *	—	—
52	29-Aug-19	28-Aug-26	AUD 1.62	400,000	—	—	—	400,000	266,666
53	29-Aug-19	28-Aug-26	AUD 1.47	800,000	—	—	—	800,000	533,334
54	25-Nov-19	24-Nov-26	AUD 1.98	295,000	—	—	(25,000)	153,334	146,668
54	25-Nov-19	24-Nov-26	AUD 1.98	—	—	—	(116,666) *	—	—
55	29-May-19	28-May-26	AUD 1.48	350,000	—	—	—	350,000	300,000
56	18-Nov-19	17-Nov-26	AUD 1.83	200,000	—	—	—	200,000	133,332
57	25-Nov-19	24-Nov-26	AUD 1.80	100,000	—	—	—	100,000	100,000
58	25-Nov-19	24-Nov-26	AUD 1.98	450,000	—	—	—	450,000	300,000
59	24-Jan-20	23-Jan-27	AUD 3.38	10,000	—	—	—	10,000	10,000
61	17-Apr-20	16-Apr-27	AUD 2.51	50,000	—	—	(16,666)	—	—
61	17-Apr-20	16-Apr-27	AUD 2.51	—	—	—	(33,334) *	—	—
63	18-May-20	17-May-27	AUD 4.02	1,200,000	—	—	—	1,200,000	800,000
63a	18-May-20	17-May-27	AUD 3.65	2,400,000	—	—	—	2,400,000	400,000
64	16-Jul-20	15-Jul-27	AUD 3.75	4,280,000	—	—	(225,003)	3,498,333	1,201,676
64	16-Jul-20	15-Jul-27	AUD 3.75	—	—	—	(556,664) *	—	—
64a	16-Jul-20	15-Jul-27	AUD 3.41	3,050,000	—	—	(350,000) *	2,700,000	133,334
64b	16-Jul-20	15-Jul-27	AUD 3.41	325,000	—	—	(325,000) *	—	—
64c	16-Jul-20	15-Jul-27	AUD 3.41	350,000	—	—	—	350,000	—
64d	16-Jul-20	15-Jul-27	AUD 3.41	300,000	—	—	—	300,000	—

64e	16-Jul-20	15-Jul-27	AUD 3.41	1,200,000	—	—	—	1,200,000	—
65	26-Aug-20	25-Aug-27	AUD 5.76	5,000	—	—	—	5,000	1,667
66	11-Sep-20	10-Sep-27	AUD 4.78	200,000	—	—	—	200,000	100,000
67	08-Oct-20	07-Oct-27	AUD 3.84	200,000	—	—	(66,667)	—	—
67	08-Oct-20	07-Oct-27	AUD 3.84	—	—	—	(133,333) *	—	—
68	20-Nov-20	19-Nov-27	AUD 3.60	200,000	—	—	—	200,000	66,666
69	20-Nov-20	19-Nov-27	AUD 3.60	100,000	—	—	—	100,000	100,000
71	17-Feb-21	16-Feb-28	AUD 2.67	250,000	—	—	—	250,000	—
72	15-Apr-21	14-Apr-28	AUD 2.28	—	200,000	—	—	200,000	66,667
73	30-Jun-21	30-Aug-21	AUD 0.00	45,746	—	(45,746)	—	—	—
74	08-Sep-21	07-Sep-28	AUD 1.77	—	3,973,000	—	(550,000) *	3,423,000	—
74a	08-Sep-21	07-Sep-28	AUD 1.77	—	4,150,000	—	—	4,150,000	—
74b	08-Sep-21	07-Sep-28	AUD 1.77	—	1,550,000	—	—	1,550,000	—
74c	08-Sep-21	07-Sep-28	AUD 1.77	—	650,000	—	—	650,000	—
75	23-Dec-21	22-Dec-28	AUD 1.42	—	200,000	—	—	200,000	—
June 30, 2022				45,333,216	10,723,000	(229,080)	(6,176,668)	49,650,468	23,084,908
Weighted average share purchase price				AUD 2.42	AUD 1.77	AUD 1.25	AUD 2.99	AUD 2.21	AUD 2.06

(1) The dates presented in the grant date column represent the date on which board approval was obtained. For valuation dates per IFRS 2, refer to Note 17(c).

Series	Grant Date ⁽¹⁾	Expiry Date	Exercise Price	Opening Balance	Granted No. (during the year)	Exercised No. (during the year)	Lapsed/Forfeited* No. (during the year)	Closing Balance	Vested and exercisable No (end of year)
32	10-Jul-15	30-Jun-22	USD 4.200	2,268,334	—	(515,000)	—	1,753,334	1,753,334
33	26-Aug-15	16-Aug-22	AUD 4.05	75,000	—	—	—	75,000	75,000
34	27-Apr-16	06-Mar-23	AUD 2.80	2,638,334	—	(769,355)	(10,000)	1,858,979	1,858,979
34a	27-Apr-16	17-Apr-23	AUD 2.74	200,000	—	(116,666)	(83,334)	—	—
34b	31-Oct-16	06-Mar-23	AUD 2.80	200,000	—	—	—	200,000	200,000
35	30-Jun-16	30-Jun-22 ⁽²⁾	AUD 2.20	900,000	—	(900,000)	—	—	—
35a	08-Jul-20	08-Jul-23	AUD 2.86	—	1,500,000	—	—	1,500,000	1,500,000
36	06-Dec-16	05-Dec-23	AUD 1.31	923,000	—	(300,000)	—	623,000	623,000
36a	06-Dec-16	05-Dec-23	AUD 1.19	2,519,064	—	(426,668)	(141,666) *	1,950,730	1,809,064
36b	13-Jan-17	12-Jan-24	AUD 1.65	300,000	—	(300,000)	—	—	—
37	28-Jun-17	27-Jun-24	AUD 2.23	150,000	—	(150,000)	—	—	—
38	16-Sep-17	15-Sep-24	AUD 1.54	66,666	—	(16,666)	—	50,000	50,000
38a	16-Sep-17	15-Sep-24	AUD 1.40	150,000	—	—	—	150,000	150,000
39	13-Oct-17	12-Oct-24	AUD 1.94	1,655,000	—	(565,000)	—	1,090,000	1,090,000
39a	13-Oct-17	12-Oct-24	AUD 1.76	1,302,425	—	(400,000)	—	902,425	902,425
40	24-Nov-17	23-Nov-24	AUD 1.41	750,000	—	—	—	750,000	750,000
40a	24-Nov-17	23-Nov-24	AUD 1.28	750,000	—	—	—	750,000	—
41	18-Jun-18	17-Jun-25	AUD 1.52	200,000	—	—	—	200,000	200,000
42	11-Jul-18	10-Jul-25	AUD 1.56	200,000	—	—	—	200,000	133,334
43	18-Jul-18	17-Jul-25	AUD 1.87	5,398,334	—	(944,998)	(251,670) *	4,201,666	2,526,653
43b	18-Jul-18	17-Jul-25	AUD 1.87	350,000	—	—	—	350,000	233,334
44	15-Jul-18	14-Jul-25	AUD 1.72	300,000	—	(150,000)	—	150,000	50,000
45	30-Nov-18	29-Nov-25	AUD 1.33	590,000	—	—	—	590,000	393,332
46	19-Jan-19	18-Jan-26	AUD 1.45	5,000	—	(1,667)	—	3,333	1,667
47	19-Jan-19	18-Jan-26	AUD 1.45	150,000	—	—	—	150,000	150,000
48	04-Apr-19	03-Apr-26	AUD 1.48	300,000	—	—	—	300,000	200,000
49	20-Jul-19	19-Jul-26	AUD 1.62	4,690,000	—	(523,661)	(6,666)	3,638,671	1,030,310
49	20-Jul-19	19-Jul-26	AUD 1.62	—	—	—	(521,002) *	—	—
49a	20-Jul-19	19-Jul-26	AUD 1.47	5,500,000	—	(800,002)	(700,000) *	3,999,998	400,001
49b	20-Jul-19	19-Jul-26	AUD 1.47	1,346,667	—	—	—	1,346,667	448,889
49c	20-Jul-19	19-Jul-26	AUD 1.47	538,667	—	—	—	538,667	179,556
50	20-Jul-19	19-Jul-26	AUD 1.47	700,000	—	—	—	700,000	—
50a	20-Jul-19	19-Jul-26	AUD 1.47	400,000	—	—	—	400,000	—
51	29-Aug-19	28-Aug-26	AUD 1.47	150,000	—	—	—	150,000	—
52	29-Aug-19	28-Aug-26	AUD 1.62	400,000	—	—	—	400,000	133,333
53	29-Aug-19	28-Aug-26	AUD 1.47	800,000	—	—	—	800,000	266,667
54	25-Nov-19	24-Nov-26	AUD 1.98	845,000	—	(98,334)	(11,667)	295,000	98,334
54	25-Nov-19	24-Nov-26	AUD 1.98	—	—	—	(439,999) *	—	—
55	29-May-19	28-May-26	AUD 1.48	450,000	—	(100,000)	—	350,000	300,000
56	18-Nov-19	17-Nov-26	AUD 1.83	200,000	—	—	—	200,000	66,666
57	25-Nov-19	24-Nov-26	AUD 1.80	100,000	—	—	—	100,000	100,000
58	25-Nov-19	24-Nov-26	AUD 1.98	450,000	—	—	—	450,000	150,000
59	24-Jan-20	23-Jan-27	AUD 3.38	—	65,000	—	(55,000) *	10,000	3,333
60	17-Apr-20	16-Apr-27	AUD 2.51	—	57,660	—	(57,660) *	—	—
61	17-Apr-20	16-Apr-27	AUD 2.51	—	250,000	—	(200,000) *	50,000	16,666
63	18-May-20	17-May-27	AUD 4.02	—	1,200,000	—	—	1,200,000	400,000
63a	18-May-20	17-May-27	AUD 3.65	—	2,400,000	—	—	2,400,000	—
64	16-Jul-20	15-Jul-27	AUD 3.75	—	5,970,000	—	(1,690,000) *	4,280,000	—
64a	16-Jul-20	15-Jul-27	AUD 3.41	—	3,400,000	—	(350,000) *	3,050,000	—
64b	16-Jul-20	15-Jul-27	AUD 3.41	—	325,000	—	—	325,000	—

64c	16-Jul-20	15-Jul-27	AUD 3.41	—	350,000	—	—	350,000	—	
64d	16-Jul-20	15-Jul-27	AUD 3.41	—	300,000	—	—	300,000	—	
64e	16-Jul-20	15-Jul-27	AUD 3.41	—	1,200,000	—	—	1,200,000	—	
65	26-Aug-20	25-Aug-27	AUD 5.76	—	140,000	—	(135,000) *	5,000	—	
66	11-Sep-20	10-Sep-27	AUD 4.78	—	200,000	—	—	200,000	—	
67	08-Oct-20	07-Oct-27	AUD 3.84	—	240,000	—	(40,000) *	200,000	—	
68	20-Nov-20	19-Nov-27	AUD 3.60	—	200,000	—	—	200,000	—	
69	20-Nov-20	19-Nov-27	AUD 3.60	—	100,000	—	—	100,000	100,000	
71	17-Feb-21	16-Feb-28	AUD 2.67	—	250,000	—	—	250,000	—	
73	30-Jun-21	30-Aug-21	AUD 0.00	—	45,746	—	—	45,746	45,746	
June 30, 2021					38,911,491	18,193,406	(7,078,017)	(4,693,664)	45,333,216	18,389,623
Weighted average share purchase price					AUD 1.86	AUD 3.56	AUD 2.06	AUD 2.76	AUD 2.42	AUD 2.15

(1) The dates presented in the grant date column represent the date on which board approval was obtained. For valuation dates per IFRS 2, refer to Note 17(c).

(2) Based on the amended terms, the incentive rights granted pursuant to the Equity Facility Agreement with Kentgrove Capital, dated June 30, 2016, will expire thirty six months after the effective date, July 1, 2019.

Series	Grant Date ⁽¹⁾	Expiry Date	Exercise Price	Opening Balance	Granted No. (during the year)	Exercised No. (during the year)	Lapsed/Forfeited* No. (during the year)	Closing Balance	Vested and exercisable No (end of year)
INC	07-Dec-10	26-Oct-19	USD 0.340	319,892	—	(319,892)	—	—	—
25b	12-Dec-14	31-Oct-19	USD 4.490	50,000	—	—	(50,000)	—	—
28/LF13	09-Oct-14	08-Oct-19	AUD 4.52	75,000	—	—	(75,000)	—	—
29	25-Nov-14	24-Nov-19	AUD 4.00	240,000	—	—	(240,000)	—	—
LF14	06-Jan-15	16-Dec-19	AUD 4.66	150,000	—	—	(150,000)	—	—
31b	12-May-15	16-Feb-20	AUD 4.28	200,000	—	—	(200,000)	—	—
32	10-Jul-15	30-Jun-22	AUD 4.20	2,308,334	—	—	(40,000)	2,268,334	2,268,334
33	26-Aug-15	16-Aug-22	AUD 4.05	75,000	—	—	—	75,000	75,000
34	27-Apr-16	06-Mar-23	AUD 2.80	3,193,334	—	(475,000)	(70,000)	2,638,334	2,638,334
34	27-Apr-16	06-Mar-23	AUD 2.80	—	—	—	(10,000) *	—	—
34a	27-Apr-16	17-Apr-23	AUD 2.74	200,000	—	—	—	200,000	200,000
34b	31-Oct-16	06-Mar-23	AUD 2.80	200,000	—	—	—	200,000	200,000
35	30-Jun-16	18-Jan-21	AUD 2.20	1,500,000	—	(600,000)	—	900,000	900,000
36	06-Dec-16	05-Dec-23	AUD 1.31	1,670,000	—	(720,334)	(26,666)	923,000	923,000
36a	06-Dec-16	05-Dec-23	AUD 1.19	4,188,000	—	(1,527,270)	(141,666)	2,519,064	2,023,232
36b	13-Jan-17	12-Jan-24	AUD 1.65	300,000	—	—	—	300,000	300,000
37	28-Jun-17	27-Jun-24	AUD 2.23	150,000	—	—	—	150,000	150,000
38	16-Sep-17	15-Sep-24	AUD 1.54	100,000	—	(33,334)	—	66,666	33,334
38a	16-Sep-17	15-Sep-24	AUD 1.40	150,000	—	—	—	150,000	150,000
39	13-Oct-17	12-Oct-24	AUD 1.94	1,978,333	—	(310,000)	(13,333)	1,655,000	999,994
39a	13-Oct-17	12-Oct-24	AUD 1.76	1,900,000	—	(297,575)	(300,000)	1,302,425	1,302,425
40	24-Nov-17	23-Nov-24	AUD 1.41	750,000	—	—	—	750,000	500,000
40a	24-Nov-17	23-Nov-24	AUD 1.28	750,000	—	—	—	750,000	—
41	18-Jun-18	17-Jun-25	AUD 1.52	200,000	—	—	—	200,000	133,334
42	11-Jul-18	10-Jul-25	AUD 1.56	200,000	—	—	—	200,000	66,667
43	18-Jul-18	17-Jul-25	AUD 1.87	5,845,000	—	(389,999)	(9,999)	5,398,334	1,544,992
43	18-Jul-18	17-Jul-25	AUD 1.87	—	—	—	(46,668) *	—	—
43b	18-Jul-18	17-Jul-25	AUD 1.87	—	350,000	—	—	350,000	116,667
44	15-Jul-18	14-Jul-25	AUD 1.72	300,000	—	—	—	300,000	100,000
45	30-Nov-18	29-Nov-25	AUD 1.33	590,000	—	—	—	590,000	196,666
46	19-Jan-19	18-Jan-26	AUD 1.45	5,000	—	—	—	5,000	1,667
47	19-Jan-19	18-Jan-26	AUD 1.45	150,000	—	—	—	150,000	150,000
48	04-Apr-19	03-Apr-26	AUD 1.48	—	300,000	—	—	300,000	100,000
49	20-Jul-19	19-Jul-26	AUD 1.62	—	4,810,000	—	(120,000) *	4,690,000	—
49a	20-Jul-19	19-Jul-26	AUD 1.47	—	5,500,000	—	—	5,500,000	—
49b	20-Jul-19	19-Jul-26	AUD 1.47	—	1,346,667	—	—	1,346,667	—
49c	20-Jul-19	19-Jul-26	AUD 1.47	—	538,667	—	—	538,667	—
50	20-Jul-19	19-Jul-26	AUD 1.47	—	700,000	—	—	700,000	—
50a	20-Jul-19	19-Jul-26	AUD 1.47	—	400,000	—	—	400,000	—
51	29-Aug-19	28-Aug-26	AUD 1.47	—	300,000	(150,000)	—	150,000	—
52	29-Aug-19	28-Aug-26	AUD 1.62	—	400,000	—	—	400,000	—
53	29-Aug-19	28-Aug-26	AUD 1.47	—	800,000	—	—	800,000	—
54	25-Nov-19	24-Nov-26	AUD 1.98	—	845,000	—	—	845,000	—
55	29-May-19	28-May-26	AUD 1.48	—	450,000	—	—	450,000	300,000
56	18-Nov-19	17-Nov-26	AUD 1.83	—	200,000	—	—	200,000	—
57	25-Nov-19	24-Nov-26	AUD 1.80	—	100,000	—	—	100,000	—
58	25-Nov-19	24-Nov-26	AUD 1.98	—	450,000	—	—	450,000	—
June 30, 2020				27,737,893	17,490,334	(4,823,404)	(1,493,332)	38,911,491	15,373,646
Weighted average share purchase price				AUD 2.06	AUD 1.57	AUD 1.60	AUD 2.80	AUD 1.86	AUD 2.25

(1) The dates presented in the grant date column represent the date on which board approval was obtained. For valuation dates per IFRS 2, refer to Note 17(c).

The weighted average share price at the date of exercise of options exercised during the years ended June 30, 2022, 2021 and 2020 were AUD 1.82, AUD 4.42 and AUD 3.47 respectively. The weighted average remaining contractual life of share options and loan funded shares outstanding as of June 30, 2022, 2021 and 2020 were 4.16 years, 4.49 years and 4.79 years, respectively.

b. Existing share-based payment arrangements

General terms and conditions attached to share based payments

Share options pursuant to the employee share option plan are generally granted in three equal tranches. For issues granted prior to July 1, 2015 the length of time from grant date to expiry date was typically 5 years. Grants since July 1, 2015, are issued with a seven year term. Vesting occurs based on achievement of performance conditions and/or progressively over the life of the option with the first tranche vesting one year from grant date, the second tranche two years from grant date, and the third tranche three years from grant date. On cessation of employment the Company's board of directors determines if a leaver is a bad leaver or not. If a participant is deemed a bad leaver, all rights, entitlements and interests in any unexercised options or shares (pursuant to the loan funded share plan) held by the participant will be forfeited and will lapse immediately. If a leaver is not a bad leaver they may retain vested options and shares (pursuant to the loan funded share plan), however, they must be exercised within 60 days of cessation of employment (or within a longer period if so determined by the Company's board of directors), after which time they will lapse. Unvested options will normally be forfeited and lapse.

This policy applies to all issues shown in the above table with the exception of the following:

25a(i&ii)	Options were granted in two equal tranches and vested on the date that the option holder had direct involvement (to the reasonable satisfaction of the Company's board of directors) in the Company achieving certain confidential commercial objectives.
INC.	As part of the acquisition of Mesoblast, Inc., Mesoblast, Inc. options were converted to options of the Company at a conversion ratio of 63.978. The Mesoblast, Inc. option exercise price per option was adjusted using the same conversion ratio. All options vested on acquisition date (December 7, 2010), and will expire according to their original expiry dates (with the exception of options held by directors which were limited to an expiry date not exceeding four years from acquisition).
31b	Options were granted in two equal tranches and will vest on the date that the option holder has direct involvement (to the reasonable satisfaction of the Company's board of directors) in the Company achieving certain confidential commercial objectives.
35	Incentive rights granted pursuant to the Equity Facility Agreement with Kentgrove Capital, dated June 30, 2016, had fully vested on the agreement date and will expire thirty six months after the date of the issue of the incentive right. The terms of this agreement were amended on July 30, 2019. Under the amended terms, these incentive rights will expire thirty six months after the effective date of July 1, 2019.
35a	Additional incentive rights granted pursuant to the Amendment Deed of the Equity Facility Agreement with Kentgrove Capital, dated July 30, 2019, had fully vested on the agreement date and will expire thirty six months after the date of the issue of the incentive right.
36a & 36b	Options were granted in two or three equal tranches and will vest on the date that the option holder has direct involvement (to the reasonable satisfaction of the Company's board of directors) in the Company achieving certain confidential commercial objectives.
49a, 49b, 50, 50a, 53, 64b, 64c, 64d, 64e, 71, 74a, 74b, 74c	Options were granted two or three equal tranches and are required to satisfy certain pre-specified performance conditions and time-based vesting conditions prior to vesting. Time-based conditions restrict vesting to a maximum of one third at 12 months, two thirds at 24 months and full grant at 36 months, but only if the pre-specified performance conditions have been met.
38a, 40a, 57 & 66	Options were granted in one tranche and will vest on the date that the option holder has direct involvement (to the reasonable satisfaction of the Company's board of directors) in the Company achieving certain confidential commercial objectives.
39a	Options were granted in one or two equal tranches and will vest on the date that the option holder has direct involvement (to the reasonable satisfaction of the Company's board of directors) in the Company achieving certain confidential commercial objectives.

51 & 75	Options were granted in two equal tranches and will vest on the date that the option holder has direct involvement (to the reasonable satisfaction of the Company's board of directors) in the Company achieving certain confidential commercial objectives.
55	Options were granted in five tranches and will vest on the date that the option holder has direct involvement (to the reasonable satisfaction of the Company's board of directors) in the Company achieving certain confidential commercial objectives.
63a	Options were granted in three or eight tranches and will vest on the date that the option holder has direct involvement (to the reasonable satisfaction of the Company's board of directors) in the Company achieving certain confidential commercial objectives. Time-based conditions restrict vesting to a maximum of one third at 12 months, two thirds at 24 months and full grant at 36 months, but only if the pre-specified performance conditions have been met.
64a	Options were granted in one, two, three or five tranches and will vest on the date that the option holder has direct involvement (to the reasonable satisfaction of the Company's board of directors) in the Company achieving certain confidential commercial objectives. Time-based conditions restrict vesting to a maximum of one third at 12 months, two thirds at 24 months and full grant at 36 months, but only if the pre-specified performance conditions have been met.
69 & 73	Options were granted in one tranche and vested on the date on which board approval was obtained

Modifications to share-based payment arrangements

There were no modifications made to share-based payment arrangements during the years ended June 30, 2022, June 30, 2021, and June 30, 2020.

c. Fair values of share based payments

The weighted average fair value of share options granted during the years ended June 30, 2022, 2021 and 2020 were AUD 0.56, AUD 1.42 and AUD 1.07, respectively.

The fair value of all share-based payments made has been calculated using the Black-Scholes model. This model requires the following inputs:

Share price at acceptance date

The share price used in valuation is the share price at the date at which the entity and the employee agree to a share-based payment arrangement, being when the entity and the employee have a shared understanding of the terms and conditions of the arrangement. This price is generally the volume weighted average share price for the five trading days leading up to the date.

Exercise price

The exercise price is a known value that is contained in the agreements.

Share price volatility

The model requires the Company's share price volatility to be measured. In estimating the expected volatility of the underlying shares our objective is to approximate the expectations that would be reflected in a current market or negotiated exchange price for the option. Historical volatility data is considered in determining expected future volatility.

Life of the option

The life is generally the time period from grant date through to expiry. Certain assumptions have been made regarding "early exercise" i.e. options exercised ahead of the expiry date, with respect to option series 14 and later. These assumptions have been based on historical trends for option exercises within the Company and take into consideration exercise trends that are also evident as a result of local taxation laws.

Dividend yield

The Company has yet to pay a dividend so it has been assumed the dividend yield on the shares underlying the options will be 0%.

Risk free interest rate

This has been sourced from the Reserve Bank of Australia historical interest rate tables for government bonds.

Model inputs

The model inputs for the valuations of options approved and granted during the year ended June 30, 2022 are as follows:

Series	Valuation date(1)	Exercise price per share AUD	Share price at acceptance date AUD	Expected share price volatility	Life(2)	Dividend yield	Risk-free interest rate
72	05-May-21	2.28	1.94	66.62%	6.3 yrs	0%	0.69%
74	10-Nov-21	1.95	1.69	65.85%	6.2 yrs	0%	1.31%
74a	30-Jun-22	1.77	0.65	65.55%	5.6 yrs	0%	3.36%
74b	30-Jun-22	1.77	0.65	65.55%	5.6 yrs	0%	3.36%
74c	15-Feb-22	1.77	1.16	65.89%	5.9 yrs	0%	1.91%
75	17-Mar-22	1.42	1.21	65.98%	6.1 yrs	0%	2.18%

- (1) Valuation date is the date at which the entity and the employee agree to a share-based payment arrangement, being when the entity and the employee have a shared understanding of the terms and conditions of the arrangement.
- (2) Expected life after factoring likely early exercise.

The closing share market price of an ordinary share of Mesoblast Limited on the ASX as of June 30, 2022 was AUD 0.61.

The model inputs for the valuations of options approved and granted during the year ended June 30, 2021 are as follows:

Series	Valuation date(1)	Exercise price per share AUD	Share price at acceptance date AUD	Expected share price volatility	Life(2)	Dividend yield	Risk-free interest rate
61	28-Jul-20	2.51	3.60	60.95%	6.1 yrs	0%	0.44%
63	08-Apr-21	4.02	2.21	66.74%	5.5 yrs	0%	0.65%
63a	05-Jul-21	3.65	2.03	66.45%	5.3 yrs	0%	0.72%
64	28-Jul-20	3.75	3.60	60.95%	6.3 yrs	0%	0.44%
64a	05-Jul-21	3.41	2.03	66.45%	5.5 yrs	0%	0.72%
64b	30-Jun-21	3.41	2.09	66.48%	5.5 yrs	0%	0.77%
64c	25-Nov-20	3.41	4.12	65.36%	6.0 yrs	0%	0.30%
64d	30-Jun-22	3.41	0.65	65.55%	4.6 yrs	0%	3.36%
64e	05-Jul-21	3.41	2.03	66.45%	5.5 yrs	0%	0.72%
65	25-Sep-20	5.76	5.02	63.16%	6.3 yrs	0%	0.34%
66	16-Oct-20	4.78	3.24	65.17%	6.3 yrs	0%	0.27%
67	10-Nov-20	3.84	3.22	65.06%	6.3 yrs	0%	0.30%
68	24-Dec-20	3.60	2.38	67.22%	6.3 yrs	0%	0.35%
69	24-Dec-20	3.60	2.38	67.22%	6.3 yrs	0%	0.35%
71	29-Mar-21	2.67	2.35	66.81%	6.2 yrs	0%	0.66%
73	30-Jun-21	0.00	2.09	66.48%	0.2 yrs	0%	0.77%

- (1) Valuation date is the date at which the entity and the employee agree to a share-based payment arrangement, being when the entity and the employee have a shared understanding of the terms and conditions of the arrangement.
- (2) Expected life after factoring likely early exercise.

The closing share market price of an ordinary share of Mesoblast Limited on the ASX as of June 30, 2021 was AUD 1.98.

The model inputs for the valuations of options approved and granted during the year ended June 30, 2020 are as follows:

Series	Valuation date(1)	Exercise price per share AUD	Share price at acceptance date AUD	Expected share price volatility	Life(2)	Dividend yield	Risk-free interest rate
43b	14-May-20	1.87	3.55	60.39%	4.5 yrs	0%	0.37%
49	17-Sep-19	1.62	1.93	54.10%	6.1 yrs	0%	0.89%
49a	15-Mar-20	1.47	1.87	55.48%	5.8 yrs	0%	0.56%
49a	17-Dec-19	1.47	1.93	53.65%	5.9 yrs	0%	0.82%
49b	27-Nov-19	1.47	1.83	53.85%	6.3 yrs	0%	0.73%
49c	27-Nov-19	1.47	1.83	53.85%	6.3 yrs	0%	0.73%
50	13-Sep-19	1.47	1.88	54.02%	6.1 yrs	0%	0.93%
50a	16-Sep-19	1.47	2.03	54.21%	6.1 yrs	0%	0.95%
51	28-Mar-20	1.47	1.17	55.60%	5.7 yrs	0%	0.45%
52	17-Dec-19	1.62	1.93	53.65%	6.0 yrs	0%	0.82%
53	26-Mar-20	1.47	1.17	58.30%	5.8 yrs	0%	0.47%
54	28-Jan-20	1.98	2.86	56.63%	6.1 yrs	0%	0.71%
56	27-Nov-19	1.83	1.83	53.80%	6.3 yrs	0%	0.73%
57	25-Nov-19	1.80	1.80	53.82%	6.3 yrs	0%	0.82%
58	10-Apr-20	1.98	1.97	57.65%	5.9 yrs	0%	0.45%
59	24-May-20	3.38	3.79	60.56%	6.0 yrs	0%	0.40%
60	25-May-20	2.51	3.79	60.56%	6.2 yrs	0%	0.40%

- (1) Valuation date is the date at which the entity and the employee agree to a share-based payment arrangement, being when the entity and the employee have a shared understanding of the terms and conditions of the arrangement.
- (2) Expected life after factoring likely early exercise.

The closing share market price of an ordinary share of Mesoblast Limited on the ASX as of June 30, 2020 was AUD 3.25.

18. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

(in U.S. dollars)	2022	Year Ended June 30, 2021	2020
a. PricewaterhouseCoopers Australia			
<i>Audit and other assurance services</i>			
Audit and review of financial reports	745,021	747,783	713,461
Other audit services(1)	67,238	91,750	14,097
Total remuneration of PricewaterhouseCoopers Australia	812,259	839,533	727,558
b. Network firms of PricewaterhouseCoopers Australia			
<i>Audit and other assurance services</i>			
Audit and review of financial reports	133,309	130,450	108,262
Total remuneration of Network firms of PricewaterhouseCoopers Australia	133,309	130,450	108,262
Total auditors' remuneration(2)	945,568	969,983	835,820

- (1) Other audit services relates to services performed in connection with the filing of registration statements on the Form S-8 and F-3.
- (2) All services provided are considered audit fees for the purpose of SEC classification.

19. Losses per share

	2022	Years Ended June 30, 2021	2020
(Losses) per share			
(in cents)			
(a) Basic (losses) per share			
From continuing operations attributable to the ordinary equity holders of the company	(14.08)	(16.33)	(14.74)
Total basic (losses) per share attributable to the ordinary equity holders of the company	<u>(14.08)</u>	<u>(16.33)</u>	<u>(14.74)</u>
(b) Diluted (losses) per share			
From continuing operations attributable to the ordinary equity holders of the company	(14.08)	(16.33)	(14.74)
Total basic (losses) per share attributable to the ordinary equity holders of the company	<u>(14.08)</u>	<u>(16.33)</u>	<u>(14.74)</u>
(c) Reconciliation of (losses) used in calculating (losses) per share			
(in U.S. dollars, in thousands)			
Basic (losses) per share			
(Losses) attributable to the ordinary equity holders of the company used in calculating basic (losses) per share:			
From continuing operations	(91,347)	(98,811)	(77,940)
Diluted (losses) per share			
(Losses) from continuing operations attributable to the ordinary equity holders of the company:			
Used in calculating basic (losses) per share	(91,347)	(98,811)	(77,940)
(Losses) attributable to the ordinary equity holders of the company used in calculating diluted losses per share	<u>(91,347)</u>	<u>(98,811)</u>	<u>(77,940)</u>
	2022	2021	2020
	Number	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic losses per share	648,899,589	605,064,036	528,821,630
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted losses per share	<u>648,899,589</u>	<u>605,064,036</u>	<u>528,821,630</u>

Options granted to employees and warrants (see Note 17) are considered to be potential ordinary shares. These securities have been excluded from the determination of basic losses per shares in the years ended June 30, 2022, 2021 and 2020. Shares that may be paid as contingent consideration have also been excluded from basic losses per share. They have also been excluded from the calculation of diluted losses per share because they are anti-dilutive for the years ended June 30, 2022, 2021 and 2020.

20. Parent entity financial information

a. Summary financial information

The parent entity financial information disclosure is an Australian Disclosure Requirement as required by *Corporations Regulations 2001*. The individual financial statements for the parent entity show the following aggregate amounts:

(in U.S. dollars, in thousands)	As of June 30,	
	2022	2021
Balance Sheet		
Current Assets	4,948	21,135
Total Assets	853,380	943,030
Current Liabilities	7,025	9,136
Total Liabilities	13,227	13,904
Shareholders' Equity		
Issued Capital	1,165,323	1,163,165
Reserves		
Foreign Currency Translation Reserve	(227,441)	(150,306)
Share Options Reserve	82,619	77,310
Warrant Reserve	12,969	12,969
(Accumulated losses)/retained earnings	(193,317)	(174,012)
	840,153	929,126
Loss for the period	(19,305)	(27,436)
Total comprehensive loss for the period	(19,305)	(27,436)

b. Contingent liabilities of the parent entity

(i) *Central Adelaide Local Health Network Incorporated ("CALHNI") (formerly Medvet)*

Mesoblast Limited acquired certain intellectual property relating to our MPCs, or Medvet IP, pursuant to an Intellectual Property Assignment Deed, or IP Deed, with Medvet Science Pty Ltd, or Medvet. Medvet's rights under the IP Deed were transferred to Central Adelaide Local Health Network Incorporated, or CALHNI, in November 2011. In connection with its use of the Medvet IP, on completion of certain milestones Mesoblast Limited will be obligated to pay CALHNI, as successor in interest to Medvet, (i) certain aggregated milestone payments of up to \$2.2 million and single-digit royalties on net sales of products covered by the Medvet IP, for cardiac muscle and blood vessel applications and bone and cartilage regeneration and repair applications, subject to minimum annual royalties beginning in the first year of commercial sale of those products and (ii) single-digit royalties on net sales of the specified products for applications outside the specified fields.

21. Segment information

Operating segments are identified on the basis of whether the allocation of resources and/or the assessment of performance of a particular component of the Company's activities are regularly reviewed by the Company's chief operating decision maker as a separate operating segment. By these criteria, the activities of the Company are considered to be one segment being the development of cell technology platform for commercialization, and the segmental analysis is the same as the analysis for the Company as a whole. The chief operating decision maker (Chief Executive Officer) reviews the consolidated income statement, balance sheet, and statement of cash flows regularly to make decisions about the Company's resources and to assess overall performance.

22. Legal proceedings

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, its former Chief Financial Officer and its former Chief Medical Officer for alleged violations of the U.S. Securities Exchange Act of 1934. The parties have reached an agreement in principle to settle the securities class action on a class wide basis for \$2.0 million, with no admission of liability. This settlement was paid by the Company's insurer in May 2022, other than the minimum excess as per the Company's insurance policy. The settlement is subject to final documentation, notice to the class members, and approval of the court. The court granted preliminary approval of the settlement on April 8, 2022 and final approval on August 15, 2022.

A class action proceeding in the Federal Court of Australia was served on the Company in May 2022 by the law firm William Roberts Lawyers on behalf of persons who, between February 22, 2018 and December 17, 2020, acquired an interest in Mesoblast shares, American Depository Receipts, and/or related equity swap arrangements. In June 2022, the law firm Phi Finney McDonald commenced a second shareholder class action against the Company in the Federal Court of Australia asserting similar claims arising during the same period. Like the class action lawsuit from October 2020 filed in the U.S. Federal District Court for the Southern District of New York, the Australian class actions relate to the Complete Response Letter released by the FDA; they also, unlike the U.S. action, relate to certain representations made by the Company in relation to our COVID-19 product candidate and the decline in the market price of our ordinary shares in December 2020. The Australian class actions have been assigned to Justice Beach, who has set a hearing date of October 25, 2022 to rule on whether to consolidate the Australian class actions into one lawsuit. Justice Beach has ordered that the Company need not file a defense until further order. The Company will continue to vigorously defend against both proceedings. The Company cannot provide any assurance as to the possible outcome or cost to us from the lawsuits, particularly as they are at an early stage, nor how long it may take to resolve such lawsuits. Thus, the Company has not accrued any amounts in connection with such legal proceedings.

23. Summary of significant accounting policies

This note provides the principal accounting policies adopted in the preparation of these consolidated financial statements as set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Mesoblast Limited and its subsidiaries.

a. Change in accounting policies

There were no new accounting policies adopted by the Group in the year ended June 30, 2022. In the year ended June 30, 2022, the Group changed its accounting policy to enhance the relevance and reliability of the Statement of Cash Flows by changing the accounting policy relating to the classification of the Interest and other costs of finance paid, previously classified within the operating activities of the Statement of Cash Flows. See Note 1(v) for further details.

b. Principles of consolidation

i. Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Mesoblast Limited (“Company” or “Parent Entity”) as of June 30, 2022 and the results of all subsidiaries for the year then ended. Mesoblast Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

ii. Employee share trust

The Group has formed a trust to administer the Group’s employee share scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group.

c. Segment reporting

The Group operates in one segment as set out in Note 21.

d. Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of Mesoblast Limited is the AUD. The consolidated financial statements are presented in USD, which is the Group's presentation currency.

(ii) Translations and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the transaction at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in net loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in net loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as financial assets at fair value are recognized in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for the balance sheets presented are translated at the closing rate at the date of that balance sheets;
- income and expenses for the statements of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and all resulting exchange differences are recognized in other comprehensive income.

(iv) Other

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to net loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

e. Revenue recognition

Revenue from contracts with customers is measured and recognized in accordance with the five step model prescribed by IFRS 15 *Revenue from Contracts with Customers*.

First, contracts with customers within the scope of IFRS 15 are identified. Distinct promises within the contract are identified as performance obligations. The transaction price of the contract is measured based on the amount of consideration the Group expect to be entitled from the customer in exchange for goods or services. Factors such as requirements around variable consideration, significant financing components, noncash consideration, or amounts payable to customers also determine the transaction price. The transaction is then allocated to separate performance obligations in the contract based on relative standalone selling prices. Revenue is recognized when, or as, performance obligations are satisfied, which is when control of the promised good or service is transferred to the customer.

Revenues from contracts with customers comprise commercialization and milestone revenue. The Group also have revenue from interest revenue.

(i) Commercialization and milestone revenue

Commercialization and milestone revenue generally includes non-refundable upfront license and collaboration fees; milestone payments, the receipt of which is dependent upon the achievement of certain clinical, regulatory or commercial milestones; as well as

royalties on product sales of licensed products, if and when such product sales occur; and revenue from the supply of products. Payment is generally due on standard terms of 30 to 60 days.

Amounts received prior to satisfying the revenue recognition criteria are recorded as deferred revenue or deferred consideration in our consolidated balance sheets, depending on the nature of arrangement. Amounts expected to be recognized as revenue within the 12 months following the balance sheet date are classified within current liabilities. Amounts not expected to be recognized as revenue within the 12 months following the balance sheet date are classified within non-current liabilities.

Milestone revenue

The Group applies the five-step method under the standard to measure and recognize milestone revenue.

The receipt of milestone payments is often contingent on meeting certain clinical, regulatory or commercial targets, and is therefore considered variable consideration. The Group estimate the transaction price of the contingent milestone using the most likely amount method. The Group include in the transaction price some or all of the amount of the contingent milestone only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the contingent milestone is subsequently resolved. Milestone payments that are not within the control of the Company, such as regulatory approvals, are not considered highly probable of being achieved until those approvals are received. Any changes in the transaction price are allocated to all performance obligations in the contract unless the variable consideration relates only to one or more, but not all, of the performance obligations.

When consideration for milestones is a sale-based or usage-based royalty that arises from licenses of IP (such as cumulative net sales targets), revenue is recognized at the later of when (or as) the subsequent sale or usage occurs, or when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

Licenses of intellectual property

When licenses of IP are distinct from other goods or services promised in the contract, the Group recognize the transaction price allocated to the license as revenue upon transfer of control of the license to the customer. The Group evaluate all other promised goods or services in the license agreement to determine if they are distinct. If they are not distinct, they are combined with other promised goods or services to create a bundle of promised goods or services that is distinct.

The transaction price allocated to the license performance obligation is recognized based on the nature of the license arrangement. The transaction price is recognized over time if the nature of the license is a "right to access" license. This is when the Group undertake activities that significantly affect the IP to which the customer has rights, the rights granted by the license directly expose the customer to any positive or negative effects of our activities, and those activities do not result in the transfer of a good or service to the customer as those activities occur. When licenses do not meet the criteria to be a right to access license, the license is a "right to use" license, and the transaction price is recognized at the point in time when the customer obtains control over the license.

Sales-based or usage-based royalties

Licenses of IP can include royalties that are based on the customer's usage of the IP or sale of products that contain the IP. The Group apply the specific exception to the general requirements of variable consideration and the constraint on variable consideration for sales-based or usage-based royalties promised in a license of IP. The exception requires such revenue to be recognized at the later of when (or as) the subsequent sale or usage occurs and the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied).

Gr✓nenthal arrangement

In September 2019, the Group entered into a strategic partnership with Gr✓nenthal for the development and commercialization in Europe and Latin America of the Group's allogeneic mesenchymal precursor cell ("MPC") product, MPC-06-ID, receiving exclusive rights to the Phase 3 allogeneic product candidate for the treatment of low back pain due to degenerative disc disease.

The Group received a non-refundable upfront payment of \$15.0 million in October 2019, on signing of the contract with Gr✓nenthal. The Group received a milestone payment in December 2019 of \$2.5 million in relation to meeting a milestone event as part of the strategic partnership with Gr✓nenthal.

In June 2021, the Group announced its intention to leverage the results from a planned US trial to support potential product approvals in both the US and EU by including 20% EU patients in order to provide regulatory harmonization, cost efficiencies and streamlined timelines, without initiating an EU trial. As a result, the strategic partnership with Gr✓nenthal has been amended and

milestone payments relating to R&D and CMC services and other development services which were linked to the Europe trial have been removed, instead the Group is eligible to receive payments up to US\$112.5 million prior to product launch in the EU, inclusive of US\$17.5 million already received, if certain clinical and regulatory milestones are satisfied and reimbursement targets are achieved. Cumulative milestone payments could reach US\$1 billion depending on the final outcome of Phase 3 studies and patient adoption. The Group will also receive tiered double-digit royalties on product sales as per the original agreement.

The \$2.5 million milestone payment received in December 2019 from Gr✓nenthal was considered deferred consideration as of June 30, 2022. The performance obligation for the \$2.5 million was previously satisfied under the original agreement, however under the amended agreement with Gr✓nenthal it is subject to repayment to Gr✓nenthal. Revenue will be recognized when the clinical trial has recruited the required amount of European patients, as the \$2.5 million will no longer be subject to repayment to Gr✓nenthal. There was no milestone revenue recognized in relation to this strategic partnership with Gr✓nenthal in the years ended June 30, 2022 and 2021.

Tasly arrangement

In July 2018, the Group entered into a strategic alliance with Tasly for the development, manufacture and commercialization in China of the Group's allogeneic mesenchymal precursor cell MPC products, MPC-150-IM and MPC-25-IC. Tasly received all exclusive rights for MPC-150-IM and MPC-25-IC in China and Tasly will fund all development, manufacturing and commercialization activities in China.

The Group received a \$20.0 million upfront technology access fee from Tasly upon closing of this strategic alliance in October 2018. The Group recognized \$10.0 million from this \$20.0 million upfront technology fee in milestone revenue at closing in October 2018 and the remaining \$10.0 million was recognized in milestone revenue in February 2020. The Group is also entitled to receive \$25.0 million on product regulatory approvals in China, double-digit escalating royalties on net product sales and up to six escalating milestone payments when the product candidates reach certain sales thresholds in China.

For the years ended June 30, 2022 and 2021, no revenue was recognized in relation to this strategic alliance with Tasly.

TiGenix arrangement

In December 2017, the Group entered into a patent license agreement with TiGenix, now a wholly owned subsidiary of Takeda, which granted Takeda exclusive access to certain of our patents to support global commercialization of the adipose-derived MSC product, Alofisel® a registered trademark of TiGenix, previously known as Cx601, for the local treatment of fistulae. The agreement includes the right for Takeda to grant sub-licenses to affiliates and third parties. The Group is entitled to further payments up to €10.0 million when Takeda reaches certain product regulatory milestones. Additionally, the Group will receive single digit royalties on net sales of Alofisel®.

In the years ended June 30, 2022 and 2021, the Group earned \$0.3 million and \$0.2 million, respectively, of royalty income on sales of Alofisel® in Europe by our licensee Takeda .

The Group recognized \$1.2 million in milestone revenue in the year ended June 30, 2022 in relation to our patent license agreement with Takeda entered into in December 2017. This \$1.2 million was recognized with regards to the €1.0 million regulatory milestone payment receivable from Takeda given Takeda received approval to manufacture and market Alofisel® (darvadstrocel) in Japan for the treatment of complex perianal fistulas in patients with non-active or mildly active luminal Crohn's Disease. No milestone revenue was recognized in the year ended June 30, 2021.

JCR arrangement

In October 2013, the Group acquired all of the culture-expanded, MSC-based assets from Osiris. These assets included assumption of a collaboration agreement with JCR, a research and development oriented pharmaceutical company in Japan. Revenue recognized under this agreement is limited to the amount of cash received or for which the Group is entitled, as JCR has the right to terminate the agreement at any time.

Under the JCR Agreement, JCR is responsible for all development and manufacturing costs including sales and marketing expenses. Under the JCR Agreement, JCR has the right to develop our MSCs in two fields for the Japanese market: exclusive in conjunction with the treatment of hematological malignancies by the use of hematopoietic stem cells derived from peripheral blood, cord blood or bone marrow, or the First JCR Field; and non-exclusive for developing assays that use liver cells for non-clinical drug screening and evaluation, or the Second JCR Field. With respect to the First JCR Field, the Group are entitled to payments when JCR reaches certain commercial milestones and to escalating double-digit royalties. These royalties are subject to possible renegotiation

downward in the event of competition from non-infringing products in Japan. With respect to the Second JCR Field, the Group are entitled to a double-digit profit share. The Group expanded our partnership with JCR in Japan for two new indications: for wound healing in patients with Epidermolysis Bullosa ("EB") in October 2018, and for hypoxic ischemic encephalopathy ("HIE"), a condition suffered by newborns who lack sufficient blood supply and oxygen to the brain, in June 2019. The Group will receive royalties on TEMCELL product sales for EB and HIE, if and when JCR begins selling TEMCELL for such indications in Japan. The Group applies the sales-based and usage-based royalty exception for licenses of intellectual property and therefore recognizes royalty revenue at the later of when the subsequent sale or usage occurs and the associated performance obligation has been satisfied.

In the year ended, June 30, 2022 the Group recognized \$8.7 million in commercialization revenue relating to royalty income earned on sales of TEMCELL in Japan by our licensee JCR, compared with \$7.2 million for the year ended June 30, 2021. These amounts were recorded in revenue as there are no further performance obligations required in regards to these items.

(ii) Interest revenue

Interest revenue is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(iii) Research and development tax incentive

The Group's research and development activities can potentially be eligible under an Australian government tax incentive. Management assesses these activities and expenditure to determine which are likely to be eligible under the incentive scheme. At each period end management estimates and recognizes the refundable tax offset available to the Group based on available information at the time.

The Australian Government replaced the research and development tax concession with the research and development tax incentive from July 1, 2011. The provisions provide refundable or non-refundable tax offsets.

The research and development tax incentive applies to expenditure incurred and the use of depreciating assets in an income year commencing on or after July 1, 2011. The research and development tax incentive credit is available for the Group's research and development activities in Australia as well as research and development activities outside of Australia to the extent such non-Australian based activities relate to intellectual property owned by our Australian resident entities do not exceed half the expenses for the relevant activities and are approved by the Australian government. Eligible companies can receive a refundable tax offset for a percentage of their research and development spending. In October 2020, the Australian Government introduced new legislation for the refundable tax offset applicable to eligible companies for income tax years commencing from July 1, 2021. Per the new legislation, for the year ended June 30, 2022 the refundable tax offset for companies with an aggregated turnover of AS\$20.0 million or more is the Company's corporate tax rate plus a rate between 8.5% and 16.5% depending on the proportion of research and development expenditures in relation to total expenditures. For companies with an aggregated turnover below AS\$20.0 million, the refundable research and development tax offset is 48.5% for the year ended June 30, 2022. For the year ended June 30, 2021, a refundable tax offset was only available to eligible companies with an annual aggregate turnover of less than AS\$20.0 million and the rate of the refundable tax offset was 43.5%.

In the years ended June 30, 2022 and 2021, the Group was eligible for the refundable tax offset for the research and development tax incentive and management is currently assessing if the Group's activities were eligible under the incentive scheme and therefore have not applied for a tax offset. Consequently, no income was recognized from the Research and Development Tax Incentive program for the years ended June 30, 2022 and 2021.

The receivable for reimbursable amounts that have not been collected is reflected in trade and other receivables in the Group's consolidated balance sheets. Income associated with the research and development tax incentive is recorded in the Group's other operating income and expenses in the Group's consolidated income statement.

f. Inventories

Inventories are included in the financial statements at the lower of cost (including raw materials, direct labour, other direct costs and related production overheads) and net realizable value. Pre-launch inventory is held as an asset when there is a high probability of regulatory approval for the product in accordance with IAS 2 *Inventories*. Before that point, a provision is made against the carrying value to its recoverable amount in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; the provision is then reversed at the point when a high probability of regulatory approval is determined.

The Group considers a number of factors in determining the probability of the product candidate realizing future economic benefit, including the product candidate's current status in the regulatory approval process, results from the related pivotal clinical trial, results from meetings with relevant regulatory agencies prior to the filing of regulatory applications, the market need, historical experience, as well as potential impediments to the approval process such as product safety or efficacy, commercialization and market trends.

When a provision is made against the carrying value of pre-launch inventory the costs are recognized within Manufacturing Commercialization expenses. When the high probability threshold is met, the provision will be reversed through Manufacturing Commercialization expenses. As of June 30, 2022 and June 30, 2021, there was \$28.9 million and \$21.9 million of pre-launch inventory recognized on the balance sheet that was fully provided for, respectively. For the years ended June 30, 2022, 2021 and 2020, \$7.0 million, \$13.1 million and \$8.8 million of pre-launch inventory costs have been recognized within Manufacturing Commercialization expenses in relation to the provision against the carrying value of pre-launch inventory, respectively. For the years ended June 30, 2022 and 2021, \$0.5 million and \$0.5 million of pre-launch inventory costs were provided for as obsolete stock and these costs have been recognized within Manufacturing Commercialization expenses during the period, respectively.

g. Research and development undertaken internally

The Group currently does not have any capitalized development costs. Research expenditure is recognized as an expense as incurred. Costs incurred on development projects, which consist of preclinical and clinical trials, manufacturing development, and general research, are recognized as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably.

The expenditure capitalized comprises all directly attributable costs, including costs of materials, services, direct labor and an appropriate proportion of overheads. Other development costs that do not meet these criteria are expensed as incurred. Development costs previously recognized as expenses, are not recognized as an asset in a subsequent period and will remain expensed. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use on a straight-line basis over its useful life.

h. Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses. Deferred tax assets are only recognized to the extent that there are sufficient deferred tax liabilities unwinding.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in net loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

i. Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any noncontrolling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognized directly in net loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

j. Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to dispose and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets (other than goodwill) that have suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Management maintains internal valuations of each asset annually (or more frequently should indicators of impairment be identified) and valuations from independent experts are requested periodically, within every three year period. The internal valuations are continually reviewed by management and consideration is given as to whether there are indicators of impairment which would warrant impairment testing. An external valuation of our assets was carried out by an independent expert as at March 31, 2020 with the recoverable amount of each asset exceeding its carrying amount.

k. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

l. Trade and other receivables

Trade receivables and other receivables represent the principal amounts due at balance date less, where applicable, any provision for expected credit losses. The Group uses the simplified approach to measuring expected credit losses, which uses a lifetime expected credit loss allowance. Debts which are known to be uncollectible are written off in the consolidated income statement. All trade receivables and other receivables are recognized at the value of the amounts receivable, as they are due for settlement within 60 days and therefore do not require remeasurement.

m. Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortized cost

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flow. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). See Note 5 for details about each type of financial asset.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Details on how the fair value of financial instruments is determined are disclosed in Note 5(g).

Equity instruments

The group subsequently measures all equity investments at fair value. Where the Group has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 5(b) for further details.

n. Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. As at June 30, 2022 and 2021, the Group did not have any derivative instruments that qualified for hedge accounting.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss and are included in other income or other expenses.

o. Property, plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Subsequent cost are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associates with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

Property, plant and equipment, other than freehold land, are depreciated over their estimated useful lives using the straight line method (see Note 6(a)).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of plant and equipment are taken into account in determining the profit for the year.

p. Intangible assets

(i) Goodwill

Goodwill is measured as described in Note 23(i). Goodwill on acquisition of subsidiaries is included in intangible assets (Note 6(c)). Goodwill is not amortized but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is tested for impairment in accordance with IAS 36 *Impairment of Assets* which requires testing be performed at any time during an annual period, provided the test is performed at the same time every year. The Group tests for impairment annually in the third quarter of each year. Additionally, assets must be tested for impairment if there is an indication that an asset may be impaired. The recoverable amounts of our assets and cash-generating units have been determined based on fair value less costs to sell calculations, which require the use of certain assumptions.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (Note 21).

(ii) Acquired licenses to patents

Acquired licenses have a finite useful life and are carried at cost less accumulated amortization and impairment losses. Each asset is amortized through to the estimated patent expiry date which is reviewed and adjusted as patent extensions are granted.

Payments made to third parties to acquire licenses to patents, including initial upfront and subsequent milestone payments are capitalized. For subsequent payments under existing license agreements payments are capitalized if they meet the definition of an intangible asset. Management reviews the substance of the payment to determine its classification. Generally, payments made for a verifiable outcome, such as completion of a clinical trial, regulatory approvals and sales target milestones would be accumulated into the cost of the intangible.

The Group periodically evaluates whether current facts or circumstances indicate that the carrying value of its acquired intangibles may not be recoverable. If such circumstances are determined to exist, an estimate of the undiscounted future cash flow of these assets, or appropriate assets grouping is compared to the carrying value to determine whether an impairment exists. If the asset is determined to be impaired, the loss is measured based on the differences between the carrying value of the intangible asset and its fair value, which is determined based on the net present value of estimated future cash flows.

Royalty payments under license and sublicense agreements are expensed.

(iii) In-process research and development acquired

In-process research and development that has been acquired as part of a business acquisition is considered to be an indefinite life intangible asset on the basis that it is incomplete and cannot be used in its current form. Indefinite life intangible assets are not

amortized but rather are tested for impairment annually in the third quarter of each year, or whenever events or circumstances present an indication of impairment.

In-process research and development will continue to be tested for impairment until the related research and development efforts are either completed or abandoned. Upon completion of the related research and development efforts, management determines the remaining useful life of the intangible assets and amortizes them accordingly. In order for management to determine the remaining useful life of the asset, management would consider the expected flow of future economic benefits to the entity with reference to the product life cycle, competitive landscape, obsolescence, market demand, any remaining patent useful life and various other relevant factors. At the time of completion, when the asset becomes available for use, all costs recognized in in-process research and development that related to the completed asset are transferred to the intangible asset category, current marketed products, at the asset's historical cost.

In the case of abandonment, the related research and development efforts are considered impaired and the asset is fully expensed.

(iv) Current marketed products

Current marketed products contain products that are currently being marketed. The assets are recognized on our balance sheet as a result of business acquisitions or reclassifications from In-process research and development upon completion. Upon completion, when assets become available for use, assets are reclassified from in-process research and development to current marketed products at the historical value that they were recognized at within the in-process research and development category.

Upon reclassification to the current market products category management determines the remaining useful life of the intangible assets and amortizes them from the date they become available for use. In order for management to determine the remaining useful life of the asset, management would consider the expected flow of future economic benefits to the entity with reference to the product life cycle, competitive landscape, obsolescence, market demand, any remaining patent useful life and any other relevant factors.

Management have chosen to amortize all intangible assets with a finite useful life on a straight-line basis over the useful life of the asset. Current marketed products are tested for impairment in accordance with IAS 36 Impairment of Assets which requires testing whenever there is an indication that an asset may be impaired.

q. Trade and other payables

Payables represent the principal amounts outstanding at balance date plus, where applicable, any accrued interest. Liabilities for payables and other amounts are carried at cost which approximates fair value of the consideration to be paid in the future for goods and services received, whether or not billed. The amounts are unsecured and are usually paid within 30 to 60 days of recognition.

r. Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred of liabilities assumed, is recognized in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period

Funds associated with Oaktree Capital Management, L.P. ("Oaktree")

In November 2021, the Group's senior debt facility with Hercules was refinanced with a new \$90.0 million five-year facility provided by funds associated with Oaktree. The Group drew the first tranche of \$60.0 million on closing, with \$55.5 million of proceeds being used to discharge our obligations under the Hercules loan. Up to an additional \$30.0 million may be drawn on or before December 31, 2022, subject to the Group achieving certain milestones. The facility has a three-year interest only period, at a fixed rate of 9.75% per annum, after which time 40% of the principal amortizes over two years and a final payment is due no later than November 2026. The facility also allows the Group to make quarterly payments of interest at a rate of 8.0% per annum for the

first two years, and the unpaid interest portion (1.75% per annum) will be added to the outstanding loan balance and shall accrue further interest at a fixed rate of 9.75% per annum.

On November 19, 2021, Oaktree was also granted warrants to purchase 1,769,669 American Depositary Shares (“ADSs”) at US\$7.26 per ADS, a 15% premium to the 30-day VWAP. The Group determined that an obligation to issue the warrants has arisen from the time the debt facility was signed; consequently, a liability for the warrants was recognized in November 2021. The warrants were legally issued on January 11, 2022 and may be exercised within 7 years of issuance. On the issuance date of the Oaktree facility and the warrants, the warrants were initially measured at fair value and the Oaktree borrowing liability measured as the difference between the \$60.0 million received from the Oaktree facility and the fair value of the warrants.

In the year ended June 30, 2022, the Group recognized a gain of \$0.1 million in the Income Statement as remeasurement of borrowing arrangements within finance costs in relation to the adjustment of the carrying amount of our financial liability to reflect the revised estimated future cash flows from our credit facility. No remeasurement of borrowing arrangements was recognized in the years ended June 30, 2021 and 2020.

Hercules

In March 2018, the Group entered into a loan and security agreement with Hercules, for a \$75.0 million non-dilutive, four-year credit facility. The Group drew the first tranche of \$35.0 million on closing and a further tranche of \$15.0 million was drawn in January 2019.

In November 2021, this loan was refinanced with a new \$90.0 million five-year facility provided by Oaktree. The Group drew the first tranche of \$60.0 million on closing, with \$55.5 million of proceeds being used to repay the outstanding balance with Hercules. Prior to extinguishing the loan with Hercules, the Group had amended the terms of the loan and security agreement to extend the interest-only period to January 2022 and therefore the Group had not commenced principal repayments.

Interest on the loan was payable monthly in arrears on the 1st day of the month. At closing date, the interest rate was 9.45%. At June 30, 2019, in line with increases in the U.S prime rate, the interest rate was 10.45%. On August 1, September 19 and October 31, 2019, in line with the decreases in the U.S. prime rate, the interest rate on the loan decreased to 10.20%, 9.95% and 9.70%, respectively, and remained at 9.70% in line with the terms of the loan agreement. June 30, 2022

In the year ended June 30, 2022, the Group recognized a loss of \$0.9 million in the Income Statement as remeasurement of borrowing arrangements within finance costs. \$1.3 million of this loss relates to prepaying the Group's outstanding balance and extinguishing the loan with Hercules, offset by a \$0.4 million gain to the adjustment of the carrying amount of our financial liability to reflect the revised estimated future cash flows from our credit facility. In the year ended June 30, 2021, the Group recognized a gain of \$0.4 million in the Income Statement as remeasurement of borrowing arrangements within finance costs.

NovaQuest

On June 29, 2018, the Group entered into an eight-year, \$40.0 million loan and security agreement with NovaQuest before drawing the first tranche of \$30.0 million of the principal in July 2018. The loan term includes an interest only period of approximately four years through until July 8, 2022, then a four-year amortization period through until maturity on July 8, 2026. All interest and principal payments will be deferred until after the first commercial sale of remestemcel-L for the treatment in pediatric patients with SR-aGVHD. Principal is repayable in equal quarterly instalments over the amortization period of the loan and is subject to the payment cap described below. The loan has a fixed interest rate of 15% per annum. If there are no net sales of remestemcel-L for pediatric SR-aGVHD, the loan is only repayable at maturity. The Group can elect to prepay all outstanding amounts owing at any time prior to maturity, subject to a prepayment charge, and may decide to do so if net sales of remestemcel-L for pediatric SR-aGVHD are significantly higher than current forecasts.

Following approval and first commercial sales, repayments commence based on a percentage of net sales and are limited by a payment cap which is equal to the principal due for the next 12 months, plus accumulated unpaid principal and accrued unpaid interest. During the four-year period commencing July 8, 2022, principal amortizes in equal quarterly instalments payable only after approval and first commercial sales. If in any quarterly period, 25% of net sales of remestemcel-L for pediatric SR-aGVHD exceed the annual payment cap, the Group will pay the payment cap and an additional portion of excess sales which will be used towards the prepayment amount in the event there is an early prepayment of the loan. If in any quarterly period 25% of net sales of remestemcel-L for pediatric SR-aGVHD is less than the annual payment cap, then the payment is limited to 25% of net sales of remestemcel-L for pediatric SR-aGVHD. Any unpaid interest will be added to the principal amounts owing and shall accrue further interest. At maturity date, any unpaid loan balances are repaid.

Because of this relationship of net sales and repayments, changes in our estimated net sales may trigger an adjustment of the carrying amount of the financial liability to reflect the revised estimated cash flows. The carrying amount is recalculated by computing the present value of the revised estimated future cash flows at the financial instrument's original effective interest rate. The adjustment is recognized in the Income Statement as remeasurement of borrowing arrangements within finance costs in the period the revision is made.

In the years ended June 30, 2022 and 2021, the Group recognized a gain of \$0.5 million and \$4.8 million, respectively, in the Income Statement as remeasurement of borrowing arrangements within finance costs in relation to the adjustment of the carrying amount of our financial liability to reflect the revised estimated future cash flows as a net result of changes to the key assumptions in development timelines.

The Group recognizes a liability as current based on repayments linked to estimates of sales of remestemcel-L. However, if sales of remestemcel-L are higher than estimated, actual repayments will exceed this amount, subject to the annual payment cap described above.

The carrying amount of the loan and security agreement with NovaQuest is subordinated to the Group's fixed rate loan with the senior creditor, Oaktree. The Group have pledged a portion of our assets relating to the SR-aGVHD product candidate as collateral under the loan facility with NovaQuest.

s. Provisions

Provisions are recognized when the Group has a present legal obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

Provisions are recorded on acquisition of a subsidiary, to the extent they relate to a subsidiary's contingent liabilities, if it relates to a past event, regardless of whether it is probable the amount will be paid.

t. Employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, bonuses, annual leave and long service leave.

Liabilities recognized in respect of employee benefits which are expected to be settled within 12 months after the end of the period in which the employees render the related services are measured at their nominal values using the remuneration rates expected to apply at the time of settlement.

Liabilities recognized in respect of employee benefits which are not expected to be settled within 12 months after the end of the period in which the employees render the related services are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: when the Group can no longer withdraw the offer of those benefits and when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

u. Share-based payments

Share-based payments are provided to eligible employees, directors and consultants via the Employee Share Option Plan ("ESOP") and the Australian Loan Funded Share Plan ("LFSP"). The terms and conditions of the LFSP are in substance the same as the employee share options and therefore they are accounted for on the same basis.

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at acceptance date. Fair value is measured using the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations. It does not make any allowance for the impact of any service and non-market performance vesting conditions. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in Note 17.

The fair value determined at the acceptance date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on management's estimate of shares that will eventually vest, with a corresponding increase in equity. At the end of each period, the entity revises its estimates of the number of share-based payments that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

v. Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Variable lease payments that are not based on an index or a rate are not included in the initial measurement of the lease liability and are expensed in the Income Statement when incurred. There were no variable lease payments that were expensed in the Income Statement for the year ended June 30, 2022. The Group remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever there is a change to the lease terms or expected payments under the lease, or a modification that is not accounted for as a separate lease.

For certain contracts that contain lease and non-lease components, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. The Group identifies a separate lease component if there is an explicit or implicit identified asset in the contract and if the Group controls use of the identified asset.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases with a lease term of 12 months or less, contracts that contain lease and non-lease components that are cancellable within 12 months and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Low-value assets comprise IT-equipment and small items of office furniture.

w. Warrants

Warrants reserve is measured as described in Note 7(b). For details on warrant liability, see Note 5(g)(vi).

x. Contributed equity

Ordinary shares are classified as equity.

Transaction costs arising on the issue of equity instruments are recognized separately in equity. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

y. Loss per share

(i) Basic losses per share

Basic losses per share is calculated by dividing:

- the loss attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the fiscal year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted losses per share

Diluted losses per share adjusts the figures used in the determination of basic earnings per share to take into account

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

z. Goods and services tax ("GST")

Revenues, expenses and assets are recognized net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognized as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the statement of cash flow on a gross basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

aa. Rounding of amounts

Our company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Unless mentioned otherwise, amounts within this report have been rounded off in accordance with that Legislative Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Australian Disclosure Requirements

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and Notes set out on pages 152 to 217 are in accordance with the *Corporations Act 2001*, including:
 - (i) Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) Giving a true and fair view of the consolidated entity's financial position as at June 30, 2022 and of its performance for the fiscal year ended on that date, and
- (b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Note 1 'Basis of preparation' confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

/s/ Joseph Swedish
Joseph Swedish
Chairman

/s/ Silviu Itescu
Silviu Itescu
Chief Executive Officer

Melbourne, August 31, 2022

Item 19.

Exhibits

Item

- 1.1 [Constitution of Mesoblast Limited adopted on November 22, 2018 \(incorporated by reference to Exhibit 1.1 to the Company's Annual Report on Form 20-F filed with the SEC on September 9, 2019\).](#)
- 1.2 [Certificate of Registration of Mesoblast Limited \(incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form F-1 filed with the SEC on November 2, 2015\).](#)
- 4.1 [Form of Deposit Agreement between Mesoblast Limited and JPMorgan Chase Bank, N.A., as depositary, and Holders of the American Depositary Receipts \(incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form F-1 filed with the SEC on November 2, 2015\).](#)
- 4.2 [Form of American Depositary Receipt evidencing American Depositary Shares \(included in Exhibit 4.1\).](#)
- 4.3† [Manufacturing Services Agreement by and between Mesoblast Limited and Lonza Walkersville, Inc. and Lonza Bioscience Singapore Pte. Ltd., dated September 20, 2011 \(incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form F-1 filed with the SEC on November 2, 2015\).](#)
- 4.4 [Purchase Agreement by and between Mesoblast International Sàrl and Osiris Therapeutics, Inc., dated October 10, 2013 \(incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form F-1 filed with the SEC on November 2, 2015\).](#)
- 4.5 [Amendment #1 to Purchase Agreement by and between Mesoblast International Sàrl and Osiris Therapeutics, Inc., dated December 17, 2014 \(incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form F-1 filed with the SEC on November 2, 2015\).](#)
- 4.6† [License Agreement by and between Osiris Acquisition II, Inc. and JCR Pharmaceuticals Co., Ltd., dated August 26, 2003 \(incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form F-1 filed with the SEC on November 2, 2015\).](#)
- 4.7† [Amendment 1 to License Agreement by and between Osiris Acquisition II, Inc. and JCR Pharmaceuticals Co., Ltd., dated June 27, 2005 \(incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form F-1 filed with the SEC on November 2, 2015\).](#)
- 4.8 [Intellectual Property Assignment Deed by and between Mesoblast Limited and Medvet Science Pty Ltd, dated October 4, 2004 \(incorporated by reference to Exhibit 10.15 to the Company's Registration Statement on Form F-1 filed with the SEC on November 2, 2015\).](#)
- 4.9# [Employment Agreement, dated August 8, 2014, by and between Mesoblast Limited and Silviu Itescu \(incorporated by reference to Exhibit 10.19 to the Company's Registration Statement on Form F-1 filed with the SEC on November 2, 2015\).](#)
- 4.10 [Sublease, by and between Mesoblast Limited and CIT Group Inc., dated September 27, 2011 \(incorporated by reference to Exhibit 10.21 to the Company's Registration Statement on Form F-1 filed with the SEC on November 2, 2015\).](#)
- 4.11 [Sublease, by and between Mesoblast Limited and Collins Place Pty Ltd, AMP Capital Investors Limited, and Australia and New Zealand Banking Group Limited, dated April 21, 2014 \(incorporated by reference to Exhibit 10.22 to the Company's Registration Statement on Form F-1 filed with the SEC on November 2, 2015\).](#)
- 4.12 [Form of 2012 Deed of Indemnity, Insurance and Access \(incorporated by reference to Exhibit 10.23 to the Company's Registration Statement on Form F-1 filed with the SEC on November 2, 2015\).](#)
- 4.13 [Form of 2014 Deed of Indemnity, Insurance and Access \(incorporated by reference to Exhibit 10.24 to the Company's Registration Statement on Form F-1 filed with the SEC on November 2, 2015\).](#)
- 4.14† [Patent License and Settlement Agreement with TiGenix S.A.U., dated December 14, 2017 \(incorporated by reference to Exhibit 4.21 to the Company's Annual Report on Form 20-F filed with the SEC on August 31, 2018\).](#)
- 4.15† [Loan and Security Agreement by and among Mesoblast Limited, Mesoblast UK Limited, Mesoblast International \(UK\) Limited, Mesoblast, Inc., Mesoblast International Sàrl and Hercules Capital, Inc., dated March 6, 2018 \(incorporated by reference to Exhibit 4.22 to the Company's Annual Report on Form 20-F filed with the SEC on August 31, 2018\).](#)
- 4.16† [Loan and Security Agreement by and between Mesoblast Limited, Mesoblast UK Limited, Mesoblast, Inc., Mesoblast International \(UK\) Limited, Mesoblast International Sàrl and NOP SPV II, L.P., dated June 29, 2018 \(incorporated by reference to Exhibit 4.23 to the Company's Annual Report on Form 20-F filed with the SEC on August 31, 2018\).](#)
- 4.17† [Development and Commercialization Agreement by and between Mesoblast Inc., Mesoblast International Sàrl and Tasly Pharmaceutical Group Co., Ltd, dated July 17, 2018 \(incorporated by reference to Exhibit 4.24 to the Company's Annual Report on Form 20-F filed with the SEC on August 31, 2018\).](#)
- 4.18 ✓ [Supplementary Agreement for Additional License by and between Mesoblast International Sàrl and JCR Pharmaceuticals Co., Ltd., dated October 12, 2018 \(incorporated by reference to Exhibit 4.25 to the Company's Annual Report on Form 20-F filed with the SEC on September 9, 2019\).](#)
- 4.19 ✓ [First Amendment to Loan and Security Agreement by and among Mesoblast Limited, Mesoblast UK Limited, Mesoblast International \(UK\) Limited, Mesoblast, Inc., Mesoblast International Sàrl and Hercules Capital, Inc., dated January 11, 2019 \(incorporated by reference to Exhibit 4.26 to the Company's Annual Report on Form 20-F filed with the SEC on September 9, 2019\).](#)

4.20 ✓	Second Supplementary Agreement for Additional License by and between Mesoblast International Sarl and JCR Pharmaceuticals Co., Ltd., dated June 5, 2019 (incorporated by reference to Exhibit 4.27 to the Company's Annual Report on Form 20-F filed with the SEC on September 9, 2019).
4.21	Employee Share Option Plan (incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 filed with the SEC on July 27, 2020).
4.22 ✓	Development and Commercialization Agreement by and between Mesoblast Limited and Mesoblast International Sarl and Grœnenthal GmbH, dated September 9, 2019 (incorporated by reference to Exhibit 4.22 to the Company's Annual Report on Form 20-F filed with the SEC on September 3, 2020).
4.23 ✓	Manufacturing Services Agreement by and between Lonza Biosciences Singapore Pte. Ltd. and Mesoblast International Sarl, dated October 9, 2019 (incorporated by reference to Exhibit 4.23 to the Company's Annual Report on Form 20-F filed with the SEC on September 3, 2020).
4.24 ✓	Second Amendment to Loan and Security Agreement by and among Mesoblast Limited, Mesoblast UK Limited, Mesoblast International (UK) Limited, Mesoblast, Inc., Mesoblast International Sarl and Hercules Capital, Inc., dated December 17, 2019 (incorporated by reference to Exhibit 4.24 to the Company's Annual Report on Form 20-F filed with the SEC on September 3, 2020).
4.25 ✓	Third Amendment to Loan and Security Agreement by and among Mesoblast Limited, Mesoblast UK Limited, Mesoblast International (UK) Limited, Mesoblast, Inc., Mesoblast International Sarl and Hercules Capital, Inc., dated February 25, 2020 (incorporated by reference to Exhibit 4.25 to the Company's Annual Report on Form 20-F filed with the SEC on September 3, 2020).
4.26 ✓	Fourth Amendment to Loan and Security Agreement by and among Mesoblast Limited, Mesoblast UK Limited, Mesoblast International (UK) Limited, Mesoblast, Inc., Mesoblast International Sarl and Hercules Capital, Inc., dated August 15, 2020 (incorporated by reference to Exhibit 4.26 to the Company's Annual Report on Form 20-F filed with the SEC on September 3, 2020).
4.27 ✓	Amendment to Development and Commercialization Agreement by and between Mesoblast Limited and Mesoblast International Sarl and Grœnenthal GmbH dated June 30, 2021 (incorporated by reference to Exhibit 4.27 to the Company's Annual Report on Form 20-F filed with the SEC on August 31, 2021).
4.28 ✓	Fifth Amendment to Loan and Security Agreement by and among Mesoblast Limited, Mesoblast UK Limited, Mesoblast International (UK) Limited, Mesoblast, Inc., Mesoblast International Sarl and Hercules Capital, Inc., dated January 28, 2021 (incorporated by reference to Exhibit 4.28 to the Company's Annual Report on Form 20-F filed with the SEC on August 31, 2021).
4.29 ✓	Sixth Amendment to Loan and Security Agreement by and among Mesoblast Limited, Mesoblast UK Limited, Mesoblast International (UK) Limited, Mesoblast, Inc., Mesoblast International Sarl and Hercules Capital, Inc., dated May 26, 2021 (incorporated by reference to Exhibit 4.29 to the Company's Annual Report on Form 20-F filed with the SEC on August 31, 2021).
4.30 ✓	Seventh Amendment to Loan and Security Agreement by and among Mesoblast Limited, Mesoblast UK Limited, Mesoblast International (UK) Limited, Mesoblast, Inc., Mesoblast International Sarl and Hercules Capital, Inc., dated August 19, 2021 (incorporated by reference to Exhibit 4.30 to the Company's Annual Report on Form 20-F filed with the SEC on August 31, 2021).
4.31	Form of Warrant to purchase Ordinary Shares (incorporated by reference to Exhibit 4.31 to the Company's Annual Report on Form 20-F filed with the SEC on August 31, 2021).
4.32* ✓	Loan Agreement and Guaranty between Mesoblast Limited, Mesoblast UK Limited, Mesoblast, Inc., Mesoblast International Sarl and Oaktree Fund Administration, LLC, dated November 19, 2021.
4.33*	Form of Warrant to purchase Ordinary Shares.
8.1*	List of Significant Subsidiaries of Mesoblast Limited.
12.1*	Certification of the Chief Executive Officer pursuant to rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
12.2*	Certification of the Chief Financial Officer pursuant to rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
13.1*	Certification of the Chief Executive Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
13.2*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
15.1*	Consent of independent registered public accounting firm.
99.1*	Appendix 4E preliminary final report for the twelve months to June 30, 2022.
99.2*	Auditor's independence declaration, dated August 31, 2022.
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document

101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document
104 Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)
Indicates management contract or compensatory plan.
* Filed herewith.
† Confidential treatment has been requested for portions of this exhibit. These portions have been omitted and have been filed separately with the Securities and Exchange Commission.
✓ Certain confidential portions of this exhibit were omitted by means of marking such portions with brackets (“[***]”) because the identified confidential portions are not material and are the type that the registrant treats as private or confidential.

CERTAIN CONFIDENTIAL INFORMATION IN THIS EXHIBIT WAS OMITTED BY MEANS OF MARKING SUCH INFORMATION WITH BRACKETS (“[***]”) BECAUSE THE IDENTIFIED CONFIDENTIAL INFORMATION IS NOT MATERIAL AND IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL

LOAN AGREEMENT AND GUARANTY

THIS LOAN AGREEMENT AND GUARANTY is made and dated as of November 19, 2021 and is entered into by and between Mesoblast Limited ACN 109 431 870, an Australian listed public company (“Parent”), Mesoblast UK Limited, a company incorporated in England and Wales with registered number 07596260 whose registered address is 5 New Street Square, London, EC4A 3TW, UK (“Mesoblast UK”), Mesoblast, Inc., a Delaware corporation (“Mesoblast USA”), Mesoblast International Sàrl, a company organized under the laws of Switzerland (“Mesoblast SUI”) and each of Parent’s Subsidiaries that delivers a Joinder Agreement pursuant to Section 7.13 of the Agreement (together with Mesoblast USA and Mesoblast SUI, collectively referred to as the “Borrowers” and each, a “Borrower”), the several banks and other financial institutions or entities from time to time parties to this Agreement (collectively, referred to as “Lender”) and OAKTREE FUND ADMINISTRATION, LLC, a Delaware limited liability company, in its capacity as administrative agent and collateral agent for itself and the Lender (in such capacity, the “Agent”).

RECITALS

- A. Borrowers have requested Lender to make available to the Borrowers loans in an aggregate principal amount of Ninety Million Dollars (\$90,000,000.00) (the “Term Loan”); and
- B. Lender is willing to make the Term Loan on the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, each Loan Party, Agent and Lender agree as follows:

SECTION 1. DEFINITIONS AND RULES OF CONSTRUCTION

1.1 Unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“10 Non-Bank Rule” means the rule that the aggregate number of Lenders under this Agreement which are not Swiss Qualifying Banks must not at any time exceed ten (10), all in accordance with the meaning of the Guidelines or legislation or explanatory notes addressing the same issues that are in force at such time.

“20 Non-Bank Rule” means the rule that the aggregate number of creditors (including the Lenders), other than Swiss Qualifying Banks, of the Swiss Obligors under all its outstanding debts relevant for classification as debenture (*Kassenobligation*) must not at any

time exceed twenty (20), all in accordance with the meaning of the Guidelines or legislation or explanatory notes addressing the same issues that are in force at such time.

[***]

“Account Control Agreement(s)” means any agreement entered into by and among the Agent, any Loan Party and a third party bank or other institution (including a Securities Intermediary) in which any Loan Party maintains a Deposit Account or an account holding Investment Property and which grants Agent a perfected first priority security interest in the subject account or accounts or, where the relevant Loan Party is an Australian Loan Party, “control” (as defined under the Australian PPS Laws) over such account to the Agent, or in the case of a jurisdiction outside of the United States or Australia, any agreement in favor of Agent pledging the accounts of the applicable Loan Party as security, in form and substance satisfactory to Agent; provided that with respect to a Deposit Account held in Australia by an Australian Loan Party, such agreement shall provide for, *inter alia*, the agreement by such financial institution or other Person to (following receipt of a notice from the Agent that an Event of Default has occurred and is continuing) act on the instructions of the Agent only in respect of such account and all dispositions and other dealings with the funds in such account, and not to permit such account to be operated without such instructions.

“Advance(s)” means a Term Loan Advance.

“Advance Date” means the funding date of any Advance.

“Advance Request” means a request for an Advance submitted by any Borrower to Agent in substantially the form attached hereto as Exhibit A, which account numbers shall be redacted for security purposes if and when filed publicly.

“Affiliate” means (a) any Person that directly or indirectly controls, is controlled by, or is under common control with the Person in question, (b) any Person directly or indirectly owning, controlling or holding with power to vote ten percent (10%) or more of the outstanding voting securities of another Person, or (c) any Person ten percent (10%) or more of whose outstanding voting securities are directly or indirectly owned, controlled or held by another Person with power to vote such securities. As used in the definition of “Affiliate,” the term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

“Agent” has the meaning given to it in the preamble to this Agreement.

“Agreement” means this Loan Agreement and Guaranty, as amended from time to time.

“Allocable Amount” has the meaning given to it in Section 12.8(b).

“Anti-Terrorism Laws” means any laws, rules, regulations or orders relating to terrorism or money laundering, including without limitation Executive Order No.

13224 (effective

September 24, 2001), the USA PATRIOT Act, the laws comprising or implementing the Bank Secrecy Act, and the laws administered by OFAC.

“Article 55 BRRD” means Article 55 of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms.

“ASIC” means the Australian Securities and Investments Commission.

“Asset Sale” has the meaning given to it in Section 7.8.

“Assignee” has the meaning given to it in Section 11.14.

“ASX” means ASX Limited (ACN 008 624 691), an Australian listed public company, and where the context requires, the Australian Securities Exchange, operated by ASX Limited.

“Average Market Capitalization” means, for a period of determination, the aggregate sum of the Market Capitalization for each trading day during such period divided by the number of trading days in such period.

“Australia” means the Commonwealth of Australia.

“Australian Controller” has the meaning given to the term “controller” in section 9 of the Australian Corporations Act.

“Australian Corporations Act” means the Corporations Act 2001 (Cth) (Australia).

“Australian Indirect Tax” means any goods or services tax, consumption tax, value added tax or any tax of a similar nature arising under the laws of Australia.

“Australian Loan Party” means any Loan Party incorporated or otherwise constituted under the laws of the Commonwealth of Australia.

“Australian PPS Law” means (i) the Personal Property Securities Act 2009 (Cth) (“Australian PPSA”), (ii) any regulations made at any time under the Australian PPSA (“Australian PPS Regulation”), (iii) any legislative instrument made under the Australian PPSA, (iv) any amendment to any of the above, made at any time, or (v) any amendment made at any time to any other legislation as a consequence of an Australian PPS Law referred to in paragraphs (i) to (iv).

“Australian PPSR” means the Personal Property Securities Register established under Australian PPS Law.

“Australian Secured Account” means an Deposit Account located in Australia in relation to which (i) the Agent has a perfected first priority security interest and (ii) the Australian Loan Party has complied with its obligations under section 7.12(b).

“Australian Security Documents” means the following documents, each in form and substance reasonably satisfactory to Agent: (a) that certain Security Trust Deed, dated on or around the Closing Date, between the Parent and Agent; (b) that certain General Security Deed, dated on or around the Closing Date, between (among others) the Parent and Agent; (c) that certain Specific Security Deed, dated on or around the Closing Date, between Mesoblast USA, Mesoblast SUI and Agent; and (d) any other document that Agent and a Loan Party agree in writing to be an Australian Security Document.

“Australian Tax Consolidated Group” means a “consolidated group” or a “MEC group” as defined in the Australian Tax Act.

“Australian Tax Funding Agreement” means any agreement whereby members of an Australian Tax Consolidated Group have made provision for the funding of the tax liabilities of the Australian Tax Consolidated Group.

“Australian Tax Sharing Agreement” means any agreement which satisfies the requirements in Section 721-25 of the Australian Tax Act for being a valid tax sharing agreement.

“Bail-In Action” means the exercise of any Write-down and Conversion Powers.

“Bail-In Legislation” means:

- (i) in relation to an EEA Member Country which has implemented, or which at any time implements, Article 55 BRRD, the relevant implementing law or regulation as described in the EU Bail-In Legislation Schedule from time to time;
- (ii) in relation to the UK, the UK Bail-In Legislation; and
- (iii) in relation to any state other than such an EEA Member Country and the UK, any analogous law or regulation from time to time which requires contractual recognition of any Write-down and Conversion Powers contained in that law or regulation.

“BLA” means a Biologics License Application, submitted to the FDA pursuant to 21 CFR 601.2 for authorization to commercialize a biological product in the United States.

“Blocked Person” means any Person: (a) listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224, (b) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224, (c) a Person with which any Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law, (d) a Person that commits, threatens or conspires to commit or supports “terrorism” as defined in Executive Order No. 13224, or (e) a Person that is named a “specially designated national” or “blocked person” on the most current list published by OFAC or other similar list.

“Board of Directors” means, with respect to any Person, the board of directors or equivalent management or oversight body of such Person or any committee thereof authorized to act on behalf of such board (or equivalent body).

“Borrower Products” means all products, software, service offerings, technical data or technology currently being designed, labeled, promoted, licensed, marketed, dispensed, manufactured, sold or otherwise commercialized by any Loan Party or which any Loan Party intends to sell, license, distribute or otherwise commercialize in the future including any products or service offerings under development, collectively, together with all products, software, service offerings, technical data or technology that have been designed, labeled, promoted, licensed, marketed, dispensed, manufactured, sold or otherwise commercialized by any Loan Party since its incorporation or formation.

“Business Day” means any day other than Saturday, Sunday and any other day on which banking institutions in the State of New York, London or Melbourne, Australia are closed for business.

“Cash” means all cash and Cash Equivalents.

“Cash Equivalents” are (a) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency or any State thereof having maturities of not more than one (1) year from the date of acquisition and having a rating of at least A-2 or P-2 from either Standard & Poor’s Corporation or Moody’s Investors Services; (b) commercial paper maturing no more than one (1) year after its creation and currently having a rating of at least A-2 or P-2 from either Standard & Poor’s Corporation or Moody’s Investors Service, (c) certificates of deposit maturing no more than one (1) year after issue provided that the account in which any such certificate of deposit is maintained is (i) subject to an Account Control Agreement in favor of Agent or (ii) an Australian Secured Account, (d) any money market or similar funds, and (e) investments denominated in the currency of foreign jurisdictions with a maturity of not more than one year from the date of acquisition thereof which are substantially similar (including creditworthiness) to the items specified in clauses (a) – (d) above.

“Casualty Event” means the damage, destruction or condemnation, as the case may be, of property of the Parent, the Borrowers or any of their subsidiaries in excess of [***]

“Change in Control” means (a) any reorganization, recapitalization, consolidation, amalgamation or merger (or similar transaction or series of related transactions) in which the beneficial owners (whether direct or indirect) of Parent’s outstanding shares immediately before consummation of such transaction or series of related transactions do not, immediately after consummation of such transaction or series of related transactions, retain beneficial ownership of shares representing more than thirty-five percent (35%) of the voting power of and more than thirty-five percent (35%) of the economic interest in Parent or the surviving entity of such transaction or series of related transactions, in each case without regard to whether Parent is the surviving entity; (b) Parent ceases to own one hundred percent (100%) of the Equity Interests of each of Mesoblast UK, Mesoblast USA and Mesoblast Australia Pty Ltd; (c) Mesoblast UK ceases to own one hundred percent (100%) of the Equity Interests of Mesoblast SUI; (d) Mesoblast Australia Pty Ltd ceases to be the sole trustee of, Mesoblast Employee Share Trust, and (e) any Loan Party ceases to own one-hundred percent (100%) of the Equity Interests of any other Loan Party that it directly owns after the Closing Date. Notwithstanding the foregoing, a merger, amalgamation or consolidation (in each case, unless resulting in an Event of Default) of a Loan Party (other than Parent) into another Borrower, shall not constitute a Change in Control;

provided that the surviving entity in such merger, amalgamation or consolidation shall continue to be a Loan Party under this Agreement.

“Change in Law” means the occurrence after the Closing Date or, with respect to any Lender, such later date on which such Lender becomes a party to this Agreement of (a) the adoption of any law, rule or regulation or treaty, (b) any change in any law, rule or regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority or (c) compliance by any Lender with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after such date, provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

“Claims” has the meaning given to it in Section 11.11.

“Closing Date” means the date of this Agreement.

“Code” means the Internal Revenue Code of 1986, as amended.

“Commitment Fee” has the meaning set forth in Section 2.7.

“Collateral” has the meaning given to it in Section 3.3.

“Confidential Information” has the meaning given to it in Section 11.13.

“Contingent Obligation” means, as applied to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to (i) any Indebtedness, lease, dividend, letter of credit, bank guarantee or other obligation of another, including any such obligation directly or indirectly guaranteed, endorsed, co-made or discounted or sold with recourse by that Person, or in respect of which that Person is otherwise directly or indirectly liable and (ii) any obligations with respect to undrawn letters of credit, bank guarantee, corporate credit cards or merchant services issued for the account of that Person; provided, however, that the term “Contingent Obligation” shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determined amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith; provided, however, that such amount shall not in any event exceed the maximum amount of the obligations under the guarantee or other support arrangement.

“Contribution Notice” means a contribution notice issued by the UK Pensions Regulator under section 38 or section 47 of the Pensions Act 2004.

“Controlled Foreign Corporation” means any direct or indirect Subsidiary of Mesoblast USA which is (i) a “controlled foreign corporation” within the meaning of Section 957 of the Code or (ii) that has no material assets other than Equity Interests of Persons described in clause (i).

“Copyright License” means any written agreement granting any right to use any Copyright or Copyright registration, in which agreement any Loan Party now holds or hereafter acquires any interest.

“Copyrights” means all published and unpublished works of authorship whether or not copyrightable, and all copyrights therein or thereto, whether registered or unregistered, including those held pursuant to the laws of the United States, any State thereof, Australia, the UK, Switzerland or of any other country.

“Debenture” means that certain English law governed debenture over all of the assets (both present and future) of Mesoblast UK, dated on or around the date hereof, between Mesoblast UK and the Agent.

“Default” means any Event of Default and any event that, upon the giving of notice, the lapse of time or both, would constitute an Event of Default.

“Deposit Accounts” means any “deposit account,” as such term is defined in the UCC, or “ADI account”, as such term is defined in section 10 of the Australian PPSA, and includes any checking account, savings account, or certificate of deposit wherever located.

“Disclosure Letter” means that certain letter, dated as of the date hereof, delivered by Parent to Agent.

“Disqualified Equity Interests” means, with respect to any Person, any Equity Interest of such Person that, by its terms (or by the terms of any security or other Equity Interest into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition (i) matures (excluding any maturity as the result of an optional redemption by the issuer thereof) or is mandatorily redeemable (other than solely for (x) Qualified Equity Interests and (y) cash in lieu of fractional shares), including pursuant to a sinking fund obligation or otherwise, (ii) is redeemable at the option of the holder thereof (other than solely for (x) Qualified Equity Interests and (y) cash in lieu of fractional shares), in whole or in part, (iii) provides for the scheduled payments of dividends or other distributions in cash (other than the payment of cash in lieu of redemption of fractional shares) or other securities that would constitute Disqualified Equity Interests, or (iv) is or becomes convertible into or exchangeable for (unless at the sole option of the issuer thereof) Indebtedness or any other Equity Interests that would constitute Disqualified Equity Interests, in each case, prior to the date that is 180 days after the Maturity Date; provided, that, any Equity Interests that would not constitute Disqualified Equity Interests but for provisions thereof giving holders thereof (or the holders of any security into or for which such Equity Interests are convertible, exchangeable or exercisable) the right to require the issuer thereof to redeem or repurchase such Equity Interests upon the occurrence of a change in control occurring prior to the 180th day after the Maturity Date shall not constitute Disqualified Equity Interests if such Equity Interests provide, to the satisfaction of

the Agent in its sole discretion, that the issuer thereof will not redeem or repurchase any such Equity Interests pursuant to such provisions prior to the payment in full of all Secured Obligations (other than contingent indemnification obligations for which no claim has been asserted) under the Loan Documents; provided, further, that, if such Equity Interests are issued pursuant to a plan for the benefit of employees of the Borrowers or any Subsidiary or by any such plan to such employees, such Equity Interests shall not constitute Disqualified Equity Interests solely because such employee may deliver such Equity Interests to the Borrower and its Subsidiaries (or the Borrower or such Subsidiary withholds such Equity Interests) in satisfaction of any exercise price or tax withholding obligations with respect to such Equity Interests.

“Division” has the meaning set forth in Section 1.4.

“Dollars” means the lawful currency of the United States.

“Due Diligence Fee” means Forty Thousand Dollars (\$40,000.00), which fee has been paid to Lender prior to the Closing Date.

“EEA Member Country” means any member state of the European Union, Iceland, Liechtenstein and Norway.

“English Loan Party” means any Loan Party incorporated or otherwise constituted under the laws of England and Wales.

“English Security Documents” means the following documents, each in form and substance reasonably satisfactory to Agent: (a) the Debenture (b) that certain English law governed share charge in respect of the entire issued share capital of Mesoblast UK, dated on or around the date hereof, between Parent and the Agent, (c) that certain English law governed IP security agreement in respect of the Intellectual Property of Parent, Mesoblast USA and Mesoblast SUI, dated as of the date hereof, among Parent, Mesoblast USA, Mesoblast SUI and the Agent, (d) a process agent appointment letter with respect to the English law governed share charge and the English law governed IP security agreement and (d) such other documents incidental to the foregoing documents as Agent may reasonably determine necessary.

“Equity Interests” means, with respect to any Person, the capital stock, partnership or limited liability company interest, or other equity securities or equity ownership interests of such Person (including the units or shares in any trust); but excluding, for the avoidance of doubt, securities offered in the [***] and any other Indebtedness that is convertible into or otherwise exchangeable for, Equity Interests.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

“EU Bail-In Legislation Schedule” means the document described as such and published by the Loan Market Association (or any successor person), from time to time.

“Event of Default” has the meaning given to it in Section 9.

“Excluded Accounts” means (i) any Deposit Account that is used solely as a payroll account for the employees of any Loan Party or any of its Subsidiaries or the funds in which consist solely of funds held in trust for any director, officer or employee of such Loan Party or Subsidiary or any employee benefit plan maintained by such Loan Party or Subsidiary or funds representing deferred compensation for the directors and employees of such Loan Party or Subsidiary, collectively not to exceed 150% of the amount to be paid in the ordinary course of business in the then-next payroll cycle; (ii) escrow accounts, Deposit Accounts and trust accounts, in each case holding assets that are pledged or otherwise encumbered pursuant to clauses (vi) and (xiv) of the definition of Permitted Liens (but only to the extent required to be excluded pursuant to the underlying documents entered into in connection with such Permitted Liens in the ordinary course of business); (iii) accounts containing no (zero) balance; (iv) accounts owned by Mesoblast SUI in Singapore so long as such accounts hold Cash not to exceed the greater of (A) \$2,000,000 in the aggregate at any time or (B) an amount equal to the outstanding accounts payable of Mesoblast SUI to be paid in Singapore for the next succeeding calendar month, in each case subject to verification by Agent in its reasonable discretion.

“Excluded Assets” means (i) motor vehicles and other equipment subject to a certificate of title statute, (ii) assets subject to a Lien permitted by clause (vii) of the definition of Permitted Liens for purchase money debt obligations, in each case in favor of a Person other than Parent and its Subsidiaries and permitted hereunder, if the contract or other agreement in which such Lien is granted prohibits the creation of any other Lien on such assets or creates a right of termination in favor of such Person (other than to the extent that any such prohibition would be rendered ineffective pursuant to the UCC of any relevant jurisdiction or any other applicable law), (iii) any governmental licenses or state or local franchises, charters and authorizations, to the extent a security interest in any such license, franchise, charter or authorization is prohibited or restricted thereby (other than to the extent that any such prohibition or restriction would be rendered ineffective pursuant to the UCC of any relevant jurisdiction or any other applicable law) (iv) nonassignable licenses or contracts, which by their terms require the consent of the licensor thereof or another party (other than to the extent that any such prohibition would be rendered ineffective pursuant to the UCC of any relevant jurisdiction or any other applicable law), provided that such license or contract was not entered into for the purposes of evading the security requirements hereunder, (v) any Excluded Accounts, (vi) any Excluded Equity Interests and (v) any Intellectual Property or Licenses, in each case, that are primarily related to the [***] and sold or transferred to the [***], other than Material Intellectual Property.

“Excluded Equity Interests” means (a) Equity Interests in entities where a Loan Party holds 50% or less of the outstanding Equity Interests of such entity, to the extent a pledge or other Lien of such Equity Interests is prohibited by the organizational or governing documents of such entity, or agreements with the other equity holders, of such entity, (b) Equity Interests of a Controlled Foreign Corporation with voting power in excess of 65% of the total combined voting power of all classes of Equity Interests of such Controlled Foreign Corporation entitled to vote for any Controlled Foreign Corporation that is directly and wholly-owned by Mesoblast USA and (c) up to 50% of the Equity Interests in the [***] on an [***] and 75% of the Equity Interests (or such higher amount as diluted by financing in the [***] occurring at least one year after the [***] of the [***] on an [***]) in the [***] after any [***] of the [***] on an [***].

“Excluded Subsidiary” means any Controlled Foreign Corporation and any Subsidiary of a Controlled Foreign Corporation.

“Excluded Taxes” means any of the following Taxes imposed on or with respect to a Lender or Agent or required to be withheld or deducted from a payment to a Lender or Agent, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Lender or Agent being organized under the laws of or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Term Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 2.11, amounts with respect to such Taxes were payable either to such Lender’s assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Lender or Agent’s failure to comply with Section 2.11(g), (d) any withholding Taxes imposed under FATCA, (e) VAT, which, for the avoidance of doubt, shall be dealt with under Section 2.11(n), and (f) any Taxes in respect of which no additional amounts are payable pursuant to Section 2.11(m).

“Exit Fee” has the meaning set forth in Section 2.8.

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreement entered into pursuant to Section 1471(b)(1) of the Code and any law, regulation, rule, promulgation or official agreement implementing an official intergovernmental agreement, treaty or convention among Governmental Authorities with respect to the foregoing.

“FDA” means the United States Food and Drug Administration, or any successor thereto.

“Fee Letter” means the Fee Letter, dated as of the date of this Agreement, among the Borrowers, the Lenders and the Agent.

“Financial Statements” has the meaning given to it in Section 7.1.

“Financial Support Direction” means a financial support direction issued by the UK Pensions Regulator under section 43 of the Pensions Act 2004.

“GAAP” means generally accepted accounting principles in the United States, as in effect from time to time.

“Governmental Authority” means the government of any nation or any political subdivision thereof, whether state, local, territory, province or otherwise, and any agency, authority, instrumentality, regulatory body, court, central bank, stock exchange or other entity

exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supranational bodies such as the European Union or the European Central Bank).

“Guarantor” means each Loan Party that is not a Borrower. For avoidance of doubt, each Borrower shall provide a guaranty of all Secured Obligations pursuant to Section 12.

“Guarantor Payment” has the meaning given to it in Section 12.8(a).

“Guidelines” means, together, guideline S-02.123 in relation to interbank loans of 22 September 1986 (*Merkblatt "Verrechnungssteuer auf Zinsen von Bankguthaben, deren Gläubiger Banken sind (Interbankguthaben)" vom 22. September 1986*), circular letter No. 47 of 25 July 2019 (1-047-V-2019) in relation to bonds (*Kreisschreiben Nr. 47 "Obligationen" vom 25. Juli 2019*), guideline S-02.130.1 in relation to money market instruments and book claims of April 1999 (*Merkblatt vom April 1999 betreffend Geldmarktpapiere und Buchforderungen inländischer Schuldner*), circular letter No. 46 of 24 July 2019 (1-046-VS-2019) in relation to syndicated credit facilities (*Kreisschreiben Nr. 46 "Steuerliche Behandlung von Konsortialdarlehen, Schuldscheindarlehen, Wechseln und Unterbeteiligungen" vom 24. Juli 2019*), circular letter No. 34 of 26 July 2011 (1-034-V-2011) in relation to deposits (*Kreisschreiben Nr. 34 "Kundenguthaben" vom 26. Juli 2011*) and circular letter No. 15 of 3 October 2017 (1-015-DVS-2017) in relation to bonds and derivative financial instruments as subject matter of taxation of Swiss federal income tax, Swiss Withholding Tax and Swiss stamp taxes (*Kreisschreiben Nr. 15 "Obligationen und derivative Finanzinstrumente als Gegenstand der direkten Bundessteuer, der Verrechnungssteuer und der Stempelabgaben" vom 3. Oktober 2017*), in each case as issued, amended or replaced from time to time, by the Swiss Federal Tax Administration or as substituted or superseded and overruled by any law, statute, ordinance, court decision, regulation or the like as in force from time to time.

“HMRC” means HM Revenue & Customs of the UK.

“IFRS” means: (a) in relation to Mesoblast UK, UK-adopted international accounting standards within the meaning of section 474(1) of the Companies Act 2006, as in effect from time to time, to the extent applicable to the relevant financial statements delivered under or referred to herein; and (b) otherwise, the international accounting standards within the meaning of IAS Regulation 1606/2002, as in effect from time to time, to the extent applicable to the relevant financial statements delivered under or referred to herein.

“Indebtedness” means indebtedness of any kind, including (a) all indebtedness for borrowed money or the deferred purchase price of property or services (excluding trade credit entered into in the ordinary course of business consistent with past practice as of the date hereof), including reimbursement and other obligations with respect to surety bonds and letters of credit, (b) all obligations evidenced by notes, bonds, debentures or similar instruments, (c) all capital lease obligations, (d) all Contingent Obligations, (e) all obligations of such Person upon which interest charges are customarily paid (excluding interest penalties for late payments under commercial contracts entered into in the ordinary course of business and, for the avoidance of doubt, which commercial contracts do not relate to obligations for borrowed money or purchase money indebtedness), (f) all obligations of such Person under conditional sale or other title

retention agreements relating to property acquired by such Person, (g) obligations under any hedging agreement, currency swaps, forwards, futures or derivatives transactions, (g) all milestone, any other performance based qualifiers and similar payments of such Person under any license or other agreements (but excluding any such payments based on a percentage of sales under any such license or other agreement), and (h) any Disqualified Equity Interests of such Person.

“Indemnified Taxes” means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document and (b) to the extent not otherwise described in clause (a), Other Taxes.

“Insolvency Event” means, in relation to an entity that: (a) such entity shall make an assignment for the benefit of creditors; (b) such entity shall be unable to pay its debts as they become due, or be unable to pay or perform under the Loan Documents, or shall become insolvent or is deemed to, or is declared to, be insolvent or unable to pay its debts under any applicable law (with respect to any Australian Loan Party, “insolvent” has the meaning given in section 95A(2) of the Australian Corporations Act); (c) such entity shall file a voluntary petition in bankruptcy; (d) such entity shall file any petition, answer, or document seeking for itself any reorganization, administration, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation pertinent to such circumstances; (e) such entity shall seek or consent to or acquiesce in the appointment of any trustee, receiver, administrator, Australian Controller or liquidator of such entity or of all or any substantial part (i.e., 33-1/3% or more) of the assets or property of such entity; (f) such entity shall cease operations of its business as its business has normally been conducted, or terminate substantially all of its employees; (g) such entity, or its directors or majority shareholders shall take any action initiating any of the foregoing actions described in clauses (a) through (e); (h) (i) thirty (30) days shall have expired after the commencement of an involuntary action against such entity seeking reorganization, administration, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, without such action being dismissed or all orders or proceedings thereunder affecting the operations or the business of such entity being stayed, (ii) a stay of any such order or proceedings shall thereafter be set aside and the action setting it aside shall not be timely appealed, (iii) such entity shall file any answer admitting or not contesting the material allegations of a petition filed against such entity in any such proceedings, (iv) the court in which such proceedings are pending shall enter a decree or order granting the relief sought in any such proceedings, or (v) thirty (30) days shall have expired after the appointment, without the consent or acquiescence of such entity of any trustee, receiver, administrator, Australian Controller or liquidator of such entity or of all or any substantial part of the properties of such entity without such appointment being vacated; (i) such entity is dissolved (other than pursuant to a consolidation, amalgamation or merger); (j) such entity institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official; (k) such entity has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is

presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition is instituted or presented by a person or entity not described in paragraph (j) above and (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation, or (ii) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (l) such entity suspends or threatens to suspend making payments on any of its debts; (m) by reason of actual or anticipated financial difficulties such entity commences arrangements with one or more of its creditors (excluding Agent or Lender in its capacity as such) to reschedule any of its indebtedness; (n) the value of the assets (including for the avoidance of doubt, intangible assets) of such entity is less than its liabilities (taking into account contingent, prospective liabilities, such entity's position as part of a consolidated group of companies, and the likelihood of available financing in the market to finance such liabilities); (o) a moratorium is declared in respect of any indebtedness of such entity; (p) any corporate action, legal proceedings or other procedure or step is taken in relation to (i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganization (by way of voluntary arrangement, scheme of arrangement, restructuring plan or otherwise) of such entity, (ii) a composition, compromise, assignment or arrangement with any creditor of such entity, (iii) the appointment of a liquidator, receiver, administrative receiver, administrator, Australian Controller, compulsory manager or other similar officer in respect of such entity's assets or (iv) enforcement over any material portion of the Collateral, or any analogous procedure or step is taken in any jurisdiction; provided this clause (p) shall not apply to any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within fourteen (14) days of commencement; (q) such entity causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in paragraphs (a) to (p) above; or (r) such entity takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

“Insolvency Proceeding” is any proceeding by or against any Person under the United States Bankruptcy Code, the Australia Corporations Act, any Insolvency Event, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, administration, arrangement, or other similar relief.

“Intellectual Property” means all of each Loan Party's Copyrights; Trademarks; Patents; Licenses; Trade Secrets; mask works; service marks, designs, business names, data base rights, design rights, domain names, moral rights, inventions, confidential information, know-how and other intellectual property rights and interests whether registered or unregistered; each Loan Party's applications therefor and reissues, extensions, or renewals, divisionals, continuations, and continuations in parts in connection with the foregoing; and each Loan Party's goodwill associated with or symbolized by any of the foregoing, together with each Loan Party's rights to sue for past, present and future infringement of Intellectual Property and the goodwill associated therewith.

“Intellectual Property Collateral” means all Intellectual Property and all Licenses, in each case, in which any Loan Party now holds or hereafter acquires any interest, including any of the foregoing that is described in each of the IP Security Agreements.

“Intercompany Subordination Agreement” means the Intercompany Subordination Agreement dated as of the Closing Date by and among Parent, its subsidiaries and the Agent, as the same may from time to time be amended, restated, modified or otherwise supplemented.

“Inventory” means “inventory” as defined in Article 9 of the UCC or section 10 of the Australian PPSA.

“Investment” means any beneficial ownership (including shares, stock, partnership or limited liability company interests) of or in any Person, or any loan, advance or capital contribution to any Person or the acquisition of any asset of another Person.

“IP Security Agreements” means the Copyright, Patent or Trademark (as the case may be) security agreements, dated on or around of the Closing Date, entered into by one or more Loan Parties in favor of the Secured Parties, each in form and substance reasonably satisfactory to the Agent (and as amended, modified or replaced from time to time).

“IRS” means the United States Internal Revenue Service.

“Joinder Agreements” means for each Subsidiary, a completed and executed (i) Joinder Agreement in substantially the form attached hereto as Exhibit G with respect to Subsidiaries formed or organized under the laws of the United States or any state, commonwealth or territory thereof, or (ii) joinder documentation in form and substance reasonably satisfactory to Agent joining such Subsidiary as a party under the Australian Security Documents, English Security Documents, Swiss Security Documents or similar security documents under the relevant jurisdictions, as applicable, with respect to Subsidiaries organized outside of the United States or any of the foregoing jurisdictions.

“Lender” has the meaning given to it in the preamble to this Agreement.

“License” means any Copyright License, Patent License, Trademark License or other license of rights or interests (including Trade Secrets and other Intellectual Property).

“Lien” means (a) any mortgage, deed of trust, pledge, hypothecation, assignment for security, security interest, encumbrance, levy, license, lien or charge or encumbrance of any kind, and any other security interest or any other agreements or arrangement having a similar effect, whether voluntarily incurred or arising by operation of law or otherwise, against any property, any conditional sale or other title retention agreement, and any lease in the nature of a security interest (including a “security interest” as defined in section 12(1) or 12(2) of the Australian PPSA but it does not include a “security interest” as defined in section 12(3) of the Australian PPSA) or any preferential arrangement that has the practical effect of creating a security interest and (b) in the case of Equity Interests, any purchase option, call or similar right of a third party with respect to such Equity Interests.

“Loan” means the Advances made under this Agreement.

“Loan Documents” means this Agreement, the Notes (if any), the Fee Letter, the Account Control Agreements, the Intercompany Subordination Agreement, the Joinder Agreements, the Disclosure Letter, all Australian PPSR or UCC Financing Statements, the IP

Security Agreements, the Pledge Agreement, the Australian Security Documents, the English Security Documents, the Swiss Security Documents, any other Security Document and any guaranty, subordination agreement or any other documents executed in connection with the Secured Obligations or the transactions contemplated hereby, as the same may from time to time be amended, modified, supplemented or restated.

“Loan Funded Share Plan” means the Parent’s employee loan funded share plan, as disclosed to Lender prior to the Closing Date.

“Loan Party” means each of the Borrowers, Mesoblast UK, Parent and each subsidiary required to enter into a Joinder Agreement pursuant to Section 7.13.

“Loan-to-Value” means the percentage calculated by dividing the total outstanding Advances by the Average Market Capitalization in the fiscal quarter prior to any

LTV Testing Date.

“LTV Testing Date” has the meaning set forth in Section 7.29.

“Market Capitalization” means, as of any date of determination, the product of (a) the number of Parent’s ordinary shares disclosed in the most recent filing of Parent with the Australian Securities Exchange as outstanding as of such date of determination and (b) the closing price of Parent’s ordinary shares listed on the Australian Securities Exchange (as quoted on Australian Securities Exchange page or any successor page thereto or if such page is not available, any other commercially available source providing quotations of such closing price as reasonably selected by Parent) on such date of determination.

“Material Adverse Effect” means a material adverse effect upon: (i) the business, operations, properties, assets or financial condition of Parent and its Subsidiaries, taken as a whole; or (ii) the ability of the Loan Parties, taken as a whole, to perform or pay the Secured Obligations in accordance with the terms of the Loan Documents, or the ability of Agent or Lender to enforce any of its rights or remedies with respect to the Secured Obligations; (iii) the legality, validity, binding effect or enforceability of the Loan Documents or (iv) the Collateral or Agent’s Liens on the Collateral or the priority of such Liens.

“Material Agreement” means any agreement or contract to the extent the failure to maintain or remain in compliance with which would be reasonably expected to cause a Material Adverse Effect.

“Material Intellectual Property” means all Intellectual Property related to (a) Remestemcel-L for graft-versus-host disease (including SR-aGVHD), acute respiratory distress syndrome (ARDS) and Crohn’s disease, and (b) Rexlemestrocel-L for chronic heart failure and chronic low back pain, whether such Intellectual Property is currently owned by (or purported to be owned by), or subject to a license, covenant not to sue or similar right to (or purported to be subject to a license, covenant not to sue or similar right to), the Loan Parties or any of their Subsidiaries, or acquired, developed, obtained by, or otherwise subject to a license, covenant not to sue or similar right to the Loan Parties or any of their Subsidiaries after the date hereof, in each case, where such Intellectual Property is material to the above referenced Borrower Products or to any current material business of the Loan Parties.

“Maximum Amount” has the meaning set forth in Section 11.22(a).

“Maximum Rate” has the meaning set forth in Section 2.3.

“Maximum Term Loan Amount” means Ninety Million and No/100 Dollars (\$90,000,000.00).

“[***]” means [***].

“Net Cash Proceeds” means, with respect to any Prepayment Event experienced or suffered by any Loan Party or any of its Subsidiaries, the amount of cash proceeds received from time to time by or on behalf of such Person in respect thereof (other than the proceeds of any business interruption insurance) after deducting therefrom only (x) reasonable costs, expenses, fees, commissions and other direct costs related thereto incurred by such Loan Party or such Subsidiary in connection therewith (including attorneys’ fees, accountants’ fees, investment banking fees, survey costs, title insurance premiums, and related search and recording charges, transfer taxes, deed or mortgage recording taxes, other customary expenses and brokerage, consultant and other customary fees actually incurred in connection therewith), (y) Taxes (including transfer Taxes or net income Taxes) paid, payable or reasonably determined by Borrower to be payable or attributable for payment in connection with such transaction to any taxing authorities by such Person, and any repatriation costs associated with receipt or distribution by the applicable taxpayer of such proceeds and (z) reasonable reserves required to be maintained for liabilities estimated to be payable in respect of such event in accordance with GAAP or applicable law and deposited into escrow with a third party escrow agent on terms reasonably acceptable to the Agent or set aside in a separate Deposit Account over which the Agent has a security interest, provided that when any reserve or any portion thereof is no longer required to be maintained such amount shall be considered Net Cash Proceeds then received; provided that, costs and expenses shall only be deducted to the extent, that the amounts so deducted are (x) actually paid or payable to a Person that is not an Affiliate of any Loan Party or any of its Subsidiaries and (y) properly attributable to such Prepayment Event, as the case may be; it being understood that “Net Cash Proceeds” shall include, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received by any Loan Party in any Casualty Event or Asset Sale.

“Non-Bank Rules” means, together, the 10 Non-Bank Rule and the 20 Non-Bank Rule.

“Note(s)” means a Term Note.

“[***]” means [***]

“[***]” means [***]

“[***]” means [***]

“OFAC” is the U.S. Department of Treasury Office of Foreign Assets Control.

“OFAC Lists” are, collectively, the Specially Designated Nationals and Blocked Persons List maintained by OFAC pursuant to Executive Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) and/or any other list of terrorists or other restricted Persons maintained pursuant to any of the rules and regulations of OFAC or pursuant to any other applicable Executive Orders.

“Other Connection Taxes” means, with respect to any Lender or Agent, Taxes imposed as a result of a present or former connection between such Lender or Agent and the jurisdiction imposing such Tax (other than connections arising from such Lender or Agent having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

“Other Taxes” means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment.

“Patent License” means any written agreement granting any right with respect to any invention on which a Patent is in existence or a Patent application is pending, in which agreement any Loan Party now holds or hereafter acquires any interest.

“Patents” means all letters patent of, or rights corresponding thereto, in the United States or in any other country, all registrations and recordings thereof, and all applications for letters patent of, or rights corresponding thereto, in the United States, Australia, the UK, Switzerland or any other country.

“Payment Date” means (i) March 31, June 30, September 30 and December 31 of each year, commencing on the first such date to occur after the Closing Date (provided, that if such date is not a Business Day, then on the immediately preceding Business Day); and (ii) the Term Loan Maturity Date.

“Perfection Certificate” means the Perfection Certificate dated as of the Closing Date and signed by an officer of Parent, in form and substance satisfactory to the Agent.

“[***]” means [***]

“[***]” means [***]

“Permitted Acquisition” shall mean any acquisition (including by way of merger) by any Loan Party of all or substantially all of the assets of another Person, or of a division or line of business of another Person, or capital stock of another Person, which is conducted in accordance with the following requirements:

- (a) such acquisition is of a business or Person engaged in a line of business related to that of the Loan Parties or their Subsidiaries;

- (b) if such acquisition is structured as a stock acquisition, then the Person so acquired shall either (i) become a wholly-owned Subsidiary of a Loan Party or of a Subsidiary and such Loan Party shall comply, or cause such Subsidiary to comply, with Section 7.13 hereof (unless a Subsidiary of such acquired Person would be an Excluded Subsidiary hereunder) or (ii) such Person shall be merged with and into a Loan Party (with such Loan Party being the surviving entity);
- (c) if such acquisition is structured as the acquisition of assets, such assets shall be acquired by a Loan Party, and shall be free and clear of Liens other than Permitted Liens;
- (d) Parent shall have delivered to Lender not less than fifteen (15) nor more than forty five (45) days prior to the date of such acquisition, notice of such acquisition together with pro forma projected financial information, copies of all material documents relating to such acquisition, and historical financial statements for such acquired entity, division or line of business, in each case in form and substance satisfactory to Lender;
- (e) both immediately before and after such acquisition no default or Event of Default shall have occurred and be continuing;
- (f) such Person or property being so acquired shall be subject to Agent's first priority Lien (unless a Subsidiary of such acquired Person would be an Excluded Subsidiary hereunder); and
- (g) the sum of the cash consideration paid as part of the purchase price of such proposed new acquisition, computed on the basis of total acquisition consideration paid or incurred, or to be paid or incurred, by such Loan Party with respect thereto, including the amount of Permitted Indebtedness assumed or to which such assets, businesses or business or ownership interest or shares, or any Person so acquired, is subject, shall not be greater than \$5,000,000 for all such acquisitions during the term of this Agreement and the sum of the non-cash consideration paid as part of such purchase price shall not be greater than \$25,000,000 for all such acquisitions during the term of this Agreement.

“[***]” means [***]

“[***]” means [***]

“Permitted Indebtedness” means: (i) Indebtedness of any Loan Party in favor of Lender or Agent arising under this Agreement or any other Loan Document; (ii) Indebtedness existing on the Closing Date which is disclosed in Schedule 1A to the Disclosure Letter; (iii) Indebtedness of up to One Million Dollars (\$1,000,000) secured by a Lien described in clause (vii) of the definition of Permitted Liens, provided such Indebtedness does not exceed the cost of the equipment, software, or other intellectual property or other assets financed with such Indebtedness; (iv) Indebtedness to trade creditors incurred in the ordinary course of business, including Indebtedness incurred in the ordinary course of business with corporate credit cards; (v) Indebtedness that also constitutes a Permitted Investment; (vi) Subordinated Indebtedness; (vii) reimbursement obligations in connection with cash management services (including, for the avoidance of doubt, credit cards, merchant cards, purchase cards and debit cards) and letters of credit, bank guaranties, or other similar instruments that are secured by Cash and issued on

behalf of a Loan Party or a Subsidiary thereof in an amount not to exceed One Million Five Hundred Thousand Dollars (\$1,500,000) at any time outstanding; (viii) intercompany Indebtedness as long as each of the obligor and the obligee under such Indebtedness is a Loan Party or a Subsidiary of a Loan Party that has executed an intercompany subordination agreement in form and substance reasonably acceptable to Agent, in each case in connection with Permitted Investments; (ix) Indebtedness consisting of financing of insurance premiums in the ordinary course of business and that are promptly paid on or before the date they become due; (x) unsecured Indebtedness not to exceed \$1,000,000 in the aggregate at any time outstanding; (xi) [***]; (xii) Indebtedness under interest rate or foreign currency exchange agreements, commodity price protection agreements or other similar agreements entered into by any Loan Party in the ordinary course of business in an aggregate amount not to exceed \$500,000; (xiii) Indebtedness arising from agreements providing for earn-outs, milestones, indemnification, adjustment of purchase price or similar obligations, or from guaranties or performance bonds securing the performance of Parent or any of its Subsidiaries pursuant to such agreements, in connection with Permitted Acquisitions and to the extent permitted by clause (f) of the definition of Permitted Acquisitions (provided that any milestones, royalty payments or similar arrangements under any licenses permitted under this Agreement shall not constitute Indebtedness for purposes of this Agreement); (xiv) Permitted NovaQuest Indebtedness; (xv) Indebtedness under [***] not exceeding 15% of the proceeds obtained in the related [***]; (xvi) Indebtedness consisting of financing of insurance premiums; (xvi) extensions, refinancings and renewals of any items of Permitted Indebtedness, provided that the principal amount is not increased or the terms modified to impose materially more burdensome terms upon a Loan Party or its Subsidiary, as the case may be and (xvii) Indebtedness of the [***] as long as such Indebtedness is non-recourse to any Loan Parties or any of their Subsidiaries (other than the [***]).

“Permitted Investment” means: (i) Investments existing on the Closing Date which are disclosed in Schedule 1B to the Disclosure Letter; (ii) Investments in Cash Equivalents; (iii) repurchases of shares or stock from former employees, directors, or consultants of a Loan Party under the terms of applicable repurchase agreements at the original issuance price of such securities in an aggregate amount not to exceed Five Hundred Thousand Dollars (\$500,000) in any fiscal year; provided that no Event of Default has occurred, is continuing or could exist immediately after giving effect to the repurchases; (iv) Investments accepted in connection with Permitted Transfers; (v) Investments (including Indebtedness) (a) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent or doubtful obligations of, and other disputes with, customers or suppliers arising in the ordinary course of any Loan Party’s business and (b) Investments consisting of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; (vi) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers who are not Affiliates, in the ordinary course of business provided that this subparagraph (vi) shall not apply to Investments of a Loan Party in any Subsidiary if otherwise permitted hereunder; (vii) Investments consisting of loans not involving the net transfer on a substantially contemporaneous basis of cash proceeds to employees, officers or directors relating to the purchase of capital stock of Parent pursuant to employee share or stock purchase plans or other similar agreements approved by the Board of Directors; (viii) Investments consisting of travel advances, relocation loans, and other loan advances (or guarantees thereof) to employees, officers and directors in the ordinary course of

business; (ix) (a) Investments in Loan Parties as otherwise permitted hereunder, and (b) Investments in newly-formed Subsidiaries, provided that each such Subsidiary enters into a Joinder Agreement within the time periods specified in Section 7.13 and executes such other related documents as shall be reasonably requested by Agent; (x) other Investments in Subsidiaries that are not Loan Parties in an aggregate amount not to exceed One Million Dollars (\$1,000,000); (xi) joint ventures or strategic alliances in the ordinary course of a Loan Party's business, provided that any cash Investments by Loan Parties or a Subsidiary thereof in connection therewith do not exceed One Million Dollars (\$1,000,000) in the aggregate in any fiscal year; (xii) Investments consisting of Permitted Acquisitions and any Investments of any Person in existence at the time such Person becomes a Subsidiary; provided such Investment was not made in connection with or in anticipation of such Person becoming a Subsidiary and any modification, replacement, renewal or extension thereof (provided that the net investment amount is not increased); (xiii) interest rate or foreign currency exchange agreements, commodity price protection agreements or other similar agreements permitted under clause (xii) of the definition of Permitted Indebtedness; (xiv) to the extent constituting Investments, milestones, royalty payments or similar arrangements under any licenses permitted under this Agreement; (xv) Investments in [***] not exceeding 15% of the proceeds obtained in the related [***], (xvi) other investments not to exceed \$1,000,000 in the aggregate, (xvii) Investments in the [***] solely of Intellectual Property or Licenses (other than Material Intellectual Property), in each case, that are primarily related to the [***] and solely as long as any obligations in connection with such Investments are solely owed by such [***] and shall have no recourse to any Loan Party or any of their Subsidiaries (other than the [***]) and (xviii) Investments in the [***] for start-up, capitalization, and basic operating activities not to exceed \$2,000,000 in the aggregate.

"Permitted Liens" means any and all of the following: (i) Liens in favor of Agent or Lender; (ii) Liens existing on the Closing Date which are disclosed in Schedule 1C to the Disclosure Letter; (iii) Liens for Taxes, fees, assessments or other governmental charges or levies, either not delinquent or being contested in good faith by appropriate proceedings; provided, that the Loan Parties maintain adequate reserves therefor in accordance with GAAP or IFRS, as applicable; (iv) Liens securing claims or demands of materialmen, artisans, mechanics, carriers, warehousemen, landlords and other like Persons arising in the ordinary course of a Loan Party's business and imposed without action of such parties; provided, that the payment thereof is not yet required; (v) Liens arising from judgments, decrees or attachments in circumstances which do not constitute an Event of Default hereunder; (vi) deposits to secure the performance of obligations (including by way of deposits to secure letters of credit issued to secure the same) under clinical and commercial supply and/or manufacturing agreements entered into in the ordinary course of business and the following deposits, to the extent made in the ordinary course of business: deposits under worker's compensation, unemployment insurance, social security and other similar laws, or to secure the performance of bids, tenders or contracts (other than for the repayment of borrowed money) or to secure indemnity, performance or other similar bonds for the performance of bids, tenders or contracts (other than for the repayment of borrowed money) or to secure statutory obligations (other than Liens arising under ERISA or environmental Liens) or surety or appeal bonds, or to secure indemnity, performance or other similar bonds; (vii) Liens on Equipment constituting purchase money Liens and Liens in connection with capital leases securing Indebtedness permitted in clause (iii) of "Permitted Indebtedness"; (viii) [reserved]; (ix) leasehold interests in leases or subleases and non-exclusive

licenses or sublicenses granted in the ordinary course of business and not interfering in any material respect with the business of any Loan Party or any of its Subsidiaries; (x) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of custom duties that are promptly paid on or before the date they become due; (xi) statutory and common law rights of set-off and other similar rights as to deposits of cash and securities in favor of banks, other depository institutions and brokerage firms; (xiii) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business so long as they do not materially impair the value or marketability of the related property; (xiv) (A) Liens on Cash securing obligations permitted under clause (vii) of the definition of Permitted Indebtedness and (B) security deposits in connection with real property leases, the combination of (A) and (B) in an aggregate amount not to exceed Two Million Five Hundred Thousand Dollars (\$2,500,000) at any time; (xv) Liens in favor of insurance providers securing the payment of such providers' insurance policies in the ordinary course of business, (xvi) [reserved], (xvii) Licenses that are Permitted Transfers, (xviii) other Liens in an aggregate amount not to exceed \$250,000, (xix) Liens securing Permitted NovaQuest Indebtedness, (xx) Liens securing obligations of the [***] solely secured by the assets of the [***] and with no recourse to any Loan Party, any of their Subsidiaries (other than the [***]) or any of their respective assets, and (xxi) Liens incurred in connection with the extension, renewal or refinancing of the Indebtedness secured by Liens of the type described in clauses (i) through (xx) above; provided, that any extension, renewal or replacement Lien shall be limited to the property encumbered by the existing Lien and the principal amount of the Indebtedness being extended, renewed or refinanced (as may have been reduced by any payment thereon) does not increase, except to the extent of any premiums or penalties, accrued and unpaid interest thereon and reasonable fees and expenses associated with such extensions, refinancing and renewals.

“Permitted Non-Qualifying Bank Lender” means a Lender which is not a Swiss Qualifying Bank but has been accepted as a Lender by the Borrower.

“Permitted NovaQuest Indebtedness” means the Indebtedness of the Loan Parties under that certain Loan and Security Agreement, dated as of June 29, 2018 (as amended, modified or supplemented from time to time), by and among the Loan Parties, the lenders party thereto and NQP SPV II, L.P., as agent; provided that Permitted NovaQuest Indebtedness (i) shall not exceed an aggregate amount of \$40,000,000 and (ii) at all times shall be subordinated to the Secured Obligations pursuant to a subordination or intercreditor agreement in form and substance satisfactory to Agent in its sole discretion.

“Permitted Transfers” means (i) sales of Inventory in the ordinary course of business; (ii) non-exclusive outbound Licenses, sublicenses and similar arrangements for the use of Intellectual Property or non-exclusive grants of rights for development, manufacture, production, commercialization (including commercial sales to end users), marketing, promotion, co-promotion, sales or distribution of any Borrower Product, in each case, entered into in the ordinary course of business; [***]; (iii) dispositions of worn-out, obsolete or surplus Equipment at fair market value in the ordinary course of business; (iv) other transfers of assets (other than Intellectual Property) having a fair market value of not more than One Million Dollars (\$1,000,000) in the aggregate in any fiscal year; (v) Permitted Investments to the extent constituting transfers of any property (other than Intellectual Property); (vi) transfers of Intellectual Property and other assets to Loan Parties so long as such assets remain subject to the

first priority lien of Agent pursuant to the terms of the Loan Documents; (vii) subject to approval by Agent in its reasonable discretion, [***]; (viii) exclusive outbound Licenses, sublicenses and similar and customary arrangements for the use of Intellectual Property solely in connection with contract manufacturing, contract research, distribution, supplier and other similar arrangements, in each case, (A) that are for the sole benefit of the Loan Parties and limited to Borrower Products (i.e., do not extend to any products of third parties), (B) for which the Loan Parties do not charge any royalty or other monetary consideration, and (C) that are entered into in the ordinary course of business; provided, that, with respect to each such license or grant described in clause (viii) above, (X) no Event of Default has occurred or is continuing at the time of such license or grant and (Y) such license or grant constitutes an arm's length transaction, the terms of which could not result in a sale, assignment or legal transfer of title of the Intellectual Property (unless otherwise consented to by Agent in its sole discretion, such determination not to be unreasonably delayed); (ix) [***] (x) [***] (xi) [***]; and (xii) outbound Licenses, sublicenses and similar and customary arrangements for the use of Intellectual Property [***]

“Person” means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, other entity or government.

“[***]” means [***]

“Pledge Agreement” means the Pledge Agreement dated as of the Closing Date between Parent, the Loan Parties and Agent, as the same may from time to time be amended, restated, modified or otherwise supplemented.

“Pledged Collateral” has the meaning given to it in the Pledge Agreement.

“Prepayment Event” means any Casualty Event or Asset Sale prohibited by Section 7.8.

Loan Maturity Date. “Principal Payment Date” means (i) the first Payment Date to occur after November 19, 2024, (ii) thereafter, each Payment Date and, if applicable, (iii) the Term

“PSC Register” means the “PSC register” within the meaning of section 790C(10) of the Companies Act 2006.

“Qualified Equity Interest” means, with respect to any Person, any Equity Interest of such Person that is not a Disqualified Equity Interest.

“Refinanced Facility” means the Indebtedness of the Loan Parties under that certain Loan and Security Agreement, dated as of March 6, 2018 (as amended, modified or supplemented from time to time), by and among the Loan Parties, the lenders party thereto and Hercules Capital, Inc., as agent.

“Register” has the meaning set forth in Section 11.7.

“Registration Rights Agreement” means the Registration Rights Agreement to be entered into in accordance with Section 4.4(b) by and among Parent and the purchasers party thereto, which shall be in form and substance acceptable to the Tranche A Lenders, as the same may from time to time be amended, restated, modified or otherwise supplemented.

“Regulatory Authority” means any Governmental Authority, whether U.S. or non-U.S., that has regulatory or supervisory oversight with respect to any Borrower Product or any commercialization and development activities relating to any Borrower Product, including the FDA and all equivalent Governmental Authorities, whether U.S. or non-U.S.

“Remestemcel-L” means the culture-expanded MLC product candidate currently in development for the treatment of pediatric patients with SR-aGVHD.

“Required Lenders” means at any time, the holders of more than 50% of the aggregate unpaid principal amount of the Term Loans then outstanding.

“Resolution Authority” means any body which has authority to exercise any Write-down and Conversion Powers

“Rexlemestrocel-L” means the culture-expanded MLC product candidate currently in development for the treatment of chronic heart failure currently in development for the treatment of chronic low back pain.

“Rights to Payment” means any and all of any Loan Party’s Accounts and any and all of any Loan Party’s rights and Claims to the payment or receipt of money or other forms of consideration of any kind in, to and under or with respect to its Chattel Paper, Documents, General Intangibles, Instruments, Investment Property, Letter-of-Credit Rights, proceeds and Supporting Obligations.

“Sanctioned Country” shall mean, at any time, a country or territory which is the subject or target of any Sanctions.

“Sanctioned Person” shall mean, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, or by the United Nations Security Council, the European Union, any EU member state, the UK or the Australian government, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person controlled by any such Person.

“Sanctions” shall mean economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, (b) the United Nations Security Council, the European Union or Her Majesty’s Treasury of the UK, or (c) the Australian government, including the Consolidated List maintained by the Australian Department of Foreign Affairs and Trade.

“SEC” means the Securities and Exchange Commission.

“Secured Obligations” means each Loan Party’s obligations arising out of, or under, this Agreement or any Loan Document, including any obligation to pay any amount now owing or later arising, whether direct or indirect (regardless of whether acquired by assignment), absolute or contingent, due or to become due, whether liquidated or not, now existing or hereafter arising and however acquired, and whether or not evidenced by any instrument or for the payment of money, including, without duplication, (i) if such Loan Party is a Borrower, all Term Loans, (ii) all interest, whether or not accruing after the filing of any petition in bankruptcy or after the commencement of any insolvency, reorganization or similar proceeding, and whether or not a claim for post- filing or post-petition interest is allowed in any such proceeding, and (iii) all other fees, expenses (including fees, charges and disbursement of counsel), interest, Commitment Fees, Yield Protection Premium, Exit Fee, commissions, charges, costs, disbursements, indemnities and reimbursement of amounts paid and other sums chargeable to such Loan Party under any Loan Document. Notwithstanding the foregoing, the Secured Obligations shall not include any obligations under the Warrant or any other equity instrument.

“Secured Party” has the meaning given to that term in any Australian Security Document.

“Security Documents” means the Pledge Agreement, the IP Security Agreements, the Australian Security Documents, the English Security Documents and the Swiss Security Documents.

“Solvent” means, as to any Person as of any date of determination, that on such date (i) the fair value of the property and assets of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person, (ii) the present fair saleable value of such Person’s assets and property is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (iii) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person’s ability to pay such debts and liabilities as they become absolute and mature and (iv) such Person is not engaged in a business or transaction, and is not about to engage in a business or transaction, for which such Person’s property would constitute an unreasonably small capital. The amount of any contingent liability at any time shall be computed as the amount that, in light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

“SR-aGVHD” means steroid-refractory acute graft-versus-host disease.

“Subordinated Indebtedness” means Indebtedness subordinated to the Secured Obligations in amounts and on terms and conditions satisfactory to Agent in its sole discretion and subject to a subordination agreement in form and substance satisfactory to Agent in its sole discretion.

“Subsequent Financing” means the closing of any Loan Party financing which becomes effective after the Closing Date.

“Subsidiary” means an entity, whether corporate, partnership, limited liability company, joint venture or otherwise, in which any Loan Party owns or controls 50% or more of

the outstanding voting securities, including each entity listed on Schedule 1 to the Disclosure Letter.

“Swiss Borrower” has the meaning set forth in Section 11.22.

“Swiss Federal Tax Administration” means the tax authorities referred to in article 34 of the Swiss Withholding Tax Act.

“Swiss Obligor” means a Loan Party which is incorporated in Switzerland or, if different, is considered to be tax resident in Switzerland for Swiss Withholding Tax purposes.

“Swiss Qualifying Bank” means:

- (a) any bank as defined in the Swiss Federal Code for Banks and Savings Banks dated 8 November 1934 (*Bundesgesetz über die Banken und Sparkassen*); or
- (b) a person or entity which effectively conducts banking activities with its own infrastructure and staff as its principal purpose and which has a banking license in full force and effect issued in accordance with the banking laws in force in its jurisdiction of incorporation, or if acting through a branch, issued in accordance with the banking laws in the jurisdiction of such branch, all and in each case within the meaning of the Guidelines.

“Swiss Security Documents” means the following documents, each in form and substance reasonably satisfactory to Agent: (a) a quota pledge agreement between Mesoblast UK as pledgor and Agent as pledgee, regarding the pledgor’s quotas in Mesoblast SUI, (b) a bank account pledge agreement between Mesoblast SUI as pledgor and Agent as pledgee, regarding certain of the pledgor’s bank accounts, (c) a security assignment agreement between Mesoblast SUI as assignor and Agent as assignee, regarding certain of the assignor’s insurance receivables, intra-group receivables and trade receivables, (d) an IP pledge agreement between Mesoblast SUI as pledgor and Agent as pledgee, regarding the pledgor’s intellectual property rights registered in Switzerland, (e) an IP pledge agreement between Mesoblast USA as pledgor and Agent as pledgee, regarding the pledgor’s intellectual property rights registered in Switzerland, (f) an IP pledge agreement between Parent as pledgor and Agent as pledgee, regarding the pledgor’s intellectual property rights registered in Switzerland, and (g) such other documents incidental to the foregoing documents as Agent may reasonably determine necessary.

“Swiss Withholding Tax” means taxes imposed under the Swiss Withholding Tax Act.

“Swiss Withholding Tax Act” means the Swiss Federal Act on the Withholding Tax of 13 October 1965 (*Bundesgesetz über die Verrechnungssteuer*).

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Term Commitment” means as to any Lender, the obligation of such Lender, if any, to make a Term Loan Advance to a Borrower in a principal amount not to exceed the

amount set forth under the heading "Term Commitment" opposite such Lender's name on Schedule 1.1 attached hereto.

"Term Loan" has the meaning set forth in the recitals.

"Term Loan Advance" means any Term Loan funds advanced under this Agreement.

"Term Loan Interest Rate" means for any day a per annum rate of interest equal to 9.75%.

"Term Loan Maturity Date" means the earlier of (x) 90 days prior to the maturity of any Permitted NovaQuest Indebtedness and (y) November 19, 2026.

"Term Note" means a Promissory Note in substantially the form of Exhibit B.

"Trademark License" means any written agreement granting any right to use any Trademark or Trademark registration, in which agreement any Loan Party now holds or hereafter acquires any interest.

"Trademarks" means all trademarks, service marks, corporate names, logos, Internet domain names and other similar identifiers of origin, in each case, whether registered, arising under common law or otherwise, and any applications in connection therewith, including all (i) registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof, Australia, the UK, Switzerland, or any other country or any political subdivision thereof and (ii) all rights whatsoever accruing thereunder or pertaining thereto throughout the world, together, in each case, with the goodwill of the business connected with the use thereof or symbolized thereby.

"Trade Secrets" means all know-how, trade secrets and other proprietary or confidential information, any information of a scientific, technical, or business nature in any form or medium, inventions and invention disclosures, all documented research, developmental, demonstration or engineering work (including all novel manufacturing methods), and all other technical data and information related thereto.

"Tranche" means any of Tranche A, Tranche B or Tranche C.

"Tranche A" has the meaning set forth in Section 2.2(a)(i).

"Tranche B" has the meaning set forth in Section 2.2(a)(ii).

"Tranche C" has the meaning set forth in Section 2.2(a)(iii).

"UCC" means the Uniform Commercial Code as the same is, from time to time, in effect in the State of New York; provided, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect to, Agent's Lien on any Collateral is governed by the Uniform Commercial Code as the same is, from time to time, in effect in a jurisdiction other than the State of New York, then the term

“UCC” shall mean the Uniform Commercial Code as in effect, from time to time, in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions.

“UK” means the United Kingdom.

“UK Bail-In Legislation” means Part I of the United Kingdom Banking Act 2009 and any other law or regulation applicable in the UK relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (otherwise than through liquidation, administration or other insolvency proceedings).

“UK Loan Party” means any Loan Party that is incorporated in the UK or subject to UK Withholding Tax.

“UK DTTP Filing” means an HMRC Form DTTP2 duly completed and filed by a UK Loan Party, which:

(i) where it relates to a UK Treaty Lender that is a Lender on the Closing Date, contains the scheme reference number and jurisdiction of tax residence stated opposite that Lender’s name in Schedule 1.1 hereto and is filed with HMRC within 30 days of the Closing Date; or

(ii) where it relates to a UK Treaty Lender that becomes a Lender after the Closing Date, contains the scheme reference number and jurisdiction of tax residence provided by the Lender in the documentation which it executes on becoming a party to this Agreement as a Lender, and is filed with HMRC within 30 days of that Lender becoming a Lender.

“UK CTA” means the UK Corporation Tax Act 2009.

“UK ITA” means the UK Income Tax Act 2007.

“UK Non-Bank Lender” means a Lender which gives a UK Tax Confirmation to any UK Borrower in accordance with Section 2.11(m)(vi).

“UK Pensions Regulator” means the body corporate known as the Pensions Regulator and established by Part 1 of the UK Pensions Act 2004.

“UK PSC Charged Company” means a company incorporated in England and Wales who is required to maintain a PSC Register and whose shares are charged as

Collateral.

“UK Qualifying Lender” means a Lender which is beneficially entitled to interest payable to that Lender in respect of an advance under a Loan Document and:

(a) is a Lender:

- (i) which is a bank (as defined for the purpose of section 879 of the UK ITA) making an advance under a Loan Document and is within the charge to UK corporation tax as respects any payments of interest made in respect of

that advance or would be within such charge as respects such payment apart from section 18A of the UK CTA; or

- (ii) in respect of an advance made under a Loan Document by a person that was a bank (as defined for the purpose of section 879 of the UK ITA) at the time that that advance was made and within the charge to UK corporation tax as respects any payments of interest made in respect of that advance.
- (b) is a Lender which is:
 - (i) a company resident in the UK for UK tax purposes;
 - (ii) a partnership each member of which is:
 - (a) a company so resident in the UK; or
 - (b) a company not so resident in the UK which carries on a trade in the UK through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the UK Corporation Tax Act 2009) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the UK Corporation Tax Act 2009; or
- (iii) a company not so resident in the UK which carries on a trade in the UK through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the UK Corporation Tax Act 2009) of that company.
- (c) is a UK Treaty Lender.

“UK Tax Confirmation” means a confirmation by a Lender that the person beneficially entitled to interest payable to that Lender in respect of an advance under a Loan Document is either: (a) a company resident in the UK for UK tax purposes; or (b) a partnership each member of which is: (i) a company so resident in the UK; or (ii) a company not so resident in the UK which carries on a trade in the UK through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the UK CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the UK CTA; or (c) a company not so resident in the UK which carries on a trade in the UK through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the UK CTA) of that company.

“UK Treaty Lender” means a Lender which (i) is treated as a resident of a UK Treaty State for the purposes of a UK Treaty; (ii) does not carry on a business in the UK through a permanent establishment with which that Lender’s participation in the Loan is effectively connected; and (iii) fulfils any conditions which must be fulfilled under that double taxation

agreement to obtain full exemption from UK tax on interest payable to that Lender in respect of an advance under a Loan Document, including the completion of any necessary procedural formalities, provided that it shall be assumed that any necessary procedural formalities are completed in respect of that Lender where a Lender has provided the Parent with a valid and current HMRC DT Treaty Passport scheme reference number.

“UK Treaty State” means a jurisdiction having a double taxation agreement (a “UK Treaty”) with the UK which makes provision for full exemption from tax imposed by the UK on interest.

“UK Withholding Tax” means a deduction or withholding for or on account of Tax by the UK from a payment under a Loan Document.

“Unrestricted Cash” means Cash held by the Loan Parties in (i) account(s) subject to an Account Control Agreement in favor of Agent or (ii) Australian Secured Accounts.

“Upstream or Cross-Stream Secured Obligations” has the meaning set forth in Section 11.22(a).

“U.S. Loan Party” means any Loan Party incorporated or otherwise constituted under the laws of any state of the United States.

“U.S. Person” means any Person that is a “United States person” as defined in Section 7701(a)(30) of the Code.

“VAT” means (a) in relation to the UK, any value added tax imposed by the Value Added Tax Act 1994 and supplemental legislation and regulations, (b) any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112), and (c) any other tax of a similar nature, whether imposed in the UK or in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in paragraph (a) or (b) above, or imposed elsewhere.

“Warrant” means any of the Warrants to be delivered to the Tranche A Lender(s) in accordance with Section 4.4(b), evidenced by an instrument substantially the form of Exhibit D hereto, as amended, replaced or otherwise modified pursuant to the terms thereof.

“Withholding Agent” means the applicable Borrower and the Agent.

“Write-Down and Conversion Powers” means:

- (i) in relation to any Bail-In Legislation described in the EU Bail-In Legislation Schedule from time to time, the powers described as such in relation to that Bail-In Legislation in the EU Bail-In Legislation Schedule;
- (ii) in relation to the UK Bail-In Legislation, any powers under that UK Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or other financial institution or affiliate of a bank, investment firm or other financial institution, to cancel, reduce, modify or change the form of a liability of such a person or any

contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that UK Bail-In Legislation that are related to or ancillary to any of those powers; and

(iii) in relation to any other applicable Bail-In Legislation:

(a) any powers under that Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or other financial institution or affiliate of a bank, investment firm or other financial institution, to cancel, reduce, modify or change the form of a liability of such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers; and

(b) any similar or analogous powers under that Bail-In Legislation.

“Yield Protection Premium” means with respect to any prepayment of all or any portion of the Term Loans, whether by optional or mandatory prepayment, acceleration or otherwise (in each case, other than any scheduled amortization payment), occurring (i) on or prior to the second anniversary of the Closing Date, an amount equal to the amount of interest that would have been paid on the principal amount of the Term Loans being so repaid or prepaid for the period from and including the date of such repayment or prepayment to but excluding the date that is the two (2) year anniversary of the Closing Date, plus [***] of the principal amount of the Term Loans being so repaid or prepaid, (ii) at any time after the second anniversary of the Closing Date but on or prior to the third anniversary of the Closing Date, an amount equal to [***] of the aggregate outstanding principal amount of the Term Loans being so repaid or prepaid, (iii) at any time after the third anniversary of the Closing Date but on or prior to the fourth anniversary of the Closing Date, an amount equal to [***] of the aggregate outstanding principal amount of the Term Loans being so repaid or prepaid and (iv) if the prepayment is made after the fourth anniversary of the Closing Date, [***]; provided that if such prepayment occurs as a result of or in connection with a Change of Control and in lieu of any amounts required by the foregoing sentence: (A) on or prior to the first anniversary of the Closing Date, the Yield Protection Premium shall be [***] of the principal amount of the Term Loans being so repaid or prepaid, or (B) at any time after the first anniversary of the Closing Date but on or prior to the second anniversary of the Closing Date, the Yield Protection Premium shall be [***] of the principal amount of the Term Loans being so repaid or prepaid.

Unless otherwise specified, all references in this Agreement or any Annex or Schedule hereto to a “Section,” “subsection,” “Exhibit,” “Annex,” or “Schedule” shall refer to the corresponding Section, subsection, Exhibit, Annex, or Schedule in or to this Agreement or the Disclosure Letter, as applicable. Unless otherwise specifically provided herein, any accounting term used in this Agreement or the other Loan Documents shall have the meaning customarily given such term in accordance with GAAP or IFRS, as applicable, and all financial computations hereunder

shall be computed in accordance with GAAP or IFRS, as applicable, consistently applied. If the Borrowers request an amendment to any provision hereof to eliminate the effect of (a) any change in GAAP or IFRS or the application thereof or (b) the issuance of any new accounting rule or guidance or in the application thereof, in each case, occurring after the date of this Agreement, then the Lenders and Borrowers agree that they will negotiate in good faith amendments to the provisions of this Agreement that are directly affected by such change or issuance with the intent of having the respective positions of the Lenders and Borrowers after such change or issuance conform as nearly as possible to their respective positions as of the date of this Agreement and, until any such amendments have been agreed upon, (i) the provisions in this Agreement shall be calculated as if no such change or issuance has occurred and (ii) the Borrowers shall provide to the Lenders a written reconciliation in form and substance reasonably satisfactory to the Lenders, between calculations of any baskets and other requirements hereunder before and after giving effect to such change or issuance. Unless otherwise defined herein or in the other Loan Documents, terms that are used herein or in the other Loan Documents and defined in the UCC shall have the meanings given to them in the UCC.

1.2 Currency Exchange. For purposes of any determination under this Agreement measured in Dollars, all amounts incurred, outstanding or proposed to be incurred or outstanding in currencies other than Dollars shall be translated into Dollars at the spot rate for the purchase of Dollars for the applicable foreign currency as published in The Wall Street Journal in the "Exchange Rates" column under the heading "Currency Trading" or as made available by any other source reasonably acceptable to the Agent on the date of such determination; provided, however, that (a) for purposes of determining compliance with respect to the amount of any Indebtedness, Transfer, Investment, transaction permitted by Section 7.7 or judgment in a currency other than Dollars, no default or Event of Default shall be deemed to have occurred as a result of changes in rates of exchange occurring after the time such Indebtedness is incurred, or asset disposition, Investment or transaction permitted by Section 7.7 is made, or such judgment entered, and (b) notwithstanding anything herein to the contrary, nothing in this paragraph changes, modifies or alters the obligations of any Loan Party to pay all amounts owed hereunder in the Dollar amount required hereunder notwithstanding any changes or other fluctuations with respect to any currency exchanged into Dollars.

1.3 Divisions. For all purposes under the Loan Documents, in connection with any division or plan of division under Delaware law (or any comparable event under a different jurisdiction's laws) (a "Division"), if (a) any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person, and (b) any new Person comes into existence, such new Person shall be deemed to have been organized on the first date of its existence by the holders of its equity interests at such time

SECTION 2. THE LOAN

2.1 [Reserved].

2.2 Term Loans.

(a) Tranches.

(i) *Tranche A.* Subject to the satisfaction or waiver of each of the conditions precedent set forth in Sections 4.1 and 4.2 and the other terms and conditions of this Agreement, Lender will severally (and not jointly) make in an amount not to exceed its respective Term Commitment, and Borrower agrees to draw, a Term Loan Advance of Sixty Million Dollars (\$60,000,000) on the Closing Date ("Tranche A").

(ii) *Tranche B.* Subject to the satisfaction or waiver of each of the conditions precedent set forth in Section 4.2, the other terms and conditions of this Agreement and conditioned on Borrower's achievement of [***] in accordance with the definition thereof, on or before [***] Borrower may request one additional Term Loan Advance in a principal amount of Ten Million Dollars (\$10,000,000) ("Tranche B").

(iii) *Tranche C.* Subject to the satisfaction or waiver of each of the conditions precedent set forth in Section 4.2, the other terms and conditions of this Agreement and conditioned on Borrower's achievement of [***] in accordance with the definition thereof, on or before [***] Borrower may request one additional Term Loan Advance in a principal amount of Twenty Million Dollars (\$20,000,000) ("Tranche C").

(b) The aggregate outstanding Term Loan Advances shall not exceed the Maximum Term Loan Amount.

(c) *Advance Request.* To obtain a Term Loan Advance, Borrower shall complete, sign and deliver an Advance Request by 12:00 p.m. (at least five (5) Business Days before the Advance Date other than the Closing Date, which shall be at least one (1) Business Day before the Advance Date) to Agent. Lender shall fund the Term Loan Advance in the manner requested by the Advance Request provided that each of the conditions precedent to such Term Loan Advance is satisfied as of the requested Advance Date.

(d) *Term Loan Interest Rate.* The principal balance shall bear interest thereon from such Advance Date in an amount equal to the product of the outstanding Term Loan principal balance multiplied by the Term Loan Interest Rate based on a year consisting of 360 days, with interest computed daily based on the actual number of days elapsed.

(e) *Payments.*

(i) Borrowers shall pay to the Agent for the account of each Lender accrued but unpaid interest on each Term Loan Advance on each Payment Date in cash, and upon the payment or prepayment of the Loans (on the principal amount being so paid or prepaid); provided that interest payable at the Default Rate shall also be payable in cash from time to time on demand by the Agent.

(ii) Notwithstanding the preceding clause (i), from the Closing Date until the 2nd anniversary of the Closing Date, the Borrowers may pay an amount of interest on the outstanding principal amount of Loans corresponding to up to [***] of the Term Loan Interest Rate in kind (in lieu of payment in cash) on each applicable Payment Date, by irrevocable written election of the Borrowers to the Agent, to be delivered by 9:00 a.m. at least six (6) Business Days (or such shorter period as Agent may agree) prior to such Interest Payment Date. The aggregate outstanding principal amount of the Term Loans shall be automatically increased without action by any person and capitalized on such Interest Payment Date by the amount of such interest paid in kind in accordance with this Section 2.2(e)(ii). For the avoidance of doubt, the portion of the interest payable pursuant to Section 2.2(e)(i) not paid in kind shall be paid in cash.

(iii) Borrowers shall pay to the Agent for the account of each Lender the aggregate Term Loan principal balance: (A) on each Principal Payment Date other than the Maturity Date, an amount equal to five percent (5%) of the principal aggregate amount of Term Loans outstanding on the first such Principal Payment Date and (B) on the Term Loan Maturity Date, all outstanding Secured Obligations in full (together with the Exit Fee, accrued and unpaid interest, any accrued and unpaid Commitment Fee and any other accrued and unpaid charges thereon and all other obligations due and payable by the Borrowers under this Agreement).

(iv) Borrower shall make all payments under this Agreement without setoff, recoupment or deduction and regardless of any counterclaim or defense. Except as otherwise provided in this Agreement, each payment (including each repayment and prepayment) by the Borrowers (other than fees payable pursuant to the Fee Letter) will be deemed to be made ratably in accordance with each Lenders' pro rata share of Term Commitments and applied ratably among each tranche of the Loans. On any date occurring prior to the Term Loan Maturity Date that payment or prepayment in full of the Term Loans hereunder occurs, the Borrowers shall pay in full all outstanding Secured Obligations, which shall include the Yield Protection Premium, if applicable, any accrued and unpaid Commitment Fee and the Exit Fee.

(v) Borrower shall pay to Agent: (i) on each Payment Date of all periodic obligations payable to the Lenders under each Term Loan Advance, such period obligations in full in immediately available funds and (ii) any reasonable and documented out of pocket legal fees and costs incurred by Agent or Lenders pursuant to the terms of Section 11.12 of this Agreement in full in immediately available funds within five (5) Business Days of written request by the Agent or Lenders, as applicable.

2.3 **Maximum Interest.** Notwithstanding any provision in this Agreement or any other Loan Document, it is the parties' intent not to contract for, charge or receive interest at a rate that is greater than the maximum rate permissible by law that a court of competent jurisdiction shall deem applicable hereto (which under the laws of the State of New York

shall be deemed to be the laws relating to permissible rates of interest on commercial loans) (the "Maximum Rate"). If a court of competent jurisdiction shall finally determine that Borrowers have actually paid to Lender an amount of interest in excess of the amount that would have been payable if all of the Secured Obligations had at all times borne interest at the Maximum Rate, then such excess interest actually paid by Borrowers shall be applied as follows: first, to the payment of the Secured Obligations consisting of the outstanding principal; second, after all principal is repaid, to the payment of Lender's accrued interest, costs, expenses, professional fees and any other Secured Obligations; and third, after all Secured Obligations are repaid, the excess (if any) shall be refunded to Borrower.

2.4 Default Interest. In the event any payment is not paid on the scheduled payment date, an amount equal to five percent (5%) of the past due amount shall be payable on demand. In addition, upon the occurrence and during the continuation of an Event of Default hereunder, all Secured Obligations, including principal, interest, compounded interest, and professional fees shall bear interest at a rate per annum equal to the rate set forth in Section 2.2(d) plus five percent (5%) per annum ("Default Rate"). In the event any interest is not paid when due hereunder, delinquent interest shall be added to principal and shall bear interest on interest, compounded daily at the rate set forth in Section 2.2(d) or Section 2.4, as applicable.

2.5 Recalculation of Interest. If a Tax deduction is required by Swiss law to be made by a Swiss Obligor in respect of any interest payable by it under this Agreement and should paragraph (b) of Section 2.11 be unenforceable for any reason, the applicable interest rate in relation to that interest payment shall be (i) the interest rate which would have applied to that interest payment (as provided for in Section 2.2 in the absence of this Section 2.5 divided by (ii) one (1) minus the rate at which the relevant Tax deduction is required to be made (where the rate at which the relevant Tax deduction is required to be made is for this purpose expressed as a fraction of one (1) rather than as a percentage) and (a) that the Swiss Obligor shall be obliged to pay the relevant interest at the adjusted rate in accordance with this Section 2.5 and (b) all references to a rate of interest in Section 2.2 shall be construed accordingly. Unless an Event of Default has occurred and is continuing, no recalculation of interest shall be made under this Section 2.5 with respect to a specific Lender if the Non-Bank Rules would not have been violated if (i) such Lender which is not a Permitted Non-Qualifying Bank Lender in relation to which the Swiss Obligor makes the payment, was a Swiss Qualifying Bank but on that date that Lender is not or has ceased to be a Swiss Qualifying Bank other than as a result of any change of law after the date it became a Lender under the Agreement or (ii) such Lender, in relation to which the Swiss Obligor makes the payment, had complied with its obligations under Section 11.7 and Section 11.8. The Swiss Obligor will provide to the Lender those documents which are required by law and applicable double taxation treaties to be provided by the payer of such tax for each relevant Lender to prepare a claim for refund of Swiss Withholding Tax. Each Lender undertakes to collaborate with the Swiss Obligor and use its reasonable commercial efforts to timely file a claim for refund of Swiss Withholding Tax. In the event Swiss Withholding Tax is refunded to the Lender by the Swiss Federal Tax Administration, the relevant Lender shall forward, after deduction of costs, such amount to the applicable Swiss Obligor.

2.6 Prepayments.

(a)Optional Prepayments. At its sole option upon at least seven (7) Business Days prior written notice to Agent (not later than 2:00 p.m. (New York City time)), a Borrower (on behalf of itself and all other Borrowers) may prepay in whole or in part the outstanding principal amount of one or more Tranches of Term Loans, including all accrued and unpaid interest with respect to the principal being repaid, any Yield Protection Premium (if applicable), the Exit Fee, and all other fees and amounts owing under the Loan Documents at such time; provided that each partial prepayment of principal of Loans shall be in an aggregate amount at least equal to \$5,000,000 and integral multiples of \$1,000,000 in excess thereof.

(b)Mandatory Prepayments.

(i)Casualty Events or Asset Sales. Upon the occurrence of any Casualty Event or Asset Sale for which the Net Cash Proceeds from such individual Casualty Event or Asset Sale exceeds [***], or which causes the aggregate total of Net Cash Proceeds from all such Casualty Events or Asset Sales to exceed [***], the Borrowers shall make a mandatory prepayment of the Term Loans in an amount equal to the sum of (i) [***] of the Net Cash Proceeds received by Parent, the Borrower or any of their Subsidiaries with respect to such Asset Sale or insurance proceeds or condemnation awards in respect of such Casualty Event, as the case may be, (ii) any accrued but unpaid interest on any principal amount of the Term Loans being prepaid and (iii) any applicable Yield Protection Premium and Exit Fee; provided that, notwithstanding the foregoing, so long as no Default or Event of Default has occurred and is continuing or would result therefrom, the Loan Parties may reinvest all or any portion of such Net Cash Proceeds received in a Casualty Event in assets used or useful in the Loan Parties' business so long as within 180 days after the receipt of such Net Cash Proceeds, such reinvestment shall have been consummated, and, for the avoidance of doubt, any amount so reinvested shall not be subject to prepayment under this Agreement.

(ii)Debt Issuances. Immediately upon receipt by any Loan Party or any of its Subsidiaries of proceeds from any issuance, incurrence or assumption of Indebtedness other than Permitted Indebtedness, on or after the Closing Date, the Borrowers shall prepay the Term Loans and other Secured Obligations in an amount equal to 100% of the cash proceeds received, plus the Yield Protection Premium with respect to such prepayment, if applicable, any accrued and unpaid Commitment Fee and the applicable Exit Fee with respect to such prepayment.

(iii)Notice. A notice of mandatory prepayment shall be effective only if received by the Agent not later than 2:00 p.m. (New York City time) on a date not less than one (1) Business Day (or such shorter period agreed by the Agent) prior to the proposed prepayment date. Each notice of mandatory prepayment shall specify the proposed prepayment date, the total amount of the mandatory prepayment, the principal amount to be prepaid and the subsection under which the

prepayment is required. The Required Lenders may waive any mandatory prepayment in their sole discretion.

(c)Application. All prepayments of the Term Loans shall be applied to principal installments on the Loans in the inverse order of maturity.

(d)Yield Protection Premium. Without limiting the foregoing, whenever the Yield Protection Premium is in effect and payable pursuant to the terms hereof or any other Loan Document, such Yield Protection Premium shall be payable on each prepayment of all or any portion of the Term Loans, whether by optional or mandatory prepayment, acceleration or otherwise (other than any scheduled amortization payment).

2.7 Commitment Fee. The Borrower shall pay to the Agent for the account of the Lenders a commitment fee (the "Commitment Fee") on the full amount of each undrawn Term Commitment (other than the Tranche A Term Commitment) at a rate per annum equal to [***] for the period from and including the day that is [***] after the Closing Date to the earliest of (x) the Advance Date for such Term Commitment, (y) the last date such Term Commitment may be requested by the Borrower in accordance with Section 2.2(a) and (z) the date such Term Commitment is expressly terminated by the Borrowers. Any accrued Commitment Fee shall be payable on the earliest such date described in the preceding sentence.

2.8 Exit Fee. Upon any payment or prepayment in full or in part of the Term Loans hereunder, whether voluntary or involuntary, prior to, on or after the Term Loan Maturity Date or following the acceleration of the Secured Obligations hereunder, including as a result of the commencement of any Insolvency Proceeding, the Borrowers shall pay to each of the Lenders for its own account a fee equal to [***] of the aggregate principal amount of such Term Loans to be paid or prepaid (the "Exit Fee"). The Exit Fee shall be earned, due and payable immediately upon any such payment or prepayment, and shall be in addition to any accrued and unpaid interest, reimbursement obligations, Yield Protection Premium or other amounts payable in connection therewith.

2.9 Notes. If so requested by Lender by written notice to Borrowers, then Borrowers shall execute and deliver to Lender (and/or, if applicable and if so specified in such notice, to any Person who is an assignee of Lender pursuant to Section 11.14) (promptly after the Borrowers' receipt of such notice) a Note or Notes to evidence Lender's Loans.

2.10 Pro Rata Treatment. Each payment (including prepayment) on account of any fee and any reduction of the Term Loans shall be made pro rata according to the Term Commitments of the relevant Lender.

2.11 Taxes.

(a) Defined Terms. For purposes of this Section 2.11, the term "applicable law" includes FATCA.

(b) **Payments Free of Taxes.** Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the applicable Loan Party shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the Lender or Agent, as applicable, receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(c) **Payment of Other Taxes by the Loan Parties.** The Loan Parties shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Agent timely reimburse it for the payment of, any Other Taxes.

(d) **Indemnification by the Loan Parties.** The Loan Parties shall jointly and severally indemnify the Lender or Agent, as applicable, within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Lender or Agent, as applicable, or required to be withheld or deducted from a payment to such Lender or Agent, as applicable, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrowers by a Lender (with a copy to the Agent), or by the Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(e) **Indemnification by the Lenders.** Each Lender shall severally indemnify the Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that any Loan Party has not already indemnified the Agent for such Indemnified Taxes and without limiting the obligation of the Loan Parties to do so) and (ii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Agent to the Lender from any other source against any amount due to the Agent under this paragraph (e).

(f) **Evidence of Payments.** As soon as practicable after any payment of Taxes by any Loan Party to a Governmental Authority pursuant to this Section 2.11, such Loan Party shall deliver to the Agent the original or a certified copy of a receipt issued by such

Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Agent.

(g) Status of Lenders.

(i) Any Lender that is entitled to an exemption from or reduction of withholding Tax (other than UK Withholding Tax) with respect to payments made under any Loan Document shall deliver to the Borrowers and the Agent, at the time or times reasonably requested by the Borrowers or the Agent, such properly completed and executed documentation reasonably requested by Borrowers or the Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrowers or the Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrowers or the Agent as will enable the Borrowers or the Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding sentence, the completion, execution and submission of such documentation (other than such documentation set forth in paragraphs (g)(i)(1), (ii)(2), and (ii)(4) of this Section) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing:

1. any Lender that is a U.S. Person shall deliver to the Borrowers and the Agent on or about the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of any Borrower or the Agent), executed copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax; and

2. any Lender that is not a U.S. Person (a "Foreign Lender") shall, to the extent it is legally entitled to do so, deliver to the Borrowers and the Agent (in such number of copies as shall be requested by the recipient) on or about the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of any Borrower or the Agent), whichever of the following is applicable:

A. in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed copies of IRS Form W-8BEN or IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN or IRS Form W-8BEN-E establishing an exemption from, or reduction of,

U.S. federal withholding Tax pursuant to the “business profits” or “other income” article of such tax treaty;

B. executed copies of IRS Form W-8ECI;

C. in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit I-1 to the effect that such Foreign Lender is not a “bank” within the meaning of Section 881(c)(3)(A) of the Code, a “10 percent shareholder” of any Borrower within the meaning of Section 871(h)(3)(B) of the Code, or a “controlled foreign corporation” related to any Borrower as described in Section 881(c)(3)(C) of the Code (a “U.S. Tax Compliance Certificate”) and (y) executed copies of IRS Form W-8BEN or IRS Form W 8BEN-E; or

D. to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, IRS Form W 8BEN-E, a U.S. Tax Compliance Certificate substantially in the form of Exhibit I-2 or Exhibit I-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit I-4 on behalf of each such direct and indirect partner;

3. any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrowers and the Agent (in such number of copies as shall be requested by the recipient) on or about the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of any Borrower or the Agent), executed copies of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrowers or the Agent to determine the withholding or deduction required to be made; and

4. if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrowers and the Agent at the time or times prescribed by law and at such time or times reasonably requested by any Borrower or the Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by any Borrower or the Agent as may be necessary for any Borrower and the Agent to comply with their

obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount, if any, to deduct and withhold from such payment. Solely for purposes of this clause (4), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(iii) Each Lender agrees that if any form or certification it previously delivered has expired or become obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify Borrowers and Agent in writing of its legal inability to do so.

(h) Treatment of Certain Refunds.

If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.11 (including by the payment of additional amounts pursuant to this Section 2.11), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (h) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (h), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (h) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(i) Swiss Qualifying Bank.

(i) Each Lender which becomes a party to this Agreement after the Closing Date shall confirm, prior to becoming party to such Agreement, for the benefit of the Agent and without liability to any Borrower, which of the following categories it falls in:

1. not a Swiss Qualifying Bank;
2. a Swiss Qualifying Bank.

(b) (j) Increased Costs. If any Change in Law shall subject any Lender or the Agent to any Taxes (other than (i) Indemnified Taxes, (ii) Taxes described in clauses

through (f) of the definition of Excluded Taxes and (iii) Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes) on its Loans, Term Commitments or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto, and the result of any of the foregoing shall be to increase the cost to such Lender or the Agent of making, converting to, continuing or maintaining any Loan or of maintaining its obligation to make any such Loan, or to reduce the amount of any sum received or receivable by such Lender or the Agent hereunder (whether of principal, interest or any other amount) then, upon request of such Lender or the Agent, the Borrowers will pay to such Lender or Agent, as the case may be, such additional amount or amounts as will compensate such Lender or Agent, as the case may be, for such additional costs incurred or reduction suffered.

(k) U.S. Tax Reporting. The Lender and Borrower shall mutually in good faith determine what portion of the Term Loan amount is allocable to the Warrant within thirty days after the Closing Date. The Parties agree to use such allocation for U.S. federal income tax purposes. Additionally, for the avoidance of doubt, the Borrowers agree not to treat the Term Loan as a "contingent payment debt instrument" for U.S. federal income tax purposes. The Agent and Borrower shall consult in good faith to mutually determine (within 30 days after the applicable Advance Date) the reporting of any "original issue discount" for U.S. federal income tax purposes.

(l) Australian Indirect Tax

(i) All payments to be made by a Loan Party under or in connection with any Loan Document have been calculated without regard to Australian Indirect Tax. If all or part of any such payment is the consideration for a taxable supply or chargeable with Australian Indirect Tax then, when the Loan Party makes the payment: (a) it must pay to Agent or Lenders an additional amount equal to that payment (or part) multiplied by the appropriate rate of Australian Indirect Tax and (b) Agent or Lenders will promptly provide to the Loan Party a tax invoice complying with the relevant law relating to that Australian Indirect Tax.

(ii) Where a Loan Document requires a Loan Party to reimburse or indemnify the Agent or Lenders for any costs or expenses, that Loan Party shall also at the same time pay and indemnify the Agent or Lenders against all Australian Indirect Tax incurred by the Agent or Lenders in respect of the costs or expenses save to the extent that the Agent or Lenders is entitled to repayment or credit in respect of the Australian Indirect Tax. The Agent or Lenders will promptly provide to the Loan Party a tax invoice complying with the relevant law relating to that Australian Indirect Tax.

(m) Additional UK Withholding Tax Matters

(i) A payment shall not be increased under Section 2.11(b) above by reason of a UK Withholding Tax if, on the date on which the payment falls due:

1. the payment could have been made to the relevant Lender without a UK Withholding Tax if the Lender had been a UK Qualifying Lender, but on that date that Lender is not or has ceased to be a UK Qualifying Lender other than as a result of any Change in Law; or
 2. the relevant Lender is a UK Qualifying Lender solely by virtue of sub-section (b) of the definition of “UK Qualifying Lender” and:
 - A. an officer of HM Revenue & Customs has given (and not revoked) a direction (a “Direction”) under section 931 of the UK ITA which relates to the payment and that Lender has received from the Loan Party making the payment or from the Parent a certified copy of that Direction; and
 - B. the payment could have been made to the Lender without any UK Withholding Tax if that Direction had not been made; or
 3. the relevant Lender is a UK Qualifying Lender solely by virtue of paragraph (b) of the definition of “UK Qualifying Lender” and:
 - A. the relevant Lender has not given a UK Tax Confirmation to the relevant Loan Party; and
 - B. the payment could have been made to the Lender without any UK Withholding Tax if the Lender had given a UK Tax Confirmation to the relevant Loan Party, on the basis that the UK Tax Confirmation would have enabled such Loan Party to have formed a reasonable belief that the payment was an “excepted payment” for the purpose of section 930 of the UK ITA; or
 4. the relevant Lender is a UK Treaty Lender (or would be a UK Treaty Lender upon the completion of any necessary procedural formalities) and the Loan Party making the payment is able to demonstrate that the payment could have been made to the Lender without the UK Withholding Tax had that Lender complied with its obligations under Sections 2.11(m)(ii) or (iii) (as applicable) below.
1. Subject to Section 2.11(m)(ii)(2) below, and without limiting the effect of Section 2.11(g) above, each Lender and each UK Loan Party which makes a payment to such Lender shall co-operate in completing any procedural formalities necessary for such UK Loan Party to obtain authorization to make such payment without UK Withholding Tax.

A. A Lender on the Closing Date that holds a passport under the HMRC DT Treaty Passport scheme and wishes such scheme to apply to this Agreement, shall provide its scheme reference number and its jurisdiction of tax residence to the Parent and the Agent in Schedule 1.1 hereto; and

B. a Lender which becomes a Lender hereunder after the day on which this Agreement closes that holds a passport under the HMRC DT Treaty Passport scheme and wishes such scheme to apply to this Agreement, shall provide its scheme reference number and its jurisdiction of tax residence to the Parent and the Agent in the documentation which it executes on becoming a party as a Lender, and

upon satisfying either clause (A) or (B) above, such Lender shall have satisfied its obligation under Section 2.11(m)(ii)(1) and Section 2.11(g) above.

(iii) If a Lender has confirmed its scheme reference number and its jurisdiction of tax residence in accordance with Section 2.11(m)(ii) above, the UK Loan Party(ies) shall make a UK DTTP Filing with respect to such Lender, and shall promptly provide such Lender with a copy of such filing; provided that, if:

1. a UK Loan Party making a payment to such Lender has not made a UK DTTP Filing in respect of such Lender; or

2. a UK Loan Party making a payment to such Lender has made a UK DTTP Filing in respect of such Lender but:

A. such UK DTTP Filing has been rejected by HMRC;

B. HMRC has not given such UK Loan Party authority to make payments to such Lender without a deduction for tax within 60 days of the date of such UK DTTP Filing; or

C. HMRC has given the UK Loan Party authority to make payments to that Lender without a Tax deduction but such authority has subsequently been revoked or expired,

and in each case, such UK Loan Party has notified that Lender in writing, then such Lender and such UK Loan Party shall co-operate in completing any additional procedural formalities necessary for such UK Loan Party to obtain authorization to make that payment without withholding or deduction for Taxes imposed under the laws of the UK.

(iv) If a Lender has not confirmed its scheme reference number and jurisdiction of tax residence in accordance with Section 2.11(m)(ii)(2) above, no UK Loan Party shall make a UK DTTP Filing or file any other form relating to

the HMRC DT Treaty Passport scheme in respect of that Lender's Commitment(s) or its participation in any Loan unless the Lender otherwise agrees.

(v) Each UK Loan Party shall, promptly on making a UK DTTP Filing, deliver a copy of such UK DTTP Filing to the Agent for delivery to the relevant Lender.

(vi) A UK Non-Bank Lender which is a party to this Agreement on the Closing Date gives a UK Tax Confirmation to any UK Borrower by entering into this Agreement. A UK Non-Bank Lender which becomes a party to this Agreement after the Closing Date shall give a UK Tax Confirmation in the documentation which it executes on becoming a party. A UK Non-Bank Lender shall promptly notify any UK Borrower and the Agent if there is any change in the position from that set out in the UK Tax Confirmation.

(vii) Without liability to any Loan Party, each Lender shall indicate, in the documentation which it executes on becoming a Lender, which of the following categories it falls in in respect of a UK Loan Party:

1. Not a UK Qualifying Lender;
2. A UK Qualifying Lender (other than a UK Treaty Lender); or
3. A UK Treaty Lender (on the assumption that all procedural formalities have been completed).

If a Lender fails to indicate its status in accordance with this paragraph (vii), then such Lender shall be treated for the purposes of this Agreement (including by each UK Loan Party) as if it is not a UK Qualifying Lender until such time as it notifies the Agent which category applies (and the Agent, upon receipt of such notification, shall inform each UK Loan Party).

(viii) Notwithstanding anything to the contrary herein, if a Lender assigns or transfers any of its rights or obligations with respect to a Loan or changes its lending office in respect of such Loan, and as a result of circumstances existing at the date the assignment, transfer or change occurs, a Loan Party would be obliged to make a payment to the successor or assign or Lender acting through its new lending office under Section 2.11(b), (d) and (j) in respect of a UK Withholding Tax, then such successor or assign or Lender acting through its new lending office is only entitled to receive payment under those Sections to the same extent as the assigning or transferring Lender or Lender acting through its previous lending office would have been if the assignment, transfer or change had not occurred. This paragraph (viii) shall not apply in relation to Section 2.11(b), to a UK Treaty Lender that has included a confirmation of its valid and current HMRC DT Treaty Passport scheme reference number and its jurisdiction of tax residence in accordance with Section

2.11(m)(ii)(2)(B) if the UK Loan Party making the payment has not made a UK DTTP Filing in respect of that UK Treaty Lender.

(ix) The Parent shall promptly upon becoming aware that a Loan Party must make a Tax deduction in respect of UK Withholding Tax (or that there is any change in the rate or the basis of a Tax deduction in respect of UK Withholding Tax) notify the Agent accordingly. Similarly, a Lender shall notify the Agent on becoming so aware in respect of a payment payable to that Lender. If the Agent receives such notification from a Lender it shall notify the Parent.

(n) Value Added Tax

(i) All amounts expressed to be payable under any Loan Document by any Party to a Lender which (in whole or in part) constitute the consideration for any supply for VAT purposes are deemed to be exclusive of any VAT which is chargeable on that supply, and accordingly, subject to paragraph (ii) below, if VAT is or becomes chargeable on any supply made by any Lender to any Party under a Loan Document and such Lender is required to account to the relevant tax authority for the VAT, that Party must pay to such Lender (in addition to and at the same time as paying any other consideration for such supply) an amount equal to the amount of the VAT (and such Lender must promptly provide an appropriate VAT invoice to that Party).

(ii) If VAT is or becomes chargeable on any supply made by any Lender (the "Payee") to any other Lender (the "Payor") under a Loan Document, and any Party other than the Payor (the "Relevant Party") is required by the terms of any Loan Document to pay an amount equal to the consideration for that supply to the Payee (rather than being required to reimburse or indemnify the Payor in respect of that consideration):

1. (where the Payee is the person required to account to the relevant tax authority for the VAT) the Relevant Party must also pay to the Payee (at the same time as paying that amount) an additional amount equal to the amount of the VAT. The Payor must (where this paragraph (i) applies) promptly pay to the Relevant Party an amount equal to any credit or repayment the Payor receives from the relevant tax authority which the Payor reasonably determines relates to the VAT chargeable on that supply; and
2. (where the Payor is the person required to account to the relevant tax authority for the VAT) the Relevant Party must promptly, following demand from the Payor, pay to the Payor an amount equal to the VAT chargeable on that supply but only to the extent that the Payor reasonably determines that it is not entitled to credit or repayment from the relevant tax authority in respect of that VAT.

(iii) Where a Loan Document requires any Party to reimburse or indemnify a Lender for any cost or expense, that Party shall reimburse or indemnify (as the case may be) such Lender for the full amount of such cost or expense, including such part thereof as represents VAT, save to the extent that such Lender reasonably determines that it is entitled to credit or repayment in respect of such VAT from the relevant tax authority.

(iv) In relation to any supply made by a Lender to any Party under a Loan Document, if reasonably requested by such Lender, that Party must promptly provide such Lender with details of that Party's VAT registration and such other information as is reasonably requested in connection with such Lender's VAT reporting requirements in relation to such supply.

(v) Any reference in this Section 2.11(n) to any party shall, at any time when such party is treated as a member of a group for VAT purposes, include (where appropriate and unless the context otherwise requires) a reference to the person who is treated as making the supply or (as appropriate) receiving the supply under the grouping rules (as provided for in Article 11 of the Council Directive 2006/112/EC (or as implemented by the relevant member state of the European Union or any other similar provision in any jurisdiction which is not a member state of the European Union)) (including, for the avoidance of doubt, in accordance with section 43 of the UK Value Added Tax Act 1994) so that a reference to a Party shall be construed as a reference to that Party or the relevant group or unity (or fiscal unity) of which that Party is a member for VAT purposes at the relevant time or the relevant member (or head) of that group or unity (or fiscal unity) at the relevant time (as the case may be).

(o) Survival. Each party's obligations under this Section 2.11 shall survive the resignation or replacement of the Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Term Commitment and the repayment, satisfaction or discharge of all obligations under any Loan Document.

SECTION 3. SECURITY INTEREST

3.1 As security for the prompt and complete payment when due (whether on the payment dates or otherwise) of all the Secured Obligations, each Loan Party, other than any Loan Party organized under the laws of England and Wales, grants to Agent a security interest in all of such Loan Party's right, title, and interest in, to and under all of such Loan Party's personal property and other assets including without limitation the following (collectively, the "UCC Collateral"): (i) all Accounts; (ii) all Chattel Paper; (iii) all Commercial Tort Claims specified in the Perfection Certificate or notified to the Agent pursuant to Annex A; (iv) all Deposit Accounts, Securities Accounts and Commodity Accounts; (v) all Documents; (vi) all Equipment; (vii) all Fixtures; (viii) all General Intangibles; (ix) all Goods; (x) all Instruments; (xi) all Inventory; (xii) all Investment Property; (xiii) all Letter-of-Credit Rights; (xiv) all Intellectual Property Collateral; (xv) all money and Cash; (xvi) all Pledged Collateral; (xvii) all Receivables; (xviii) all Books pertaining to the foregoing; (xix) all products, proceeds and Supporting Obligations of any

and all of the foregoing; and (xx) all other tangible and intangible personal property of such Loan Party whether now or hereafter owned or existing, leased, consigned by or to, or acquired by, such Loan Party and wherever located, and any of such Loan Party's property in the possession or under the control of Agent; and, to the extent not otherwise included, all Proceeds of each of the foregoing and all accessions to, substitutions and replacements for, and rents, profits and products of each of the foregoing.

3.2 Notwithstanding the broad grant of the security interest set forth in Section 3.1, above, the Collateral shall not include (collectively, the "Excluded Property") (a) any "intent to use" trademarks at all times prior to the first use thereof, whether by the actual use thereof in commerce, the recording of a statement of use with the United States Patent and Trademark Office or otherwise, provided, that upon submission and acceptance by the United States Patent and Trademark Office of an amendment to allege use of an intent-to-use trademark application pursuant to 15 U.S.C. Section 1060(a) (or any successor provision) such intent-to-use application shall constitute and hereby does constitute Collateral, (b) non-assignable property, licenses or contracts, which by their terms require the consent of the licensor thereof or another party (but only to the extent such prohibition on transfer is enforceable under applicable law, including, without limitation, Sections 9406, 9407 and 9408 of the UCC), (c) any particular asset if the pledge thereof or the security interest therein is prohibited or restricted by applicable law, rule or regulation (including any requirement to obtain the consent of any governmental authority, regulatory authority or third party), provided that the foregoing exclusion of this clause (c) shall in no way be construed (1) to apply to the extent that any described prohibition or restriction is unenforceable under Section 9406, 9407 or 9408 of the UCC or other applicable law or (2) to apply to the extent that any consent or waiver has been obtained, or is hereafter obtained, that would permit the Agent's security interest or Lien notwithstanding the prohibition or restriction on the pledge of such asset, (d) any Excluded Accounts, (e) any Excluded Assets, and (f) Equipment and software (and the products and proceeds thereof) subject to Permitted Liens of the type described in clause (vii) of the definition of Permitted Liens, but only to the extent and for so long as the agreements under which the equipment is financed prohibit granting a security interest therein to the Agent.

3.3 Parent, Mesoblast USA, Mesoblast UK and Mesoblast SUI have entered into the Australian Security Documents, English Security Documents and/or Swiss Security Documents in each case as applicable and pursuant to which they have granted security interests in, to and under the collateral described therein (together with the UCC Collateral, collectively, the "Collateral") in favor of Agent for the benefit of the Lenders. Notwithstanding anything herein to the contrary, the Collateral shall not include Excluded Assets unless otherwise agreed between Parent and Agent.

3.4 The lien and security interest created hereunder and under the Security Documents shall be automatically released (a) with respect to all Collateral upon the payment in full of all Secured Obligations in accordance with this Agreement (other than inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this Agreement), (b) with respect to Intellectual Property to the extent licensed to a third Person under an exclusive License to which the Agent has expressly consented in writing, which such consent shall not be unreasonably withheld or

delayed, or (c) if otherwise approved, authorized or ratified in writing by Agent in its sole discretion. Upon such release, Agent shall, upon the reasonable request and at the sole cost and expense of Borrower, assign, transfer and deliver to Borrower, against receipt and without recourse to or warranty by Agent, except as to the fact that Agent does not continue to encumber the released assets (subject to customary reinstatement provisions), such Collateral or any part thereof, which shall be released in accordance with customary documents and instruments (including UCC-3 termination financing statements or releases) acknowledging the release of such Collateral. As part of or in connection with any exclusive license permitted hereunder, Agent and Lenders agree that the respective Loan Party to such exclusive license permitted hereunder may grant to the licensee thereunder customary rights ancillary to the licensing of the patents subject to such other exclusive license permitted hereunder, including the right to enforce and/or participate in or oversee the prosecution thereof. Further, Agent agrees that its consent shall not be unreasonably withheld in connection with the entry into any additional instruments or documents or any further actions that may be necessary, or that the Loan Parties may otherwise from time to time reasonably request, in order to effectuate the purpose of the [***].

3.5 Subject to any conflicting provisions in any Security Document under the law of a jurisdiction other than the United States with respect to any property located in such jurisdiction, each Loan Party acknowledges and agrees to abide by the covenants and agreements contained in Annex A hereto.

SECTION 4. CONDITIONS PRECEDENT TO LOAN

The obligations of Lender to make the Loan hereunder are subject to the satisfaction by Borrowers of the following conditions:

4.1 Closing Date. On or prior to the Closing Date, Borrower shall have delivered to Agent the following:

(a) executed copies of each of the Loan Documents, [***] and all other documents and instruments reasonably required by Agent to effectuate the transactions contemplated hereby or to create and perfect the Liens of Agent with respect to all Collateral, in all cases in form and substance reasonably acceptable to Agent;

(b) certified copies of resolutions (or, in the case of Parent, an extract thereof) of each of the Loan Parties' respective Boards of Directors (and shareholder, with respect to Mesoblast UK and Mesoblast SUI) evidencing (i) approval of the Loan and other transactions evidenced by the Loan Documents; (ii) authorizing the issuance of the Warrants; (iii) authorizing a specified person or persons to execute the Loan Documents to which it is a party on its behalf; (iv) authorizing a specified person or persons, on its behalf, to sign and/or dispatch all documents and notices (including, if relevant, any Advance Request or other relevant notice) to be signed and/or dispatched by it under or in connection with the Loan Documents to which it is a party; and (v) (with respect to Parent and Mesoblast UK) (A) including a statement of corporate benefit; (B) acknowledging that the Board of Directors are acting for a proper purpose and that the Loan Documents are in the best interests of that Loan Party and for its commercial

benefit; and (C) acknowledging that the relevant Loan Party was solvent and there were reasonable grounds to expect that the relevant Loan Party would continue to be solvent after executing and complying with its obligations under the Loan Documents;

(c) certificates (as customary in the jurisdiction of Mesoblast UK and containing specimen signatures) of a director confirming that guaranteeing or securing the Loans would not cause any guaranteeing or similar limit binding on Mesoblast UK to be exceeded and certifying that each copy document relating to it specified in this Section 4, is correct, complete and the original of such copy document, is in full force and effect and has not been amended or superseded as at a date no earlier than the Closing Date;

(d) in respect to any UK PSC Charged Company, a certified copy of the PSC Register together with confirmation from an authorized signatory of the Parent that (a) it and each of its Subsidiaries has complied within the relevant timeframe with any notice it has received pursuant to Part 21A of the Companies Act 2006 from any UK PSC Charged Company and (b) no "warning notice" or "restrictions notice" (in each case as defined in Schedule 1B of the Companies Act 2006) has been issued in respect of the shares of any UK PSC Charged Company charged as Collateral;

(e) verification certificates (as customary in the jurisdiction of Parent and containing specimen signatures) of a director confirming that (i) there will be no contravention of, and neither is it prohibited by, Chapter 2E or Chapter 2J.3 of the Australian Corporations Act from entering into and delivering the Loan Documents to which it is a party and performing any of its obligations under those documents; (ii) the relevant Loan Party is solvent and there are reasonable grounds to expect that the relevant Loan Party would continue to be solvent after executing and complying with its obligations under the Loan Documents; (iii) guaranteeing or securing the Loans would not cause any guaranteeing or similar limit binding on it to be exceeded; and (iv) each copy document relating to it specified in this Section 4, is correct, complete and the original of such copy document, is in full force and effect and has not been amended or superseded as at a date no earlier than the Closing Date;

(f) certified copies of the constitutional documents and the bylaws, as amended through the Closing Date, of each Loan Party in form and substance satisfactory to the Agent;

(g) a certificate of good standing (or foreign equivalent or insolvency search, as applicable) for each Loan Party from its jurisdiction of organization and similar certificates from all other jurisdictions in which it does business and where the failure to be qualified could have a Material Adverse Effect;

(h) satisfactory results of searches of the Australian PPSR and ASIC register in respect of Parent and satisfactory UCC and Lien searches in respect of each of the Loan Parties (which searches shall be at Borrowers' sole expense in accordance with Section 11.12);

(i) all certificates of insurance and copies of each insurance policy required hereunder (other than copies of any director's and officer's insurance policies of the Loan Parties);

(j) payment of all reasonable and documented out-of-pocket fees, costs and expenses due and payable to the Agent and each Lender pursuant to the Fee Letter and reimbursement of Agent's and each Lender's current expenses reimbursable pursuant to Section 11.12 of this Agreement, including all reasonable and documented out-of-pocket closing costs and fees and all unpaid reasonable expenses of the Agent and the Lenders incurred in connection with this Agreement (including the Agent's and the Lenders' legal fees and expenses);

(k) evidence of the repayment in full and termination of the Refinanced Facility and release of all security interests granted in connection therewith, in form and substance satisfactory to the Agent;

(l) all documentation and other information required by bank regulatory authorities under applicable "know your customer" and Anti-Terrorism Laws, including a beneficial ownership certificate and duly executed IRS Form W-9 (or other applicable tax forms) for each of the Borrowers; and

(m) such other documents as Agent may reasonably request.

4.2 All Advances. On or prior to each Advance Date:

(a) Agent shall have received an Advance Request for the relevant Advance at least five (5) Business Days before the Advance Date as required by Section 2.2(b), each duly executed by a Borrower's Chief Executive Officer, Chief Financial Officer or any other duly authorized officer or director;

(b) the representations and warranties set forth in this Agreement shall be true and correct in all material respects on and as of the Advance Date with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date;

(c) the Loan Parties shall be in compliance with all the terms and provisions set forth herein and in each other Loan Document on its part to be observed or performed, and at the time of and immediately after such Advance no Event of Default shall have occurred and be continuing;

(d) the Agent shall have received a solvency certificate, substantially in the form of Exhibit C, duly executed and delivered by the chief financial officer of the Parent, dated as of the Advance Date, in form and substance reasonably satisfactory to the Agent;

(e) the Agent shall have received written evidence, in form and substance satisfactory to Agent, that any milestone conditions to borrowing such Advance described in Section 2.2(a) have been satisfied to the extent applicable.

(f) Borrower shall have paid all reasonable and documented out-of-pocket fees, costs and expenses due and payable to the Agent and each Lender pursuant to the Fee Letter and Agent's and each Lender's current expenses reimbursable pursuant to Section 11.12 of this Agreement, including all reasonable closing costs and fees and all unpaid reasonable expenses of the Agent and the Lenders incurred in connection with this Agreement (including the Agent's and the Lenders' legal fees and expenses); and

(g) each Advance Request shall be deemed to constitute a representation and warranty by such Borrower on the relevant Advance Date as to the matters specified in paragraphs (b) and (c) of this Section 4.2 and as to the matters set forth in the Advance Request.

4.3 No Default. As of the Closing Date and each Advance Date, (i) no fact or condition exists that could (or could, with the passage of time, the giving of notice, or both) constitute an Event of Default and (ii) no event that has had or could reasonably be expected to have a Material Adverse Effect has occurred and is continuing.

4.4 Post-Close Obligations.

(a) Within thirty (30) days of the Closing Date, the Loan Parties shall deliver to Agent (or its designated agent) the stock certificates or other instruments representing or evidencing the pledged Equity Interests in Mesoblast USA, charged Equity Interests in Mesoblast SUI and Mesoblast UK, accompanied by appropriate duly executed instruments of transfer or assignment (including, without limitation, stock powers) in blank, all in form and substance satisfactory to Agent.

(b) Within forty-five (45) days of the Closing Date, the Parent shall deliver to Agent:

(i) a prospectus for the Warrants lodged by the Parent with the Australian Securities and Investments Commission in accordance with Part 6D.2 of the Australian Corporations Act 2001 (Cth); and

(ii) executed copies of the Warrants and the Registration Rights Agreement, which will comprise the application form for the Warrants which must be included in or be accompanied by, the prospectus, and, subject to Section 4.4(c), the holders of Warrants will be given a holding statement to reflect the issuance of the Warrants.

(c) As soon as reasonably practicable after the Parent has complied with its obligations under Section 4.4(b), the Lenders must return to the Parent executed counterparts of the Agreements referred to in Section 4.4(b)(ii), which the Lenders acknowledge and agree will be a pre-condition to the issue of the Warrants.

(d) Despite any other provision herein, if the issue of the Warrants would be likely to exceed the capacity of the Parent to issue equity securities under ASX Listing Rule 7.1, the obligations of the Parent to issue and any agreement between the parties to issue the Warrants are conditional for the purposes of Exception 17 in ASX Listing Rule

7.2 on the Parent's shareholders approving the issue of the Warrants under ASX Listing Rule 7.1 before the issue is made.

(e) Within fifteen (15) days of the Closing Date, the Loan Parties shall deliver all such insurance policies required pursuant to each Loan Document, which shall name Agent (for its benefit and the benefit of the Lenders) loss payee or additional insured, as applicable, and provide that no cancellation of the policies will be made without at least ten (10) days prior written notice to Agent.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE LOAN PARTIES

Each Loan Party represents and warrants that:

5.1 Corporate Status. Each Loan Party is a corporation duly organized, legally existing and in good standing, as applicable, under the laws of (a) Australia (with respect to Parent), (b) England and Wales (with respect to Mesoblast UK), (c) Switzerland (with respect to Mesoblast SUI), or (d) Delaware (with respect to Mesoblast USA) and is duly qualified as a foreign corporation in all jurisdictions in which the nature of its business or location of its properties require such qualifications and where the failure to be qualified would reasonably be expected to have a Material Adverse Effect. Each Loan Party's present name, former names (if any), locations, place of formation, tax identification number, organizational identification number and other information are correctly set forth in Exhibit C to the Disclosure Letter, as may be updated by the Loan Parties in a written notice (including any Compliance Certificate) provided to Agent after the Closing Date.

5.2 Collateral. Each Loan Party has good and valid rights in or power to transfer the Collateral owned by it and title to Collateral with which it has purported to grant a security interest hereunder, free of all Liens, except for Permitted Liens. Each Loan Party has the power and authority to grant to Agent a Lien in the Collateral as security for the Secured Obligations.

5.3 Consents. Each Loan Party's execution, delivery and performance of this Agreement and all other Loan Documents, (i) have been duly authorized by all necessary corporate action of such Loan Party, (ii) will not result in the creation or imposition of any Lien upon the Collateral, other than Permitted Liens and the Liens created by this Agreement and the other Loan Documents, (iii) do not violate any provisions of such Loan Party's constitutional documents, trust deeds, or other organizational or governing documents (as applicable), bylaws, or any law, regulation, order, injunction, judgment, decree or writ to which such Loan Party is subject and (iv) except as described on Schedule 5.3 to the Disclosure Letter, do not violate any material contract or agreement or require the consent or approval of any other Person which has not already been obtained. The individual or individuals executing the Loan Documents are duly authorized to do so.

5.4 Material Adverse Effect. No event that has had or could reasonably be expected to have a Material Adverse Effect has occurred and is continuing. No Loan Party is aware of any event that is reasonably expected to result in a Material Adverse Effect.

5.5 Actions Before Governmental Authorities. There are no actions, suits or proceedings at law or in equity or by or before any Governmental Authority now pending or, to the knowledge of any Loan Party, threatened in writing against any Loan Party or its property, that is reasonably expected to result in a Material Adverse Effect.

5.6 Laws.

No Loan Party nor any of its Subsidiaries is in violation of any law, rule or regulation, or in default with respect to any judgment, writ, injunction or decree of any Governmental Authority (including the 'Listing Rules' of the ASX), where such violation or default is reasonably expected to result in a Material Adverse Effect. Attached hereto as Schedule 5.6 to the Disclosure Letter is a true, complete and correct list of all Material Agreements of any Loan Party and/or any of its Subsidiaries. No Loan Party is in default in any material manner under any provision of any agreement or instrument evidencing material Indebtedness, or any other Material Agreement to which it is a party or by which it is bound and, to the knowledge of any Loan Party with respect to any Person other than any Loan Party or its Subsidiaries, no event of default or event that with the passage of time would result in an event of default exists under any provision of any agreement or instrument evidencing material Indebtedness, nor any other Material Agreement to which it is a party or by which it is bound.

No Loan Party nor any of its Subsidiaries is required to register as an "investment company" or a company "controlled" by an "investment company" under the Investment Company Act of 1940, as amended. No Loan Party nor any of its Subsidiaries is engaged as one of its important activities in extending credit for margin stock (under Regulations X, T and U of the Federal Reserve Board of Governors). Each Loan Party with activities in the United States has complied in all material respects with the Federal Fair Labor Standards Act. No Loan Party nor any of its Subsidiaries is a "holding company" or an "affiliate" of a "holding company" or a "subsidiary company" of a "holding company" as each term is defined and used in the Public Utility Holding Company Act of 2005. No Loan Party's nor any of its Subsidiaries' properties or assets has been used by such Loan Party or such Subsidiary or, to any Loan Party's knowledge, by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance other than in material compliance with applicable laws. Each Loan Party and each of its Subsidiaries has obtained all material consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all Governmental Authorities that are necessary to continue their respective businesses as currently conducted.

No Loan Party, any of its Subsidiaries, or to any Loan Party's knowledge any of its or its Subsidiaries' Affiliates or any of their respective agents acting or benefiting in any capacity in connection with the transactions contemplated by this Agreement is (i) in violation of any Anti-Terrorism Law, (ii) engaging in or conspiring to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law, or (iii) is a Blocked Person. No Loan Party, nor any of its Subsidiaries, or to the knowledge of any Loan Party, any of their Affiliates or agents, acting or benefiting in any capacity in connection with the transactions contemplated by this Agreement, (x) conducts any business or

engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Blocked Person, or (y) deals in, or otherwise engages in any transaction relating to, any property or interest in property blocked pursuant to Executive Order No. 13224, any similar executive order or other Anti-Terrorism Law. None of the funds to be provided under this Agreement will be used, directly or indirectly, (a) for any activities in violation of any applicable anti-money laundering, economic sanctions and anti-bribery laws and regulations laws and regulations, including the anti-bribery laws, or (b) for any payment to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

Each Loan Party has implemented and maintains in effect policies and procedures to the extent necessary to ensure compliance by each Loan Party, its Subsidiaries and their respective directors, officers, employees and agents with anti-corruption laws and applicable Sanctions, and Parent, its Subsidiaries and their respective directors, officers and employees and to the knowledge of Parent, its Subsidiaries and their respective directors officers and agents, are in compliance with anti-corruption laws and applicable Sanctions in all material respects.

No Loan Party nor any of its Subsidiaries or any of their respective directors, officers or employees, is a Sanctioned Person. No Loan, use of proceeds or other transaction contemplated by this Agreement will violate anti-corruption laws or applicable Sanctions.

5.7 Information Correct and Current. No written information, report, Advance Request, financial statement, exhibit or schedule furnished, by or on behalf of any Loan Party to Agent in connection with any Loan Document or included therein or delivered pursuant thereto contained, or, when taken as a whole, contains or will contain any material misstatement of fact or, when taken together with all other such written information or documents, omitted, omits or will omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were, are or will be made, not materially misleading at the time such statement was made or deemed made. Additionally, any and all financial or business projections provided by the Loan Parties to Agent, whether prior to or after the Closing Date, shall be (i) provided in good faith and based on the most current data and information available to the Loan Parties, and (ii) the most current of such projections provided to the Board of Directors (it being understood that such projections are subject to significant uncertainties and contingencies, many of which are beyond the control of the Loan Parties, that no assurance is given that any particular projections will be realized, that actual results may differ).

5.8 Tax Matters. Except as described on Schedule 5.8 to the Disclosure Letter and except those being contested in good faith with adequate reserves under GAAP or IFRS, as applicable, (a) each Loan Party has filed all material foreign, federal, state and local tax returns that it is required to file, (b) each Loan Party has duly paid or fully reserved for all material taxes or installments thereof (including any interest or penalties) as and when due, or which have or may become due pursuant to such returns, and (c) each

Loan Party has paid or fully reserved for any material tax assessment received by such Loan Party, if any (including any taxes being contested in good faith and by appropriate proceedings).

5.9 Intellectual Property. The Loan Parties are the sole and exclusive legal and beneficial owners of all right, title and interest in and to all Material Intellectual Property owned or purported to be owned by the Loan Parties, free and clear of any Liens other than Permitted Liens. The Loan Parties own or have sufficient and valid, written rights to use all Material Intellectual Property and, to the Loan Parties knowledge, all other Intellectual Property necessary or material for the operation or conduct of the Loan Parties' business as currently conducted. Except as described on Schedule 5.9 to the Disclosure Letter, (i) to the Loan Parties' knowledge, each of the material Copyrights, Trademarks and Patents is valid and enforceable, (ii) no Material Intellectual Property has been judged invalid or unenforceable, in whole or in part (for clarity, this does not include prosecution of patents in the ordinary course), and (iii) no material claim has been made to a Loan Party that any use of Material Intellectual Property or the conduct of such Loan Party's business infringes, misappropriates or otherwise violates the rights of any third party in any material respect. To the Loan Parties' knowledge, as of the Closing Date, Exhibit D to the Disclosure Letter contains a true, correct and complete list of each of the Loan Parties' Patents, registered Trademarks (and applications therefor), registered Copyrights (and applications therefor) and all in-bound exclusive Copyright Licenses and other Licenses under which a Loan Party licenses (or receives a covenant not to sue or other right under) Material Intellectual Property from third parties (other than shrink-wrap software licenses), together with application or registration numbers, as applicable, owned by a Loan Party, in each case as of the Closing Date. The Loan Parties are not in material breach of, nor have the Loan Parties failed to perform any material obligations under, any of the foregoing contracts, licenses or agreements relating to Material Intellectual Property and, to Loan Parties' knowledge, no third party to any such contract, license or agreement is in material breach thereof or has failed to perform any material obligations thereunder. Each Loan Party has taken reasonable precautions to protect the secrecy, confidentiality and value of its material Trade Secrets, and to the Loan Parties' knowledge, no such material Trade Secret has been disclosed to or discovered by any unauthorized third party. All current and former employees and contractors that have developed material intellectual property (including Patents, Copyrights, Trademarks and Trade Secrets) for or on behalf of any Loan Party has executed written confidentiality and invention assignment agreements with such Loan Party that irrevocably and presently assign to such Loan Party or its designee all rights, title and interest in and to any such Material Intellectual Property.

5.10 Intellectual Property Licenses. Except as described on Schedule 5.10 to the Disclosure Letter, to the Loan Parties' knowledge, the Loan Parties own or license pursuant to a written agreement all material rights with respect to Intellectual Property necessary or material for the operation or conduct of the Loan Parties' business as currently conducted by Loan Parties. Without limiting the generality of the foregoing, and in the case of material Licenses from third parties in connection with Material Intellectual Property, except for restrictions that are unenforceable under Division 9 of the UCC or other applicable law, the Loan Parties have the right, to the extent required to operate their business, to freely transfer, license or assign Intellectual Property necessary or material in

the operation or conduct of their business as currently conducted and currently proposed to be conducted by them, without condition, restriction or payment of any kind (other than payments in the ordinary course of business) to any third party, and the Loan Parties, to the Loan Parties' knowledge, own or have the right to use, pursuant to valid licenses, all software development tools, library functions, compilers and all other third-party software and other items that are material to their business and used in the design, development, promotion, sale, license, manufacture, import, export, use or distribution of Borrower Products except customary covenants in inbound license agreements and equipment leases where a Loan Party is the licensee or lessee and license agreements permitted under the definition of Permitted Transfers.

5.11 Borrower Products. To the Loan Parties' knowledge, no Material Intellectual Property owned by any Loan Party or Borrower Product is being infringed, violated, or misappropriated by any other Person; and, except as described on Schedule 5.11 to the Disclosure Letter, no Material Intellectual Property owned by any Loan Party or Borrower Product has been or is subject to any actual or, to the knowledge of the Loan Parties, threatened in writing litigation, proceeding (including any proceeding in the United States Patent and Trademark Office or any corresponding foreign office or agency) or outstanding decree, order, judgment, settlement agreement or stipulation that restricts in any material manner any Loan Party's use, transfer or licensing thereof or that may affect the validity, use or enforceability thereof. There is no material decree, order, judgment, agreement, stipulation, arbitral award or other provision entered into in connection with any litigation or proceeding that obligates any Loan Party to grant licenses or ownership interest in any future Material Intellectual Property related to the operation or conduct of the business of the Loan Parties or Borrower Products. No Loan Party has received any written notice or claim, or, to the knowledge of the Loan Parties, oral notice or claim, challenging or questioning their ownership in any Intellectual Property (or written notice of any claim challenging or questioning the ownership in or rights to any licensed Intellectual Property of the owner thereof) or suggesting that any third party has any claim of legal or beneficial ownership with respect thereto nor, to the Loan Parties' knowledge, is there a reasonable basis for any such claim in each case to where such notice or claim would reasonably be expected to have a Material Adverse Effect. No Loan Party's use of its Material Intellectual Property, or the conduct of its business, or the design, labeling, promotion, licensing, marketing, dispensing, manufacturing, selling or commercializing of Borrower Products, infringes, misappropriates or otherwise violates the intellectual property (including Patents, Copyrights, Trademarks and Trade Secrets) or other rights of others, except where such infringement, misappropriation or other violation has not resulted in, and is not reasonably expected to result in, a Material Adverse Effect.

5.12 Financial Accounts. Exhibit E to the Disclosure Letter, as may be updated by Loan Parties in a written notice provided to Agent after the Closing Date, is a true, correct and complete list of (a) all banks and other financial institutions at which any Loan Party or any Subsidiary maintains Deposit Accounts and (b) all institutions at which any Loan Party or any Subsidiary maintains an account holding Investment Property, and such exhibit correctly identifies the name, address and telephone number of each bank or other institution, the name in which the account is held, a description of the purpose of the account, and the complete account number therefor.

5.13 Employee Loans. No Loan Party has outstanding loans to any employee, officer or director of such Loan Party nor has any Loan Party guaranteed the payment of any loan made to an employee, officer or director of such Loan by a third party, other than loans under the Loan Funded Share Plan.

5.14 Capitalization and Subsidiaries. Parent's capitalization as of the Closing Date is set forth on Schedule 5.14 of the Disclosure Letter. The Loan Parties do not own any stock, partnership interest or other securities of any Person, except for Permitted Investments. Attached as Schedule 1 to the Disclosure Letter, as may be updated by Loan Parties in a written notice provided after the Closing Date, is a true, correct and complete list of each direct and indirect Subsidiary of Parent.

5.15 [Reserved].

5.16 Centre of Main Interests and Establishments. For the purposes of Regulation (EU) No 2015/848 of 20 May 2015 on insolvency proceedings (recast) (the "Regulation"), as it forms part of English law by virtue of the European Union Withdrawal (Agreement) Act 2020, (the "UK Regulation"), Mesoblast UK's centre of main interest (as that term is used in Article 3(1) of the UK Regulation) is situated in England and Wales and it has no "establishment" (as that term is used in Article 2(10) of the Regulation) in any other jurisdiction.

5.17 Pensions. (a) Mesoblast UK is not, nor has it at any time been, an employer (for the purposes of sections 38 to 51 of the UK Pensions Act 2004) of an occupational pension scheme which is not a money purchase scheme (both terms as defined in the UK Pensions Schemes Act 1993); and (b) Mesoblast UK is not, nor has it at any time been, "connected" with or an "associate" of (as those terms are used in sections 38 and 43 of the UK Pensions Act 2004) such an employer.

5.18 Non-Bank Rules. The Swiss Obligors are in compliance with the Non-Bank Rules; provided, that, the Swiss Obligors shall not be in breach of this representation if its number of creditors that are not Swiss Qualifying Banks in respect of either the 10 Non-Bank Rule or the 20 Non-Bank Rule is exceeded solely because a Lender having (a) made an incorrect declaration of its status as to whether or not it is a Swiss Qualifying Bank, (b) failed to comply with its obligations under Section 11.7 or Section 11.8 of this Agreement or (c) ceased to be a Swiss Qualifying Bank other than as a result of any Change in Law after the date it became a Lender under this Agreement. For the purpose of its compliance with the 20 Non-Bank Rule under this Section 5.18, the number of Lenders under this Agreement which are not Swiss Qualifying Banks shall be deemed to be ten (10) (irrespective of whether or not there are, at any time, any such Lenders).

5.19 Trustee. The Loan Parties are not trustees of any trust or settlement other than as disclosed to Agent prior to the Closing Date.

5.20 Related Party Benefit and Financial Assistance. No Loan Party has contravened nor will it contravene Chapter 2E or 2J.3 of the Australian Corporations Act

by entering into any Loan Document to which it is a party or participating in any transaction in connection with any Loan Document to which it is a party.

5.21 Australian Tax Arrangements. No Loan Party is a member of an Australian Consolidated Tax Group and neither it nor any other Subsidiary has entered into a Australian Tax Sharing Agreement or a Australian Tax Funding Agreement.

5.22 Australian PPS Law Details. Except as disclosed in writing by a Loan Party, or on its behalf, each Loan Party's details set out in any Australian Security Document are true and correct in all respects and reflects the information contained in the source from which information in relation to it must be taken for the purposes of the Australian PPS Law in order to register a financing statement in respect of any security interests granted under an Australian Security Document or any other Loan Document.

5.23 Solvency. Each Loan Party is Solvent and is able to pay its debts (including trade debts) as they mature. No Loan Party is subject to an Insolvency Event.

5.24 ERISA. No Loan Party (nor trade or business (whether or not incorporated) under common control with a Loan Party) maintains or contributes to any employee benefit pension plan covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code.

SECTION 6. INSURANCE; INDEMNIFICATION

6.1 Coverage. The Loan Parties shall cause to be carried and maintained commercial general liability insurance against risks customarily insured against in the Loan Parties' line of business. Such risks shall include the risks of bodily injury, including death, property damage, personal injury, advertising injury, and contractual liability per the terms of the indemnification agreement found in Section 6.3. The Loan Parties must maintain a minimum of [***] (or foreign currency equivalent, if applicable) of commercial general liability insurance for each occurrence. The Loan Parties have and agree to maintain directors' and officers' insurance as agreed with Agent on the Closing Date. So long as there are any Secured Obligations (other than inchoate indemnity obligations) outstanding, the Loan Parties shall also cause to be carried and maintained insurance upon the Collateral other than therapeutic stock and raw materials, insuring against all risks of physical loss or damage howsoever caused, in an amount not less than the full replacement cost of the Collateral, provided that such insurance may be subject to standard exceptions and deductibles.

6.2 Certificates. The Loan Parties shall deliver to Agent certificates of insurance that evidence their compliance with its insurance obligations in Section 6.1 and the obligations contained in this Section 6.2. The Loan Parties' insurance certificate shall state Agent (shown as "Oaktree Fund Administration, LLC, as Agent") is an additional insured for commercial general liability, and a loss payee for all risk property damage insurance, subject to the insurer's approval, and promptly following any purchase of new or replacement insurance, Borrower shall deliver to Agent certificates of insurance showing Agent as a loss payee for property insurance and additional insured for liability insurance

for any such future insurance that Borrower may acquire from an insurer. Attached to the certificates of insurance will be additional insured endorsements for liability and lender's loss payable endorsements for all risk property damage insurance. All certificates of insurance will, if customary in the applicable jurisdiction, provide for a minimum of thirty (30) days advance written notice to Agent of cancellation (other than cancellation for non-payment of premiums, for which ten (10) days' advance written notice shall be sufficient). Any failure of Agent to scrutinize such insurance certificates for compliance is not a waiver of any of Agent's rights, all of which are reserved. The Loan Parties shall provide Agent with copies of each insurance policy other than any director's and officer's insurance policies of the Loan Parties. The Loan Parties agree that upon entering or amending any insurance policy required hereunder, Loan Parties shall provide Agent with copies of such policies and shall promptly deliver to Agent updated insurance certificates with respect to such policies.

6.3 Indemnity. Each Loan Party agrees to indemnify and hold Agent, Lenders and their respective officers, directors, employees, agents, in-house attorneys, representatives and shareholders (each, an "Indemnified Person") harmless from and against any and all claims, costs, expenses, damages and liabilities (including such claims, costs, expenses, damages and liabilities based on liability in tort, including strict liability in tort), including reasonable attorneys' fees and disbursements and other costs of investigation or defense (including those incurred upon any appeal) (collectively, "Liabilities"), that may be instituted or asserted against or incurred by such Indemnified Person as the result of credit having been extended, suspended or terminated under this Agreement and the other Loan Documents or the administration of such credit, or in connection with or arising out of the transactions contemplated hereunder and thereunder, or any actions or failures to act in connection therewith, or arising out of the disposition or utilization of the Collateral, excluding in all cases Liabilities to the extent resulting solely from any Indemnified Person's gross negligence or willful misconduct; notwithstanding anything to the contrary in the foregoing, the foregoing shall not apply with respect to Taxes other than any Taxes that represent losses or damages arising from any non-Tax claim. Each Loan Party agrees to pay, and to save Agent and Lender harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all registration, stamp, excise, sales or other similar taxes (excluding taxes imposed on or measured by the net income of Agent or Lender) that may be payable or determined to be payable with respect to the execution, delivery, performance, enforcement or registration of any of the Collateral or the Loan Documents. In no event shall any Loan Party or any Indemnified Person be liable on any theory of liability for any special, indirect, consequential or punitive damages (including any loss of profits, business or anticipated savings). This Section 6.3 shall survive the repayment of indebtedness under, and otherwise shall survive the expiration or other termination of, this Agreement.

SECTION 7. COVENANTS OF BORROWER

Each Loan Party agrees as follows:

- 7.1 Financial Reports. The Loan Parties shall furnish to Agent the financial statements and reports listed hereinafter (the "Financial Statements"):

(a) [Reserved];

(b) within sixty (60) days after the end of each fiscal quarter of Parent's fiscal year, unaudited interim and year-to-date financial statements of Parent as of the end of such calendar quarter (prepared on a consolidated basis), including balance sheet and related statements of income and cash flows accompanied by a report detailing any material contingencies or any other occurrence that could reasonably be expected to have a Material Adverse Effect, certified by Parent's Chief Executive Officer, Chief Financial Officer, chief accounting officer or any other duly authorized officer or director to the effect that they have been prepared in accordance with GAAP or IFRS, as applicable, except (i) for the absence of footnotes, and (ii) that they are subject to normal year-end adjustments;

(c) within ninety (90) days after the end of each fiscal year of Parent, unqualified, and without any going concern, emphasis of matter or similar limitations (other than a going concern qualification solely with respect to (i) having less than twelve (12) months of cash, (ii) the impending maturity of Indebtedness under this Agreement within 12 months of the date of such report or (iii) the Loan Parties ability to refinance or restructure any existing indebtedness, including any uncertainty in connection therewith), audited financial statements of Parent as of the end of such year (prepared on a consolidated basis), including balance sheet and related statements of income and cash flows, and setting forth in comparative form the corresponding figures for the preceding fiscal year, certified by a firm of independent certified public accountants selected by Parent and reasonably acceptable to Agent (it being understood that Deloitte and any other accounting firm of national standing is reasonably acceptable to Agent);

(d) together with each set of financial statements delivered pursuant to Section 7.1(b) or (c), a Compliance Certificate in the form of Exhibit F;

(e) as soon as practicable (and in any event within fourteen (14) days) after the end of each month, a report showing agings of accounts receivable and accounts payable;

(f) promptly after the sending or filing thereof, as the case may be, copies of any proxy statements, financial statements or reports that Parent has made available to holders of any series of its Equity Interests generally and copies of any regular, periodic and special reports or registration statements that Parent files with the SEC or any governmental authority that may be substituted therefor, or any national securities exchange;

(g) promptly, and in any event, within fifteen (15) days after each meeting of the Board of Directors, copies of all presentation materials that Borrower provides to its directors in connection with meetings of the Board of Directors, provided that in all cases Borrower may exclude any information or materials related to the performance of the Lenders hereunder, directors only sessions, future debt refinancing transactions, any attorney-client privileged information and any information that would raise a conflict of interest with Agent or Lenders;

(h) within the earlier of (a) sixty (60) days after Parent's fiscal year end and (b) ten (10) days after approval by Parent's board of directors, financial and business projections as approved by the Board of Directors, as well as budgets, operating plans and other financial information reasonably requested by Agent;

(i) on any LTV Testing Date, certification of the Loan-to-Value on such LTV Testing Date; and

(j) immediate notice if any Loan Party or any Subsidiary has knowledge that any Loan Party, or any Subsidiary or Affiliate of any Loan Party, is listed on the OFAC Lists or (a) is convicted on, (b) pleads *nolo contendere* to, (c) is indicted on, or (d) is arraigned and held over on charges involving money laundering or predicate crimes to money laundering.

No Loan Party shall make any change in its (a) accounting policies or reporting practices, other than to the extent required or otherwise contemplated by GAAP or IFRS, as applicable, the SEC, the PCAOB or other applicable regulatory requirements or (b) fiscal years or fiscal quarters. The fiscal year of Parent shall end on June 30.

The executed Compliance Certificate may be sent via email to Agent at [***], with a copy to [***]. All Financial Statements required to be delivered pursuant to clauses (a), (b) and (c) shall be sent via e-mail to [***], with a copy to [***]; provided, that if e-mail is not available or sending such Financial Statements via e-mail is not possible, they shall be sent to the notice address(es) provided in Section 11.2.

Notwithstanding the foregoing, documents required to be delivered under Sections 7.1(b), (c) and (f) (to the extent any such documents are included in materials otherwise filed with the SEC or ASX) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which Parent files such documents with the SEC and such documents are publicly available on the SEC's or ASX's filing system or any successor thereto.

7.2 Management Rights. The Loan Parties shall permit any representative that Agent or any Lender authorizes, including its attorneys and accountants, to inspect the Collateral and examine and make copies and abstracts of the books of account and records of the Loan Parties at reasonable times and upon reasonable advance written notice during normal business hours; provided, however, that so long as no Event of Default has occurred and is continuing, such examinations shall be limited to no more often than twice per fiscal year. In addition, any such representative shall, upon reasonable advance written notice, have the right to meet with management and officers or directors, as applicable, of the Loan Parties to discuss such books of account and records. In addition, Agent or any Lender shall be entitled to consult with and advise the management and officers or directors, as applicable, of the Loan Parties concerning significant business issues affecting Borrower upon reasonable advance written notice; provided, however that so long as no Event of Default has occurred and is continuing, such consultations shall be limited to no more often than twice per fiscal year. Such consultations shall not unreasonably interfere with the Loan Parties' business operations. The parties intend that the rights granted Agent and the Lenders shall constitute "management rights" within the meaning of 29 C.F.R. Section

2510.3-101(d)(3)(ii), but that any advice, recommendations or participation by Agent or Lenders with respect to any business issues shall not be deemed to give Agent or Lenders, nor be deemed an exercise by Agent or Lenders of, control over the Loan Parties' management or policies, and the Loan Parties shall have no obligation to act upon or follow any such advice or recommendation.

7.3 Further Assurances. Each Loan Party shall from time to time execute, acknowledge, deliver and file, alone or with Agent, any financing statements, security agreements, collateral assignments, notices, control agreements, or other documents or instruments as the Agent may from time to time request to perfect, assure, preserve, protect or give the highest priority to Agent's Lien on the Collateral. Each Loan Party shall from time to time procure any instruments or documents as may be reasonably requested by Agent, and take all further action that may be necessary, or that Agent may reasonably request, to perfect and protect the Liens granted hereby and thereby, for more satisfactorily assuring or securing to Agent the Collateral, ensure a Loan Document is fully effective and enforceable and for aiding the exercise of any power in any Loan Document. In addition, and for such purposes only, each Loan Party hereby authorizes Agent to execute and deliver on its behalf and to file such financing statements (including an indication that the financing statement covers "all assets or all personal property" of such Loan Party in accordance with Section 9-504 of the UCC or the Australian PPSA), and during the continuance of an Event of Default, collateral assignments, notices, control agreements, security agreements and other documents without the signature of the Loan Parties either in Agent's name or in the name of Agent as agent and attorney-in-fact for the Loan Parties. Each Loan Party shall protect and defend its title to the Collateral and Agent's Lien thereon against all Persons claiming any interest adverse to such Loan Party or Agent other than Permitted Liens.

7.4 Indebtedness. No Loan Party shall create, incur, assume, guarantee nor be or remain liable with respect to any Indebtedness, or permit any Subsidiary so to do, other than Permitted Indebtedness. No Loan Party shall, or permit any Subsidiary to, prepay any Indebtedness or take any actions which impose on any Loan Party or Subsidiary an obligation to prepay any Indebtedness, except for (a) the conversion of Indebtedness into common equity securities and the payment of cash in lieu of fractional shares in connection with such conversion, (b) purchase money Indebtedness pursuant to its then-applicable payment schedule, (c) prepayment by any Subsidiary of (i) intercompany Indebtedness owed by such Subsidiary to any Loan Party, or (ii) if such Subsidiary is not a Loan Party, intercompany Indebtedness owed by such Subsidiary to another Subsidiary that is not a Loan Party, (d) a "fundamental change" repurchase provision pursuant to a [***], (e) with common equity interests of Parent or (f) as otherwise permitted hereunder or approved in writing by Agent or subject to the terms of any subordination or intercreditor agreement entered into by Agent. No Subsidiary of a Loan Party that is not a Loan Party shall incur any material liabilities exceeding its liabilities on the Closing Date.

7.5 Collateral. Each Loan Party shall at all times keep the Collateral and all other property and assets used in the Loan Parties' business or in which the Loan Parties now or hereafter holds any interest free and clear from any legal process or Liens whatsoever (other than Permitted Liens) and shall give Agent prompt written notice of any

legal process affecting the Collateral, such other property and assets, or any Liens thereon, other than as permitted pursuant to this Agreement and the Loan Documents. No Loan Party shall agree with any Person other than Agent or Lender not to encumber its property, other than Permitted Liens and as otherwise permitted pursuant to this Agreement and the Loan Documents. No Loan Party shall enter into or suffer to exist or become effective any agreement that prohibits or limits the ability of any Loan Party to create, incur, assume or suffer to exist any Lien upon any of its Intellectual Property, whether now owned or hereafter acquired, to secure its obligations under the Loan Documents to which it is a party other than pursuant to (x) this Agreement and the other Loan Documents, (y) any agreements governing any purchase money Liens or capital lease obligations otherwise permitted hereby (in which case, any prohibition or limitation shall only be effective against the assets financed thereby) or (z) customary restrictions on the assignment of leases, licenses and other agreements. Each Loan Party shall cause its Subsidiaries to protect and defend such Subsidiary's title to its assets from and against all Persons claiming any interest adverse to such Subsidiary, and Borrower shall cause its Subsidiaries at all times to keep such Subsidiary's property and assets free and clear from any legal process or Liens whatsoever (except for Permitted Liens), and shall give Agent prompt written notice of any legal process affecting such Subsidiary's assets.

7.6 Investments. No Loan Party shall directly or indirectly acquire or own, or make any Investment in or to any Person, or permit any of its Subsidiaries so to do, other than Permitted Investments.

7.7 Distributions. No Loan Party shall, nor shall allow any Subsidiary to, (a) repurchase or redeem any class of shares, stock or other Equity Interest other than (x) pursuant to employee, director or consultant repurchase plans or other similar agreements, provided, however, in each case the repurchase or redemption price does not exceed the original consideration paid for such shares, stock or Equity Interest or (y) [***]; or (b) declare or pay any cash dividend or make a cash distribution on any class of shares, stock or other Equity Interest, except that a Subsidiary may pay dividends or make distributions to any Loan Party, or (c) lend money to any employees, officers or directors or guarantee the payment of any such loans granted by a third party in excess of Five Hundred Thousand Dollars (\$500,000) in the aggregate, or (d) waive, release or forgive any Indebtedness owed by any employees, officers or directors in excess of Five Hundred Thousand Dollars (\$500,000) in the aggregate in any fiscal year.

7.8 Transfers.

(a) Except for (i) Permitted Transfers and (ii) Permitted Investments that constitute Permitted Transfers, no Loan Party shall, nor shall allow any Subsidiary to, voluntarily or involuntarily transfer, sell, lease or sublease, sale and leaseback, assign, license, transfer lend or in any other manner convey or dispose of any equitable, beneficial or legal interest in its businesses, assets or property of any kind, whether real, personal, or mixed and whether tangible or intangible, whether now owned or hereafter acquired (including accounts receivable and Equity Interests of Subsidiaries), or forgive, release or compromise any amount owed to such Loan Party or Subsidiary, in each case, in one transaction or series of transactions (any thereof, an "Asset Sale").

Notwithstanding anything to the contrary herein, the transactions constituting Permitted Transfers (other than clause (vii) in the definition thereof) shall not constitute an Asset Sale for the purposes of the mandatory prepayment provision in Section 2.6(b).

(b) Notwithstanding anything in this Agreement to the contrary, (i) no Loan Party shall, nor shall allow any Subsidiary to (x) directly or indirectly transfer, by means of contribution, sale, assignment, lease or sublease, license or sublicense, or other disposition of any kind (including, for avoidance of doubt, as an Investment), any Material Intellectual Property, other than pursuant to clauses (ii), (vi), (vii), (viii) and (xii) of the definition of Permitted Transfers or (y) permit any Person other than a Loan Party to license or own any interest in any Material Intellectual Property owned by a Loan Party other than pursuant to clauses (ii), (vi), (vii), (viii) and (xii) of the definition of Permitted Transfers; (ii) no Material Intellectual Property shall be contributed as an Investment or distributed to any Subsidiary other than a Loan Party; and (iii) unless, in the case of the transfer of equity interests of a Loan Party, such Loan Party continues to be a Loan Party after giving effect to such transfer, no Loan Party shall directly or indirectly transfer, by means of contribution, sale, assignment, lease or sublease, license or sublicense, or other disposition of any kind (including, for the avoidance of doubt, as an Investment), any equitable, beneficial or legal interest in its businesses, assets or property of any kind, whether real, personal, or mixed and whether tangible or intangible, whether now owned or hereafter acquired (including accounts receivable and Equity Interests of Subsidiaries) to Mesoblast USA.

7.9 Mergers or Acquisitions. No Loan Party shall merge or consolidate, or permit any of its Subsidiaries to merge, amalgamate or consolidate, with or into any other business organization (other than mergers, amalgamations or consolidations of (a) a Subsidiary which is not a Loan Party into another Subsidiary or into a Loan Party or (b) a Loan Party into another Loan Party (including any entity that becomes a Loan Party pursuant to Section 7.13 substantially concurrently with the occurrence of such merger, amalgamation or consolidation)), or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock or property of another Person, other than Permitted Investments or Permitted Transfers.

7.10 Taxes. Each Loan Party and its Subsidiaries shall pay when due all material taxes, fees or other charges of any nature whatsoever (together with any related interest or penalties) now or hereafter imposed or assessed against (i) any Loan Party, any of its Subsidiaries or the Collateral or (ii) upon any Loan Party's or any of its Subsidiaries' ownership, possession, use, operation or disposition of the Collateral or upon any Loan Party's or any of its Subsidiaries' rents, receipts or earnings arising therefrom. Each Loan Party shall file on or before the due date therefor all material personal property tax returns in respect of the Collateral. Notwithstanding the foregoing, any Loan Party may contest, in good faith and by appropriate proceedings, taxes for which such Loan Party maintains adequate reserves therefor in accordance with GAAP or IFRS, as applicable.

7.11 Corporate Changes; Location of Collateral. No Loan Party nor any Subsidiary shall change its corporate name, legal form or jurisdiction of formation without twenty (20) days' prior written notice to Agent. No Change in Control shall be permitted

to occur. No Loan Party nor any Subsidiary shall relocate its chief executive office or its principal place of business unless it has provided thirty (30) days' prior written notice to Agent. No Loan Party nor any Subsidiary shall relocate any item of Collateral (other than (x) sales of Inventory in the ordinary course of business, (y) relocations of Equipment having an aggregate value of up to Five Hundred Thousand Dollars (\$500,000) in any fiscal year, and (z) relocations of Collateral from a location described on Exhibit C to the Disclosure Letter to another location described on Exhibit C to the Disclosure Letter) unless (i) it has provided prompt written notice to Agent, (ii) such relocation is within Australia (with respect to Parent), the UK (with respect to Mesoblast UK), Switzerland (with respect to Mesoblast SUL) or the continental United States (with respect to Mesoblast USA) and, (iii) if such relocation is to a third party bailee, if not prohibited by applicable law, it has delivered a bailee agreement in form and substance reasonably acceptable to Agent. The Loan Parties and their Subsidiaries shall not, collectively, hold any assets (other than Excluded Assets or any registrations or filings with respect to Intellectual Property) not subject to a perfected first priority Lien in favor of Agent (which may be a floating charge) in excess of \$1,000,000 in the aggregate at any time. Mesoblast Australia Pty Ltd and Mesoblast Employee Share Trust shall not individually hold any assets or receive any cash in excess of \$100,000 in the aggregate at any time.

7.12 Deposit Accounts.

(a) Other than Excluded Accounts, no Loan Party shall maintain any Deposit Accounts, or accounts holding Investment Property, except with respect to which Agent has an Account Control Agreement (which, in the case of an English Loan Party, shall be the Debenture). The Loan Parties shall obtain an Account Control Agreement with respect to accounts located outside of the United States other than with respect to Excluded Accounts.

(b) Notwithstanding paragraph (a) above, an Australian Loan Party may maintain any Deposit Accounts, or accounts holding Investment Property, with respect to which Agent does not have an Account Control Agreement, provided that such Australian Loan Party shall use commercially reasonable efforts to obtain an Account Control Agreement in form and substance reasonably satisfactory to such Australian Loan Party and Agent in respect of such accounts (other than Excluded Accounts) within 30 days of the Closing Date. For the purposes of this paragraph, the Australian Loan Party will be deemed to have satisfied its obligations under this paragraph where it has used commercially reasonable efforts but the financial institution at which the Deposit Account is held has expressly refused to enter into any form of Account Control Agreement.

7.13 Future Subsidiaries. Each Loan Party shall notify Agent of each Subsidiary formed subsequent to the Closing Date and, within (i) fifteen (15) days of formation of any Subsidiary formed or organized under the laws of the United States or any state, commonwealth or territory thereof and (ii) thirty (30) days of formation of any Subsidiary that is not an Excluded Subsidiary organized outside of the United States or any state, commonwealth or territory thereof, shall cause any such Subsidiary (other than an

Excluded Subsidiary or the [***]), unless otherwise consented to by Agent, to execute and deliver to Agent a Joinder Agreement.

7.14 [***]

7.15 Notification of Event of Default. Parent shall notify Agent promptly, and in any event, within two (2) Business Days of the occurrence of any Default or Event of Default, and any default under any Material Agreement which would give rise to any right to accelerate the obligations under such Material Agreement or terminate such Material Agreement.

7.16 Transactions with Affiliates. No Loan Party shall and shall permit any Subsidiary to, directly or indirectly, enter into or permit to exist any transaction of any kind with any Affiliate of such Loan Party or such Subsidiary on terms that are less favorable to such Loan Party or such Subsidiary, as the case may be, than those that might be obtained in an arm's length transaction from a Person who is not an Affiliate of such Loan Party or such Subsidiary, other than (i) Permitted Investments, (ii) reasonable and customary fees paid to board members and (iii) board-approved compensation arrangements for officers, directors and other employees.

7.17 Use of Proceeds. Borrower agrees that the proceeds of the Loans shall be used solely to (i) refinance the Refinanced Facility on the Closing Date, (ii) pay related fees and expenses in connection with this Agreement, (iii) for development of clinical pipeline and (iv) for growth working capital and/or other general corporate purposes. The proceeds of the Loans will not be used in violation of anti-corruption laws or applicable Sanctions.

7.18 Compliance with Laws. Each Loan Party shall maintain, and shall cause its Subsidiaries to maintain, compliance in all material respect with all applicable laws, rules or regulations (including the 'Listing Rules' of the ASX and any law, rule or regulation with respect to the making or brokering of loans or financial accommodations), and shall, or cause its Subsidiaries to, obtain and maintain all required governmental authorizations, approvals, licenses, franchises, permits or registrations reasonably necessary in connection with the conduct of such Loan Party's business.

7.19 OFAC; Sanctions.

(a) No Loan Party nor any of its Subsidiaries shall, nor shall any Loan Party or any of its Subsidiaries permit any Affiliate under Parent's direct or indirect control to, directly or indirectly, knowingly enter into any documents, instruments, agreements or contracts with any Person listed on the OFAC Lists. No Loan Party nor any of its Subsidiaries shall, nor shall any Loan Party or any of its Subsidiaries permit any Affiliate under Parent's direct or indirect control to, directly or indirectly, (i) conduct any business or engage in any transaction or dealing with any Blocked Person, including, without limitation, the making or receiving of any contribution of funds, goods or services to or for the benefit of any Blocked Person, (ii) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to Executive Order No.

13224 or any similar executive order or other Anti-Terrorism Law, or (iii) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in Executive Order No. 13224 or other Anti-Terrorism Law.

(b) Each Loan Party has implemented and maintains in effect policies and procedures designed to ensure compliance by such Loan Party, its Subsidiaries and their respective directors, officers, employees and agents with anti-corruption laws and applicable Sanctions, and each Loan Party's, its Subsidiaries and their respective directors, officers and employees and to the knowledge of such Loan Party's, its directors, officers and agents, are in compliance with anti-corruption laws and applicable Sanctions in all material respects.

(c) No Loan Party, any of its Subsidiaries or any of their respective directors, officers or employees, or to the knowledge of such Loan Party, any agent for such Loan Party or its Subsidiaries that will act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person. No Loan, use of proceeds or other transaction contemplated by this Agreement will violate anti-corruption laws or applicable Sanctions.

7.20 Intellectual Property.

(a) Each Loan Party shall, and shall cause its Subsidiaries to: (i) protect, defend and maintain the validity and enforceability of its Material Intellectual Property; (ii) promptly advise Agent in writing of all material infringements, violations, or misappropriations by any Person of its Material Intellectual Property and use commercially reasonable efforts to stop, curtail or abate such infringement, misappropriation or other violation if determined appropriate by the Loan Party in the exercise of its reasonable business judgment; (iii) promptly after obtaining knowledge thereof, notify the Agent of any claim or assertion by any Person that the conduct of the business of any Loan Party or any of their Subsidiaries has infringed, misappropriated or otherwise violated any intellectual property (including Patents, Copyrights, Trademarks and Trade Secrets) of such Person, where such claim or allegation could reasonably be expected to result in material liability to the Loan Parties or any of their Subsidiaries; and (iv) not allow any Material Intellectual Property to be abandoned, forfeited or dedicated to the public without Agent's written consent, such consent not to be unreasonably delayed or withheld (for the avoidance of doubt, (A) the lapsing of divisionals in a patent family where there are granted patents in the same jurisdiction and in the same family as the divisional or (B) the lapsing of an application where a continuation to or a divisional of such application has been filed to continue prosecution, does not require the Agent's written consent).

(b) Except for a Permitted Transfer, no Loan Party shall, nor shall it permit any of its Subsidiaries to, enter into or become or remain bound by any outbound exclusive license of Intellectual Property. No Loan Party shall, or shall allow any Subsidiary to, (i) take or omit to take any action that results in the termination of, or permits any other Person to terminate, any material License or such Loan Party's rights under Material

Intellectual Property or (ii) take any action that permits any material License or such Loan Party's rights under Material Intellectual Property to be terminated by any counterparty thereto prior to its stated date of expiration.

(c) If a Loan Party (i) creates, develops, or otherwise obtains any Patent, registered Trademark, registered Copyright, in-bound exclusive Copyright License, registered mask work, or any pending application for any of the foregoing, whether as owner, licensee or otherwise, or (ii) applies for any Patent (other than provisional patent applications) or the registration of any Trademark, then (A) such Loan Party shall provide written notice thereof to Agent concurrently with the delivery of the next Compliance Certificate and shall execute such intellectual property security agreements and other documents and take such other actions as Agent may request in its good faith business judgment to perfect and maintain a first priority perfected security interest in favor of Agent in such property, and (B) the provisions of this Agreement and the IP Security Agreements shall and hereby do automatically apply thereto and any such Intellectual Property shall automatically constitute and hereby does constitute part of the Collateral, without further action by any party, in each case from and after the date of such creation, development or acquisition. If a Loan Party decides to register any Copyrights or mask works in the United States Copyright Office, such Loan Party shall: (x) provide Agent with at least fifteen (15) days prior written notice of such Loan Party's intent to register such Copyrights or mask works together with a copy of the application it intends to file with the United States Copyright Office (excluding exhibits thereto); (y) execute an intellectual property security agreement and such other documents and take such other actions as Agent may request in its good faith business judgment to perfect and maintain a first priority perfected security interest in favor of Agent in the Copyrights or mask works intended to be registered with the United States Copyright Office; and (z) record such intellectual property security agreement with the United States Copyright Office contemporaneously with filing the Copyright or mask work application(s) with the United States Copyright Office. Loan Parties shall promptly provide to Agent copies of all applications that it files for Patents or for the registration of Trademarks, Copyrights or mask works, together with evidence of the recording of the intellectual property security agreement required for Agent to perfect and maintain a first priority perfected security interest in such property.

7.21 COMI. No Subsidiary of any Loan Party whose jurisdiction of incorporation or organization is in a member state of the European Union or the UK shall change its "centre of main interests" (as that term is used in Article 3(1) of the Regulation or the UK Regulation, as applicable).

7.22 Non-Bank Rules. Each Swiss Obligor shall ensure that it is at all times in compliance with the Non-Bank Rules, provided that a Swiss Obligor shall not be in breach of this undertaking if its number of creditors in respect of either the 10 Non-Bank Rule or the 20 Non-Bank Rule is exceeded solely because a Lender having (a) made an incorrect declaration of its status as to whether or not it is a Swiss Qualifying Bank, (b) failed to comply with its obligations under Section 11.7 or Section 11.8 of this Agreement or (c) ceased to be a Swiss Qualifying Bank other than as a result of any Change in Law after the date it became a Lender under this Agreement. For the purpose of its compliance with the

20 Non-Bank Rule under this Section 7.22, the number of Lenders under this Agreement which are not Swiss Qualifying Banks shall be deemed to be ten (10) (irrespective of whether or not there are, at any time, any such Lenders).

7.23 Trustee Undertakings. No Loan Party will become a trustee of any trust or settlement without the prior written consent of Agent.

7.24 Related Party Benefit and Financial Assistance. Each Australian Loan Party will, and will cause each of its Subsidiaries to, comply in all material respects with Chapter 2E and 2J.3 of the Australian Corporations Act and any equivalent legislation in other jurisdictions.

7.25 Australian PPS Law. Each Loan Party with assets located in Australia will promptly take all reasonable steps which are prudent for its business to perfect security interests granted in its favor under Australian PPS Law.

7.26 Australian PPS Law Information. Each Loan Party shall notify Agent in writing (a) At least 5 Business Days before any Loan Party changes any of its details as set out in this Agreement or in any other Loan Document including its name or if it becomes a trustee of a trust or a partner in a partnership which is not stated therein; (b) immediately, if any ABN, ARBN or ARSN allocated to it or any other Loan Party, a trust of which it or any other Loan Party is a trustee or any partnership of which it or any other Loan Party is a partner, changes, is cancelled or otherwise ceases to apply to it or any other Loan Party (or if it or any relevant Loan Party does not have an ABN, ARBN or ARSN, one is allocated, or otherwise starts to apply, to it or another Loan Party), and (c) promptly, after delivery or receipt, any notices or correspondence of any kind in relation to an Australian Security Document or the secured property (provided for therein) in each case to or from the "Registrar" as that term is defined in the PPSA or from another secured party in respect of such secured property.

7.27 People with Significant Control Regime: Each Loan Party shall (and the Parent shall ensure that each of its Subsidiaries will): (a) within the relevant timeframe, comply with any notice it receives pursuant to Part 21A of the Companies Act 2006 from any UK PSC Charged Company; and (b) promptly provide Agent with a copy of that notice.

7.28 Novartis License and Collaboration Agreement. Each Loan Party acknowledges and agrees to abide by the covenants and agreements contained in Annex B hereto.

7.29 Loan-to-Value. At any time after FDA has filed a BLA resubmission for Remestemcel-L seeking an indication relating to treatment of SR-aGVHD in the United States and the occurrence of the Tranche B Advance Date, on [***] (each such date, a "LTV Testing Date"), Loan-to-Value shall not exceed [***]; provided, that if Loan-to-Value exceeds [***] but is less than [***] on such LTV Testing Date, Borrowers may cure such breach by, within [***] following such LTV Testing Date, depositing cash in an escrow account for the Loan-to-Value excess over [***]; provided, further, that if (i) Loan-

to-Value exceeds [***] on any day in the [***] period following the deposit of such escrow or (ii) Loan-to-Value is not less than [***] on at least [***] in the [***] period following the deposit of such escrow amount, such escrowed cash shall be released to the Agent for the benefit of the Lenders and the outstanding principal of the Term Loan Advances shall be reduced by such amount, and shall otherwise be released back to the Borrowers after such [***]. If Loan-to-Value exceeds [***] but is less than [***] on such LTV Testing Date, the Borrowers may alternatively cure such breach by prepaying the Term Loans (including with the proceeds raised from the issuance or sale of Equity Interests in Parent); provided that the Lenders may waive any such prepayments in their sole discretion.

SECTION 8. [RESERVED]

SECTION 9. EVENTS OF DEFAULT

The occurrence of any one or more of the following events shall be an Event of Default:

9.1 **Payments.** Any Loan Party fails to pay any amount due under this Agreement or any of the other Loan Documents on the due date; provided, however, that an Event of Default shall not occur on account of a failure to pay due solely to an administrative or operational error of Agent or Lender or any Loan Party's bank if such Loan Party had the funds to make the payment when due and makes the payment within three (3) Business Days following such Loan Party's knowledge of such failure to pay; or

9.2 **Covenants.** Any Loan Party breaches or defaults in the performance of any covenant or Secured Obligation under this Agreement, or any of the other Loan Documents, and (a) with respect to a default under any covenant under this Agreement (other than under Sections 2.6, 4.4, 6, 7.4, 7.5, 7.6, 7.7, 7.8, 7.9, 7.11, 7.12, 7.14, 7.15, 7.17, 7.18, 7.20, 7.21, 7.22, 7.23 or 7.28) or any other Loan Document, such default continues for more than fifteen (15) days after the earlier of the date on which (i) Agent or Lender has given notice of such default to the Loan Parties and (ii) any Loan Party has actual knowledge of such default or (b) with respect to a default under any of Sections 2.6, 4.4, 6, 7.4, 7.5, 7.6, 7.7, 7.8, 7.9, 7.11, 7.12, 7.14, 7.15, 7.17, 7.18, 7.20, 7.21, 7.22, 7.23 or 7.28, the occurrence of such default; or

9.3 **Material Adverse Effect.** A circumstance has occurred that could reasonably be expected to have a Material Adverse Effect; provided that solely for purposes of this Section 9.3, the following events shall not, in and of itself, constitute a Material Adverse Effect (unless otherwise constituting an Event of Default): (a) adverse results or delays in any nonclinical or clinical trial, (b) the failure to achieve [***] or [***], or any other clinical or non-clinical trial goals or objectives, including without limitation, the failure to demonstrate the desired safety or efficacy of any drug or companion diagnostic, (c) the denial, delay or limitation of approval by the FDA or any other Regulatory Authority with respect to any drug or companion diagnostic, or (d) a change in or discontinuation of a strategic partnership or other collaboration or license arrangement; or

9.4 Representations. Any representation or warranty made by any Loan Party in any Loan Document shall have been false or misleading in any material respect when made or when deemed made; or

9.5 Insolvency. An Insolvency Event occurs with respect to any Loan Party; or

9.6 Attachments; Judgments. Any material portion of the assets of the Loan Parties, taken as a whole, is attached or seized, or a levy is filed against any such assets, or a judgment or judgments is/are entered for the payment of money (not covered by independent third party insurance as to which liability has not been rejected by such insurance carrier), individually or in the aggregate, of at least [***], and such judgment remains unsatisfied unvacated, or unstayed for a period of twenty (20) days after the entry thereof, or any Loan Party is enjoined or in any way prevented by court order from conducting any part of its business; or

9.7 Other Obligations. The occurrence of any default (after giving effect to any grace or cure period) under any agreement or obligation of any Loan Party involving any Indebtedness in excess of [***], which has resulted in a right by the holder of such Indebtedness, whether or not exercised, to accelerate the maturity of such Indebtedness; or

9.8 Expropriation. The authority or ability of the Loan Parties to conduct their business as a whole is wholly or substantially curtailed or limited by any seizure, expropriation, nationalization, intervention, restriction or other action by or on behalf of any governmental, regulatory or other authority or other similar Person in relation to the Loan Parties or any of their respective assets; or

9.9 Pensions. The UK Pensions Regulator issues a Financial Support Direction or a Contribution Notice is issued to Mesoblast UK or any Subsidiary which is a company organized under the laws of England and Wales, unless the aggregate liability of Mesoblast UK, and such Subsidiaries under all Financial Support Directions and Contributions Notices is less than Five Hundred Thousand Dollars (\$500,000);

9.10 De-Listing on the ASX. Parent ceases to have its ordinary shares listed for trading on the ASX or trading in ordinary shares in Parent on the ASX is suspended for longer than ten (10) consecutive trading days unless the suspension is due to a pending market announcement relating to the imminent announcement of a major acquisition or merger transaction involving the group or a voluntary trading halt (where such voluntary trading halt does not relate to adverse circumstances of a member of the group).

9.11 Warrant and Registration Rights Agreement. After satisfaction of the requirements in Section 4.4(b) herein, Parent breaches any of its material obligations under either the Warrant or the Registration Rights Agreement.

SECTION 10. REMEDIES

10.1 General. Upon and during the continuance of any one or more Events of Default, (i) Agent may, at its option, accelerate and demand payment of all or any part of the Secured Obligations, including any Yield Protection Premium and the Exit Fee, and

declare them to be immediately due and payable (provided, that upon the occurrence of an Event of Default of the type described in Section 9.5, all of the Secured Obligations shall automatically be accelerated and made due and payable, in each case without any further notice or act), (ii) Agent may, at its option, sign and file in any Loan Party's name any and all collateral assignments, notices, control agreements, security agreements and other documents it deems necessary or appropriate to perfect or protect the repayment of the Secured Obligations, and in furtherance thereof, each Loan Party hereby grants Agent an irrevocable power of attorney coupled with an interest, and (iii) Agent may notify any of any Loan Party's account debtors to make payment directly to Agent, compromise the amount of any such account on such Loan Party's behalf and endorse Agent's name without recourse on any such payment for deposit directly to Agent's account. Agent may exercise all rights and remedies with respect to the Collateral under the Loan Documents or otherwise available to it under the UCC and other applicable law, including the right to release, hold, sell, lease, liquidate, collect, realize upon, or otherwise dispose of all or any part of the Collateral and the right to occupy, utilize, process and commingle the Collateral. The Agent shall be entitled to exercise any and all rights and remedies set forth in the Loan Documents. All Agent's rights and remedies shall be cumulative and not exclusive.

10.2 Collection; Foreclosure. Upon the occurrence and during the continuance of any Event of Default, Agent may, at any time or from time to time, apply, collect, liquidate, sell in one or more sales, lease or otherwise dispose of, any or all of the Collateral in accordance with applicable law, in its then condition or following any commercially reasonable preparation or processing, in such order as Agent may elect. Any such sale may be made either at public or private sale at its place of business or elsewhere. Each Loan Party agrees that any such public or private sale may occur upon ten (10) calendar days' prior written notice to such Loan Party. Agent may require any Loan Party to assemble the Collateral and make it available to Agent at a place designated by Agent that is reasonably convenient to Agent and such Loan Party. The proceeds of any sale, disposition or other realization upon all or any part of the Collateral shall be applied by Agent in the following order of priorities:

First, to Agent and Lender in an amount sufficient to pay in full Agent's and Lender's reasonable costs and professionals' and advisors' fees and expenses as described in Section 11.12;

Second, to Lender in an amount equal to the then unpaid amount of the Secured Obligations (including without limitation principal, interest, the default interest rate, fees and disbursements and other charges of counsel payable hereunder, any Commitment Fees, Yield Protection Premium and any Exit Fees), in such order and priority as Agent may choose in its sole discretion; and

Finally, after the full and final payment in Cash of all of the Secured Obligations (other than inchoate obligations), to any creditor holding a junior Lien on the Collateral, or to the Loan Parties or their representatives or as a court of competent jurisdiction may direct.

Agent shall be deemed to have acted reasonably in the custody, preservation and disposition of any of the Collateral if it complies with the obligations of a secured party under the UCC.

10.3 No Waiver. Agent shall be under no obligation to marshal any of the Collateral for the benefit of the Loan Parties or any other Person, and each Loan Party expressly waives all rights, if any, to require Agent to marshal any Collateral.

10.4 Cumulative Remedies. The rights, powers and remedies of Agent hereunder shall be in addition to all rights, powers and remedies given by statute or rule of law and are cumulative. The exercise of any one or more of the rights, powers and remedies provided herein shall not be construed as a waiver of or election of remedies with respect to any other rights, powers and remedies of Agent.

10.5 Insolvency Event Defaults. In case of an Event of Default described in Section 9.5, the principal of the Term Loans then outstanding, together with accrued interest thereon and all fees and other Secured Obligations, including any applicable Yield Protection Premium and the Exit Fee, shall automatically become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Loan Party.

10.6 Payment of Yield Protection Premium and Exit Fee. Notwithstanding anything in this Agreement to the contrary, the Yield Protection Premium and the Exit Fee shall automatically be due and payable at any time the Secured Obligations become due and payable prior to November 19, 2026 in accordance with the terms hereof as though such Indebtedness was voluntarily prepaid and shall constitute part of the Secured Obligations, whether due to acceleration pursuant to the terms of this Agreement (in which case it shall be due immediately, upon the demand of the Agent in accordance with Section 10.1, or automatically, in accordance with Section 10.5), by operation of law or otherwise (including, without limitation, on account of any bankruptcy filing), in view of the impracticability and extreme difficulty of ascertaining the actual amount of damages to the Lenders or profits lost by the Lenders as a result of such acceleration, and by mutual agreement of the parties as to a reasonable estimation and calculation of the lost profits or damages of the Lenders as a result thereof. If the Yield Protection Premium or Exit Fee become due and payable pursuant to the preceding sentence, the Yield Protection Premium and Exit Fee, as applicable, shall be deemed to be principal of the Term Loans and interest shall accrue on the full principal amount of the Term Loans (including the Yield Protection Premium and Exit Fee, as applicable) from and after the applicable triggering event. Any Yield Protection Premium or Exit Fee (or, if required, both the Yield Protection Premium and the Exit Fee) payable pursuant to this Agreement shall be presumed to be the liquidated damages sustained by each Lender as the result of the early termination, acceleration or prepayment and each Loan Party agrees that such Yield Protection Premium or Exit Fee is reasonable under the circumstances currently existing. The Yield Protection Premium and the Exit Fee shall also be payable in the event the Secured Obligations (and/or this Agreement) are satisfied or released by foreclosure (whether by power of judicial proceeding), deed in lieu of foreclosure or by any other means. EACH LOAN PARTY HEREBY WAIVES THE PROVISIONS OF ANY PRESENT OR FUTURE STATUTE OR LAW THAT PROHIBITS OR MAY PROHIBIT THE COLLECTION OF THE YIELD PROTECTION PREMIUM OR EXIT FEE AND ANY DEFENSE TO PAYMENT, WHETHER SUCH DEFENSE MAY BE BASED IN PUBLIC POLICY, AMBIGUITY, OR OTHERWISE. The Loan Parties, the Agent and the Lenders

acknowledge and agree that any Yield Protection Premium and the Exit Fee due and payable in accordance with this Agreement shall not constitute unmatured interest, whether under Section 5.02(b)(3) of the Bankruptcy Code or otherwise. Each Loan Party further acknowledges and agrees, and waives any argument to the contrary, that payment of such amount does not constitute a penalty or an otherwise unenforceable or invalid obligation. Each Loan Party expressly agrees that (i) the Yield Protection Premium and Exit Fee are each reasonable and each is the product of an arm's-length transaction between sophisticated business people, ably represented by counsel, (ii) the Yield Protection Premium and Exit Fee shall be payable notwithstanding the then prevailing market rates at the time payment is made, (iii) there has been a course of conduct between the Lenders and the Loan Parties giving specific consideration in this transaction for such agreement to pay the Yield Protection Premium and Exit Fee, (iv) the Loan Parties shall be estopped hereafter from claiming differently than as agreed to in this Section 10.6, (v) their agreement to pay the Yield Protection Premium and Exit Fee is a material inducement to the Lenders to make the Term Loans, and (vi) the Yield Protection Premium and Exit Fee represent a good faith, reasonable estimate and calculation of the lost profits, losses or other damages of the Lenders and that it would be impractical and extremely difficult to ascertain the actual amount of damages to the Lenders or profits lost by the Lenders as a result of such event.

10.7 Security Arrangements. Upon the occurrence and during the continuation of any Event of Default, Agent may, at any time and from time to time, exercise the remedies listed in Annex A hereto.

SECTION 11. MISCELLANEOUS

11.1 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under such law, such provision shall be ineffective only to the extent and duration of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

11.2 Notice. Except as otherwise provided herein, any notice, demand, request, consent, approval, declaration, service of process or other communication (including the delivery of Financial Statements) that is required, contemplated, or permitted under the Loan Documents or with respect to the subject matter hereof shall be in writing, and shall be deemed to have been validly served, given, delivered, and received upon the earlier of: (i) the day of transmission by electronic mail or hand delivery or delivery by an overnight express service or overnight mail delivery service; or (ii) the third calendar day after deposit in the United States mails, with proper first class postage prepaid, in each case addressed to the party to be notified as follows:

(a) If to Agent:

[***]

with a copy (which shall not constitute notice) to:

Sullivan & Cromwell LLP
[***]

- (b) If to a Lender, to its address specified on the signature pages hereto.
- (c) If to any Loan Party:

c/o Mesoblast Ltd
[***]
with a copy (which shall not constitute notice) to:

LATHAM & WATKINS LLP
[***]

or to such other address as each party may designate for itself by like notice.

11.3 Entire Agreement; Amendments.

(a) This Agreement and the other Loan Documents constitute the entire agreement and understanding of the parties hereto in respect of the subject matter hereof and thereof, and supersede and replace in their entirety any prior proposals, term sheets, non-disclosure or confidentiality agreements, letters, negotiations or other documents or agreements, whether written or oral, with respect to the subject matter hereof or thereof. EACH LOAN PARTY ACKNOWLEDGES, REPRESENTS AND WARRANTS THAT IN DECIDING TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS OR IN TAKING OR NOT TAKING ANY ACTION HEREUNDER OR THEREUNDER, IT HAS NOT RELIED, AND WILL NOT RELY, ON ANY STATEMENT, REPRESENTATION, WARRANTY, COVENANT, AGREEMENT OR UNDERSTANDING, WHETHER WRITTEN OR ORAL, OF OR WITH AGENT OR THE LENDERS OTHER THAN THOSE EXPRESSLY SET FORTH IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS

(b) Neither this Agreement, any other Loan Document, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this Section 11.3(b). The Required Lenders and each Loan Party party to the relevant Loan Document may, or, with the written consent of the Required Lenders, the Agent and the Loan Parties party to the relevant Loan Document may, from time to time, (i) enter into written amendments, supplements or modifications hereto and to the other Loan Documents for the purpose of adding any provisions to this Agreement or the other Loan Documents or changing in any manner the rights of the Lenders or of the Loan Parties hereunder or thereunder or (ii) waive, on such terms and conditions as the Required Lenders or the Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or the other Loan Documents or any default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall (A) forgive the principal amount or

extend the final scheduled date of maturity of any Loan, extend the scheduled date of any amortization payment in respect of any Term Loan, reduce the stated rate of any interest or fee payable hereunder) or extend the scheduled date of any payment thereof, in each case without the written consent of each Lender directly affected thereby; (B) eliminate or reduce the voting rights of any Lender under this Section 11.3(b) without the written consent of such Lender; (C) reduce any percentage specified in the definition of Required Lenders, consent to the assignment or transfer by the Loan Parties of any of their rights and obligations under this Agreement and the other Loan Documents, release all or substantially all of the Collateral or release a Loan Party from its obligations under the Loan Documents, in each case without the written consent of all Lenders; or (D) amend, modify or waive any provision of Section 11.18 without the written consent of the Agent. Any such waiver and any such amendment, supplement or modification shall apply equally to each Lender and shall be binding upon the Loan Parties, the Lender, the Agent and all future holders of the Loans.

11.4 No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

11.5 No Waiver. The powers conferred upon Agent and Lender by this Agreement are solely to protect its rights hereunder and under the other Loan Documents and its interest in the Collateral and shall not impose any duty upon Agent or Lender to exercise any such powers. No omission or delay by Agent or Lender at any time to enforce any right or remedy reserved to it, or to require performance of any of the terms, covenants or provisions hereof by the Loan Parties at any time designated, shall be a waiver of any such right or remedy to which Agent or Lender is entitled, nor shall it in any way affect the right of Agent or Lender to enforce such provisions thereafter.

11.6 Survival. All agreements, representations and warranties contained in this Agreement and the other Loan Documents or in any document delivered pursuant hereto or thereto shall be for the benefit of Agent and Lender and shall survive the execution and delivery of this Agreement. Sections 6.3 and 11.15 shall survive the termination of this Agreement.

11.7 Successors and Assigns. The provisions of this Agreement and the other Loan Documents shall inure to the benefit of and be binding on each Loan Party and its permitted assigns (if any). No Loan Party shall assign its obligations under this Agreement or any of the other Loan Documents without Agent's express prior written consent, and any such attempted assignment shall be void and of no effect. Agent and Lender may assign, transfer or endorse its rights hereunder and under the other Loan Documents, without prior notice to the Loan Parties, and all of such rights shall inure to the benefit of Agent's and Lender's successors and assigns; provided that, as long as no Event of Default has occurred and is continuing: (i) neither Agent nor any Lender may assign, transfer or endorse its rights hereunder or under the Loan Documents to any party that is a then current direct competitor of any Loan Party (as reasonably determined by Agent at the time of such

assignment), it being acknowledged that in all cases, an Affiliate or managed fund or account of any Affiliate of any Lender or Agent shall not be considered a direct competitor for this purpose; (ii) Agent or such Lender shall give Parent notice of such assignment or transfer (along with confirmation as to whether the assignee or transferee is a Swiss Qualifying Bank or confirmation of UK Lender status in accordance with Section 2.11(m)(viii)) at least five (5) days prior to such assignment or transfer, or at least two (2) days prior in the case of any assignment or transfer to a managed fund or account of Oaktree Capital Management, L.P.; (iii) Parent may make a written objection to Agent or such Lender prior to such assignment or transfer based on Parent's reasonable belief that such assignment or transfer could reasonably be expected to violate the 10 Non-Bank Rule; and (iv) if such objection is made, such assignment or transfer shall be effected only with Parent's consent, not to be unreasonably withheld or delayed (it being unreasonable to withhold consent unless such assignment or transfer could reasonably be expected to violate the 10 Non-Bank Rule, including cases where there is reasonable doubt or uncertainty whether the confirmation of the assignee or transferee being a Swiss Qualifying Bank is correct or there is reasonable doubt or uncertainty whether the assignee or transferee could be regarded as several parties by the Swiss Federal Tax Administration). Agent, acting solely for this purpose as a non-fiduciary agent of the Loan Parties, shall maintain at one of its offices a copy of each sale or assignment of the Lender pursuant to this Section 11.7 and Section 11.14 delivered to it and a register for the recordation of the names and addresses of the Lenders and the Term Commitments of, and principal amounts (and stated interest) of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent manifest error, and the Loan Parties, Agent and the Lender shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Loan Parties and any Lender, at any reasonable time and from time to time upon reasonable prior written notice. The identity of each Lender (and in case the Lender is a Swiss Qualifying Bank the required documentation to prove this qualification) is permitted to be disclosed to the tax authorities of Switzerland by the relevant Swiss Obligor. The parties agree that the foregoing is intended to ensure that the Loans are in "registered form" within the meaning of Section 5f.103-1(c) of the Treasury Regulations promulgated under the Code and shall be interpreted consistently therewith.

11.8 Exposure Transfers. Subject to Section 11.7, no Lender shall enter into any arrangement with another person under which such Lender substantially transfers its exposure under this Agreement to that other person, unless under such arrangement throughout the life of such arrangement:

- (a) The relationship between the Lender and that other person is that of a debtor and creditor (including in the bankruptcy or similar event of the Lender or any Loan Party);
- (b) the other person will have no proprietary interest in the benefit of this Agreement or in any monies received by the Lender under or in relation to this Agreement; and

(c) the other person will under no circumstances (other than permitted transfers and assignments under Section 11.7) (y) be subrogated to, or substituted in respect of, the Lender's claims under this Agreement; and (z) have otherwise any contractual relationship with, or rights against, the Loan Parties under or in relation to this Agreement.

11.9 Governing Law. This Agreement and the other Loan Documents (other than the Australian Security Documents, the English Security Documents, the Swiss Security Documents and such other Loan Documents as expressly state the contrary) and the rights and obligations of the parties hereunder shall be governed by, and construed and enforced in accordance with, the law of the State of New York, excluding conflict of laws principles that would cause the application of laws of any other jurisdiction.

11.10 Consent to Jurisdiction and Venue. Save to the extent expressly provided for in any Loan Document to the contrary, all judicial proceedings (to the extent that the reference requirement of Section 11.11 is not applicable) arising in or under or related to this Agreement or any of the other Loan Documents may be brought in any state or federal court located in the State of New York. By execution and delivery of this Agreement, each party hereto generally and unconditionally: (a) consents to nonexclusive personal jurisdiction in New York County, State of New York; (b) waives any objection as to jurisdiction or venue in New York County, State of New York; (c) agrees not to assert any defense based on lack of jurisdiction or venue in the aforesaid courts; and (d) irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement or the other Loan Documents. Service of process on any party hereto in any action arising out of or relating to this Agreement shall be effective if given in accordance with the requirements for notice set forth in Section 11.2, and shall be deemed effective and received as set forth in Section 11.2. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of either party to bring proceedings in the courts of any other jurisdiction.

11.11 Mutual Waiver of Jury Trial. Because disputes arising in connection with complex financial transactions are most quickly and economically resolved by an experienced and expert Person and the parties wish applicable state and federal laws to apply (rather than arbitration rules), the parties desire that their disputes be resolved by a judge applying such applicable laws. EACH OF THE LOAN PARTIES, AGENT AND LENDER SPECIFICALLY WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, CROSS-CLAIM, COUNTERCLAIM, THIRD PARTY CLAIM OR ANY OTHER CLAIM (COLLECTIVELY, "CLAIMS") ASSERTED BY THE LOAN PARTIES AGAINST AGENT, LENDER OR THEIR RESPECTIVE ASSIGNEE OR BY AGENT, LENDER OR THEIR RESPECTIVE ASSIGNEE AGAINST ANY LOAN PARTY. This waiver extends to all such Claims, including Claims that involve Persons other than Agent, the Loan Parties and Lender; Claims that arise out of or are in any way connected to the relationship among the Loan Parties, Agent and Lender; and any Claims for damages, breach of contract, tort, specific performance, or any equitable or legal relief of any kind, arising out of this Agreement or any other Loan Document.

11.12 Professional Fees. Each Loan Party promises to pay Agent's and Lender's reasonable and documented out-of-pocket fees and expenses necessary to finalize the loan documentation, including but not limited to the reasonable and documented fees, expenses, charges and disbursements of Sullivan & Cromwell LLP as counsel to the Lenders, plus reasonable, documented and out-of-pocket fees and expenses of local counsel in each relevant jurisdiction, collateral filing fees and searches (including Australian PPSR or UCC searches) and any notarization fees and other miscellaneous expenses, in the aggregate amount of up to [***]. In addition, each Loan Party promises to pay any and all reasonable and documented out-of-pocket attorneys' and other professionals' fees and expenses incurred by Agent and Lender after the Closing Date in connection with or related to: (a) the Loan; (b) the administration, collection, or enforcement of the Loan; (c) the amendment or modification of the Loan Documents; (d) any waiver, consent, release, or termination under the Loan Documents; (e) the protection, preservation, audit, field exam, sale, lease, liquidation, or disposition of Collateral or the exercise of remedies with respect to the Collateral; (f) any legal, litigation, administrative, arbitration, or out of court proceeding in connection with or related to the Loan Parties or the Collateral, and any appeal or review thereof; and (g) any bankruptcy, restructuring, reorganization, assignment for the benefit of creditors, workout, foreclosure, or other action related to the Loan Parties, the Collateral, the Loan Documents, including representing Agent or Lender in any adversary proceeding or contested matter commenced or continued by or on behalf of any Loan Party's estate, and any appeal or review thereof.

11.13 Confidentiality. Agent and Lender acknowledge that certain items of Collateral and information provided to Agent and Lender by the Loan Parties are confidential and proprietary information of the Loan Parties, if and to the extent such information either (x) is marked as confidential by the Loan Parties at the time of disclosure, or (y) should reasonably be understood to be confidential (the "Confidential Information"). Accordingly, Agent and Lender agree that any Confidential Information it may obtain or have obtained in (i) the course of acquiring, administering, or perfecting Agent's security interest in the Collateral or (ii) the course of diligence and negotiation prior to signing this Agreement, shall not be disclosed to any other Person or entity in any manner whatsoever, in whole or in part, without the prior written consent of the Loan Parties, except that Agent and Lender may disclose any such information: (a) to its own directors, officers, employees, accountants, counsel and other professional advisors and to its Affiliates if Agent or Lender in their sole discretion determines that any such party should have access to such information in connection with such party's responsibilities in connection with the Loan or this Agreement and, provided that such recipient of such Confidential Information either (i) agrees to be bound by the confidentiality provisions of this paragraph or (ii) is otherwise subject to confidentiality restrictions that reasonably protect against the disclosure of Confidential Information; (b) if such information is generally available to the public; (c) if required or appropriate in any report, statement or testimony submitted to any governmental authority having or claiming to have jurisdiction over Agent or Lender; (d) if required or appropriate in response to any summons or subpoena or in connection with any litigation, to the extent permitted or deemed advisable by Agent's or Lender's counsel; (e) to comply with any legal requirement or law applicable to Agent or Lender; (f) to the extent reasonably necessary in connection with the exercise of any right or remedy under any Loan Document, including Agent's sale, lease, or other

disposition of Collateral after default; (g) to any participant or assignee of Agent or Lender or any prospective participant or assignee; provided, that such participant or assignee or prospective participant or assignee agrees in writing to be bound by this Section prior to disclosure; or (h) otherwise with the prior consent of the Loan Parties; provided, that any disclosure made in violation of this Agreement shall not affect the obligations of the Loan Parties or any of their respective Affiliates. If Agent or Lender becomes legally compelled to disclose any Confidential Information, other than pursuant to a confidentiality agreement, Agent or Lender, as the case may be, will provide the Loan Parties prompt written notice, if legally permissible, and will use their commercially reasonable efforts to assist the Loan Parties in seeking a protective order or another appropriate remedy. If Agent or Lender waives the Loan Parties' compliance with this Agreement or fails to obtain a protective order or other appropriate remedy, the Loan Parties will furnish only that portion of the Confidential Information that is legally required to be disclosed; provided that any Confidential Information so disclosed shall maintain its confidentiality protection for all purposes other than such legally compelled disclosure. Agent's and Lender's obligations under this Section 11.13 shall supersede all of their respective obligations under any non-disclosure agreement with Parent or any other Loan Party. Notwithstanding the foregoing, no party shall disclose information of the kind mentioned in section 275(1) of the Australian PPSA, except in the circumstances required by sections 275(7)(b) to (e) of the Australian PPSA. Each Loan Party must notify Agent before authorizing the disclosure of information under section 275(7)(c) of the Australian PPSA or requesting information under section 275(7)(d) of the Australian PPSA. Nothing in this paragraph prevents any disclosure by any party that it believes is necessary to comply with its other obligations under the Australian PPSA.

11.14 Assignment of Rights. Each Loan Party acknowledges and understands that Agent or Lender may, subject to Section 11.7, sell and assign all or part of its interest hereunder and under the Loan Documents to any Person or entity (an "Assignee"). After such assignment the term "Agent" or "Lender" as used in the Loan Documents shall mean and include such Assignee, and such Assignee shall be vested with all rights, powers and remedies of Agent and Lender hereunder with respect to the interest so assigned; but with respect to any such interest not so transferred, Agent and Lender shall retain all rights, powers and remedies hereby given. No such assignment by Agent or Lender shall relieve any Loan Party of any of its obligations hereunder. Lender agrees that in the event of any transfer by it of the Note(s) (if any), it will endorse thereon a notation as to the portion of the principal of the Note(s), which shall have been paid at the time of such transfer and as to the date to which interest shall have been last paid thereon.

11.15 Revival of Secured Obligations. This Agreement and the Loan Documents shall remain in full force and effect and continue to be effective if any petition is filed by or against any Loan Party for liquidation or reorganization, if any Loan Party becomes insolvent or makes an assignment for the benefit of creditors, if a receiver or trustee is appointed for all or any significant part of any Loan Party's assets, or if any payment or transfer of Collateral is recovered from Agent or Lender. The Loan Documents and the Secured Obligations and Collateral security shall continue to be effective, or shall be revived or reinstated, as the case may be, if at any time payment and performance of the Secured Obligations or any transfer of Collateral to Agent, or any part thereof is rescinded,

avoided or avoidable, reduced in amount, or must otherwise be restored or returned by, or is recovered from, Agent, Lender or by any obligee of the Secured Obligations, whether as a “voidable preference,” “fraudulent conveyance,” or otherwise, all as though such payment, performance, or transfer of Collateral had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, avoided, avoidable, restored, returned, or recovered, the Loan Documents and the Secured Obligations shall be deemed, without any further action or documentation, to have been revived and reinstated except to the extent of the full, final, and indefeasible payment to Agent or Lender in Cash.

11.16 Counterparts. This Agreement and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so delivered shall be deemed an original, but all of which counterparts shall constitute but one and the same instrument.

11.17 No Third Party Beneficiaries. No provisions of the Loan Documents are intended, nor will be interpreted, to provide or create any third-party beneficiary rights or any other rights of any kind in any Person other than Agent, Lender and the Loan Parties unless specifically provided otherwise herein, and, except as otherwise so provided, all provisions of the Loan Documents will be personal and solely among Agent, the Lender and the Loan Parties.

11.18 Agency.

(a) Each Lender hereby irrevocably appoints Oaktree Fund Administration, LLC to act on its behalf as the Agent hereunder and under the other Loan Documents and authorizes the Agent to take such actions on its behalf and to exercise such powers as are delegated to the Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto.

(b) In relation to any Swiss Security Documents under which security of an accessory nature (*akzessorische Sicherheit*) is granted (the “**Swiss Accessory Security Agreements**”), each present and future Lender hereby appoints and authorizes the Agent for the benefit of the Lenders to, with respect to such security of an accessory nature (*akzessorische Sicherheit*), take all action and exercise all powers and discretion in the name and for the account of such Lender as its direct representative (*direkter Stellvertreter*), including, without limitation, (i) to sign the relevant Swiss Accessory Security Agreements in its name, (ii) to accept, hold, administer and, if necessary, enforce the security granted under any of the Swiss Accessory Security Agreements, (iii) to agree to amendments, restatements and other alterations of the Swiss Accessory Security Agreements, (iv) to effect any release of the security under, and the termination of, any Swiss Accessory Security Agreements, and (v) to exercise such other rights, powers, authorities and discretions granted to the Agent hereunder or under the relevant Swiss Accessory Security Agreements. In relation to any Swiss Security Documents under which security of a non-accessory nature (*nicht-akzessorische Sicherheit*) is granted, each present and future Lender hereby appoints and authorizes the Agent for the benefit of the Lenders to, with respect to such security of a non-accessory nature (*nicht-akzessorische*

Sicherheit), take all action and exercise all powers and discretion in the name of the Agent but for the account of such Lender as its indirect representative (*indirekter Stellvertreter*).

(c) Lender agrees to indemnify the Agent in its capacity as such (to the extent not reimbursed by the Loan Parties and without limiting the obligation of the Loan Parties to do so), according to its respective Term Commitment percentages (based upon the total outstanding Term Commitments) in effect on the date on which indemnification is sought under this Section 11.18, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of, this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Agent under or in connection with any of the foregoing. The agreements in this Section shall survive the payment of the Loans and all other amounts payable hereunder.

(d) Agent in Its Individual Capacity. The Person serving as the Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Agent and the term "Lender" shall, unless otherwise expressly indicated or unless the context otherwise requires, include each such Person serving as Agent hereunder in its individual capacity.

(e) Exculpatory Provisions. The Agent shall have no duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Agent shall not:

- (i) be subject to any fiduciary or other implied duties, regardless of whether any default or any Event of Default has occurred and is continuing;
- (ii) have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Agent is required to exercise as directed in writing by the Lender, provided that the Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Agent to liability or that is contrary to any Loan Document or applicable law; and
- (iii) except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and the Agent shall not be liable for the failure to disclose, any information relating to the Loan Parties or any of their respective Affiliates that is communicated to or obtained by any Person serving as the Agent or any of its Affiliates in any capacity.

(f) The Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Lender or as the Agent shall believe in good faith

shall be necessary, under the circumstances or (ii) in the absence of its own gross negligence or willful misconduct.

(g) The Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any default or Event of Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Section 4 or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Agent.

(h) Reliance by Agent. Agent may rely, and shall be fully protected in acting, or refraining to act, upon, any resolution, statement, certificate, instrument, opinion, report, notice, request, consent, order, bond or other paper or document that it has no reason to believe to be other than genuine and to have been signed or presented by the proper party or parties or, in the case of cables, teletypes and telexes, to have been sent by the proper party or parties. In the absence of its gross negligence or willful misconduct, Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to Agent and conforming to the requirements of this Agreement or any of the other Loan Documents. Agent may consult with counsel, and any opinion or legal advice of such counsel shall be full and complete authorization and protection in respect of any action taken, not taken or suffered by Agent hereunder or under any Loan Documents in accordance therewith. Agent shall have the right at any time to seek instructions concerning the administration of the Collateral from any court of competent jurisdiction. Agent shall not be under any obligation to exercise any of the rights or powers granted to Agent by this Agreement and the other Loan Documents at the request or direction of Lenders unless Agent shall have been provided by Lender with adequate security and indemnity against the costs, expenses and liabilities that may be incurred by it in compliance with such request or direction.

11.19 Publicity. None of the parties hereto nor any of its respective member businesses and Affiliates shall, without the other parties' prior written consent (which shall not be unreasonably withheld or delayed), publicize or use (a) the other party's name (including a brief description of the relationship among the parties hereto), logo or hyperlink to such other parties' web site, separately or together, in written and oral presentations, advertising, promotional and marketing materials, client lists, public relations materials or on its web site (together, the "Publicity Materials"); (b) the names of officers or directors, as applicable, of such other parties in the Publicity Materials; and (c) such other parties' name, trademarks, servicemarks in any news or press release concerning such party; provided however, notwithstanding anything to the contrary herein, no such consent shall be required (i) to the extent necessary to comply with the requests of any regulators, legal requirements or laws applicable to such party, pursuant to any listing agreement with any national securities exchange (so long as such party provides prior

notice to the other party hereto to the extent reasonably practicable) and (ii) to comply with Section 11.13.

11.20 Service of Process. Parent, Mesoblast UK, Mesoblast SUI and each other Loan Party that is organized outside of the United States shall appoint C T Corporation System, located at 111 Eighth Avenue, New York, NY 10011, or other agent reasonably acceptable to Agent, as its agent for the purpose of receiving and forwarding service of any process in the United States.

11.21 Multiple Loan Parties.

(a) Loan Party's Agent. Each Loan Party hereby irrevocably appoints Mesoblast USA as its agent, attorney-in-fact and legal representative for all purposes, including requesting disbursement of the Term Loan and receiving account statements and other notices and communications to Loan Party (or any of them) from the Agent or any Lender. The Agent may rely, and shall be fully protected in relying, on any request for the Term Loan, disbursement instruction, report, information or any other notice or communication made or given by Parent, whether in its own name or on behalf of one or more of the other Loan Parties, and the Agent shall not have any obligation to make any inquiry or request any confirmation from or on behalf of any other Loan Party as to the binding effect on it of any such request, instruction, report, information, other notice or communication, nor shall the joint and several character of the Loan Parties' obligations hereunder or any other Loan Document be affected thereby.

(b) Waivers. Each Loan Party hereby waives: (i) any right to require the Agent to institute suit against, or to exhaust its rights and remedies against, any other Loan Party or any other person, or to proceed against any property of any kind which secures all or any part of the Secured Obligations, or to exercise any right of offset or other right with respect to any reserves, credits or deposit accounts held by or maintained with the Agent or any Indebtedness of the Agent or any Lender to any other Loan Party, or to exercise any other right or power, or pursue any other remedy the Agent or any Lender may have; (ii) any defense arising by reason of any disability or other defense of any other Loan Party or any endorser, co-maker or other person, or by reason of the cessation from any cause whatsoever of any liability of any other Loan Party or any endorser, co-maker or other person, with respect to all or any part of the Secured Obligations, or by reason of any act or omission of the Agent or others which directly or indirectly results in the discharge or release of any other Loan Party or any other person or any Secured Obligations or any security therefor, whether by operation of law or otherwise; (iii) any defense arising by reason of any failure of the Agent to obtain, perfect, maintain or keep in force any Lien on, any property of any Loan Party or any other person; (iv) any defense based upon or arising out of any bankruptcy, insolvency, reorganization, administration, arrangement, readjustment of debt, liquidation or dissolution proceeding commenced by or against any other Loan Party or any endorser, co-maker or other person, including without limitation any discharge of, or bar against collecting, any of the Secured Obligations (including without limitation any interest thereon), in or as a result of any such proceeding. Until all of the Secured Obligations have been paid, performed, and discharged in full, nothing shall discharge or satisfy the

liability of any Loan Party hereunder except the full performance and payment of all of the Secured Obligations. If any claim is ever made upon the Agent for repayment or recovery of any amount or amounts received by the Agent in payment of or on account of any of the Secured Obligations, because of any claim that any such payment constituted a preferential transfer or fraudulent conveyance, or for any other reason whatsoever, and the Agent repays all or part of said amount by reason of any judgment, decree or order of any court or administrative body having jurisdiction over the Agent or any of its property, or by reason of any settlement or compromise of any such claim effected by the Agent with any such claimant (including without limitation the any other Loan Party), then and in any such event, each Loan Party agrees that any such judgment, decree, order, settlement and compromise shall be binding upon such Loan Party, notwithstanding any revocation or release of this Agreement or the cancellation of any note or other instrument evidencing any of the Secured Obligations, or any release of any of the Secured Obligations, and each Loan Party shall be and remain liable to the Agent and the Lenders under this Agreement for the amount so repaid or recovered, to the same extent as if such amount had never originally been received by the Agent or any Lender, and the provisions of this sentence shall survive, and continue in effect, notwithstanding any revocation or release of this Agreement. Each Loan Party hereby expressly and unconditionally waives all rights of subrogation, reimbursement and indemnity of every kind against any other Loan Party, and all rights of recourse to any assets or property of any other Loan Party, and all rights to any collateral or security held for the payment and performance of any Secured Obligations, including (but not limited to) any of the foregoing rights which any Loan Party may have under any present or future document or agreement with any other Loan Party or other person, and including (but not limited to) any of the foregoing rights which any Loan Party may have under any equitable doctrine of subrogation, implied contract, or unjust enrichment, or any other equitable or legal doctrine.

(c) Consents. Each Loan Party hereby consents and agrees that, without notice to or by any Loan Party and without affecting or impairing in any way the obligations or liability of any Loan Party hereunder, the Agent may, from time to time before or after revocation of this Agreement, do any one or more of the following in its sole discretion: (i) accept partial payments of, compromise or settle, renew, extend the time for the payment, discharge, or performance of, refuse to enforce, and release all or any parties to, any or all of the Secured Obligations; (ii) grant any other indulgence to any Loan Party or any other Person in respect of any or all of the Secured Obligations or any other matter; (iii) accept, release, waive, surrender, enforce, exchange, modify, impair, or extend the time for the performance, discharge, or payment of, any and all property of any kind securing any or all of the Secured Obligations or any guaranty of any or all of the Secured Obligations, or on which the Agent at any time may have a Lien, or refuse to enforce its rights or make any compromise or settlement or agreement therefor in respect of any or all of such property; (iv) substitute or add, or take any action or omit to take any action which results in the release of, any one or more other Loan Parties or any endorsers of all or any part of the Secured Obligations, including, without limitation one or more parties to this Agreement, regardless of any destruction or impairment of any right of contribution or other right of any Loan Party; (v) apply any sums received from any other Loan Party, any guarantor, endorser, or co-signer, or from

the disposition of any Collateral or security, to any Indebtedness whatsoever owing from such person or secured by such Collateral or security, in such manner and order as the Agent determines in its sole discretion, and regardless of whether such Indebtedness is part of the Secured Obligations, is secured, or is due and payable. Each Loan Party consents and agrees that the Agent shall be under no obligation to marshal any assets in favor of any Loan Party, or against or in payment of any or all of the Secured Obligations. Each Loan Party further consents and agrees that the Agent shall have no duties or responsibilities whatsoever with respect to any property securing any or all of the Secured Obligations. Without limiting the generality of the foregoing, the Agent shall have no obligation to monitor, verify, audit, examine, or obtain or maintain any insurance with respect to, any property securing any or all of the Secured Obligations.

(d) Independent Liability. Each Loan Party hereby agrees that one or more successive or concurrent actions may be brought hereon against such Loan Party, in the same action in which any other Loan Party may be sued or in separate actions, as often as deemed advisable by Agent. Each Loan Party is fully aware of the financial condition of each other Loan Party and is executing and delivering this Agreement based solely upon its own independent investigation of all matters pertinent hereto, and such Loan Party is not relying in any manner upon any representation or statement of the Agent or any Lender with respect thereto. Each Loan Party represents and warrants that it is in a position to obtain, and each Loan Party hereby assumes full responsibility for obtaining, any additional information concerning any other Loan Party's financial condition and any other matter pertinent hereto as such Loan Party may desire, and such Loan Party is not relying upon or expecting the Agent to furnish to it any information now or hereafter in the Agent's possession concerning the same or any other matter.

(e) Subordination. All Indebtedness of a Loan Party or any Subsidiary of a Loan Party now or hereafter arising held by another Loan Party or Subsidiary of a Loan Party is subordinated to the Secured Obligations and the Loan Party holding the Indebtedness shall take all actions reasonably requested by Agent to effect, to enforce and to give notice of such subordination and to dispose of any such Indebtedness if the Agent is enforcing over shares in the capital of a Loan Party or any Subsidiary or holding company of a Loan Party, or if the Indebtedness is held by a Subsidiary of a Loan Party, such Loan Party shall take all actions reasonably requested by Agent to cause the Subsidiary to effect, to enforce and to give notice of such subordination and to permit the Agent to dispose of any such Indebtedness if the Agent is enforcing over shares in the capital of a Loan Party or any Subsidiary or holding company of a Loan Party.

11.22 Swiss Limitation. Notwithstanding anything to the contrary in this Agreement and the other Loan Documents, the obligations of Mesoblast SUI or any other Loan Party incorporated in Switzerland (collectively, the "Swiss Borrower") and the rights of Agent and Lender under this Agreement and the other Loan Documents are subject to the following limitations:

(a) If and to the extent a guarantee or security interest granted or any other obligations assumed by a Swiss Borrower under this Agreement (including the guaranty provided under Section 12) and the other Loan Documents (including any joint liability,

indemnity, restrictions of rights of set-off or subrogation or duties to subordinate or waive claims) guarantees, provides economic benefits in respect of, or secures, obligations of its (direct or indirect) parent company (upstream security) or its sister companies (cross-stream security) (the "Upstream or Cross-Stream Secured Obligations") and if and to the extent using the proceeds from the enforcement of such guarantee, security interest or other obligation to discharge the Upstream or Cross-Stream Secured Obligations would constitute a repayment of capital (*Einlager ✓ckgewähr/Kapitalr ✓ckzahlung*), a violation of the legally protected reserves (*gesetzlich gesch ✓tzte Reserven*) or the payment of a (constructive) dividend (*Gewinnaussch ✓itung*) under Swiss corporate law, the proceeds from the enforcement of such guarantee, security interest or other obligation to be used to discharge the Upstream or Cross-Stream Secured Obligations shall be limited to the maximum amount of that Swiss Borrower's freely disposable shareholder or quotaholder equity at the time of enforcement (the "Maximum Amount"); provided that such limitation is required under the applicable law at that time; provided, further, that such limitation shall not free the Swiss Borrower from its obligations in excess of the Maximum Amount, but merely postpone the performance date of those obligations until such time or times as performance is again permitted under then applicable law. This Maximum Amount of freely disposable shareholder or quotaholder equity shall be determined in accordance with Swiss law and applicable Swiss accounting principles, and, if and to the extent required by applicable Swiss law, shall be confirmed by the auditors of the Swiss Borrower on the basis of an interim audited balance sheet as of that time.

(b) In respect of Upstream or Cross-Stream Secured Obligations, the Swiss Borrower shall, as concerns the proceeds resulting from the enforcement of the guarantee or security interest granted or other obligations assumed under this Agreement and the other Loan Documents, if and to the extent required by applicable law in force at the relevant time:

- (i) procure that such enforcement proceeds can be used to discharge Upstream or Cross-Stream Secured Obligations without deduction of Swiss Withholding Tax by discharging the liability to such tax by notification pursuant to applicable law rather than payment of the tax;
- (ii) if the notification procedure pursuant to sub-paragraph (i) above does not apply and subject to paragraph (c) below, deduct the Swiss Withholding Tax at such rate (currently thirty-five percent (35%) at the date of this Agreement) as is in force from time to time from any such enforcement proceeds used to discharge Upstream or Cross-Stream Secured Obligations, and pay, without delay, any such taxes deducted to the Swiss Federal Tax Administration;
- (iii) notify the Agent that such notification or, as the case may be, deduction has been made, and provide the Agent with evidence that such a notification of the Swiss Federal Tax Administration has been made or, as the case may be, such taxes deducted have been paid to the Swiss Federal Tax Administration; and

(iv) in the case of a deduction of Swiss Withholding Tax, use its reasonable efforts to ensure that any person, which is entitled to a full or partial refund of the Swiss Withholding Tax deducted from such enforcement proceeds, will, as soon as possible after such deduction,

1. request a refund of the Swiss Withholding Tax under applicable law (including tax treaties), and
2. pay to the Agent upon receipt any amount so refunded.

(c) If the Swiss Borrower is required to deduct Swiss Withholding Tax pursuant to paragraph (b)(ii) above at the time the Agent is enforcing security interests granted by the Swiss Borrower, the Agent shall deduct from the proceeds received from the enforcement of such security interests the Swiss Withholding Tax at such rate (35% at the date of this Agreement) as is in force from time to time and shall pay without delay, any such taxes deducted to, in its sole discretion, (i) either the Swiss Federal Tax Administration or (ii) the Swiss Borrower (in order for the Swiss Borrower to pay the taxes to the Swiss Federal Tax Administration itself).

(d) The Swiss Borrower shall promptly take and promptly cause to be taken any action, including the following:

(i) the passing of any shareholders' or quotaholders' resolutions, as may be the case, to approve the use of the enforcement proceeds, which may be required as a matter of Swiss mandatory law in force at the time of the enforcement of the security interest in order to allow a prompt use of the enforcement proceeds;

(ii) preparation of up-to-date audited balance sheet of the Swiss Borrower;

(iii) confirmation of the auditors of the Swiss Borrower that the relevant amount represents the Maximum Amount;

(iv) conversion of restricted reserves into profits and reserves freely available for the distribution as dividends (to the extent permitted by mandatory Swiss law);

(v) to the extent permitted by applicable law, Swiss accounting standards, write-up or realize any of its assets that are shown in its balance sheet with a book value that is significantly lower than the market value of the assets, in case of realization, however, only if such assets are not necessary for the Swiss Borrower's business (*nicht betriebsnotwendig*); and

(vi) all such other measures necessary to allow the Swiss Borrower to use enforcement proceeds as agreed hereunder with a minimum of limitations.

- 11.23 Australian PPSA Exclusions. Where any Secured Party has a security interest (as defined in the Australian PPSA) under any Loan Document, to the extent the law permits:
- (a) for the purposes of sections 115(1) and 115(7) of the Australian PPSA:
 - (i) each Secured Party with the benefit of the security interest need not comply with sections 95, 118, 121(4), 125, 130, 132(3)(d) and 132(4); and
 - (ii) sections 142 and 143 are excluded;
 - (b) for the purposes of section 115(7) of the Australian PPSA, each Secured Party with the benefit of the security interest need not comply with sections 132 and 137(3);
 - (c) each party waives its right to receive from any Secured Party any notice required under the Australian PPSA (including a notice of a verification statement); and
 - (d) if the Australian PPSA is amended to permit the parties to agree not to comply with or to exclude other provisions of the Australian PPSA, Agent may request the Loan Parties' consent (not to be unreasonably withheld or delayed) that any of these provisions is excluded, or that the Secured Parties need not comply with any of these provisions.

If a Secured Party with the benefit of a security interest exercises a right, power or remedy in connection with this document, that exercise is taken not to be an exercise of a right, power or remedy under the Australian PPSA unless that Secured Party states otherwise at the time of exercise. However, this paragraph does not apply to a right, power or remedy which can only be exercised under the Australian PPSA.

11.24 Australian Code of Banking Practice. The parties acknowledge and agree that the Code of Banking Practice published by the Australian Bankers' Association (as amended, revised or amended and restated from time to time) does not apply to the Loan Documents or any transaction under them.

11.25 Erroneous Payments.

(a) If the Agent notifies a Lender, or any Person who has received funds on behalf of a Lender (any such Lender or other recipient, a "Payment Recipient"), that the Agent has determined in its sole discretion (whether or not after receipt of any notice under immediately succeeding clause (b)) that any funds received by such Payment Recipient from the Agent or any of its Affiliates were erroneously transmitted to, or otherwise erroneously or mistakenly received by, such Payment Recipient (whether or not known to such Lender or other Payment Recipient on its behalf) (any such funds, whether received as a payment, prepayment or repayment of principal, interest, fees, distribution or otherwise, individually and collectively, an "Erroneous Payment") and demands the return of such Erroneous Payment (or a portion thereof), such Erroneous Payment shall at all times remain the property of the Agent and shall be segregated by the Payment Recipient

and held in trust for the benefit of the Agent, and such Lender shall (or, with respect to any Payment Recipient who received such funds on its behalf, shall cause such Payment Recipient to) promptly, but in no event later than two Business Days thereafter, return to the Agent the amount of any such Erroneous Payment (or portion thereof) as to which such a demand was made, in same day funds (in the currency so received), together with interest thereon in respect of each day from and including the date such Erroneous Payment (or portion thereof) was received by such Payment Recipient to the date such amount is repaid to the Agent in same day funds at the greater of the Federal Funds Effective Rate and a rate determined by the Agent in accordance with banking industry rules on interbank compensation from time to time in effect. A notice of the Agent to any Payment Recipient under this clause (i) shall be conclusive, absent manifest error.

(b) Without limiting immediately preceding clause (a), each Lender, or any Person who has received funds on behalf of a Lender, hereby further agrees that if it receives a payment, prepayment or repayment (whether received as a payment, prepayment or repayment of principal, interest, fees, distribution or otherwise) from the Agent (or any of its Affiliates) (x) that is in a different amount than, or on a different date from, that specified in a notice of payment, prepayment or repayment sent by the Agent (or any of its Affiliates) with respect to such payment, prepayment or repayment, (y) that was not preceded or accompanied by a notice of payment, prepayment or repayment sent by the Agent (or any of its Affiliates), or (z) that such Lender or other such recipient otherwise becomes aware was transmitted, or received, in error or by mistake (in whole or in part) in each case: (i) (A) in the case of immediately preceding clauses (x) or (y), an error shall be presumed to have been made (absent written confirmation from the Agent to the contrary) or (B) an error has been made (in the case of immediately preceding clause (z)), in each case, with respect to such payment, prepayment or repayment; and (ii) such Lender shall (and shall cause any other recipient that receives funds on its respective behalf to) promptly (and, in all events, within one Business Day of its knowledge of such error) notify the Agent of its receipt of such payment, prepayment or repayment, the details thereof (in reasonable detail) and that it is so notifying the Agent pursuant to this Section 12.11(b)(ii).

(c) Each Lender hereby authorizes the Agent to set off, net and apply any and all amounts at any time owing to such Lender under any Loan Document, or otherwise payable or distributable by the Agent to such Lender from any source, against any amount due to the Agent under immediately preceding clause (a) or under the indemnification provisions of this Agreement.

(d) In the event that an Erroneous Payment (or portion thereof) is not recovered by the Agent for any reason, after demand therefor by the Agent in accordance with immediately preceding clause (a), from any Lender that has received such Erroneous Payment (or portion thereof) (and/or from any Payment Recipient who received such Erroneous Payment (or portion thereof) on its respective behalf) (such unrecovered amount, an "Erroneous Payment Return Deficiency"), upon the Agent's notice to such Lender at any time, (i) such Lender shall be deemed to have assigned its Term Loans (but not its Term Commitments) with respect to which such Erroneous Payment was made (the "Erroneous Payment Impacted Loans") in an amount equal to the Erroneous Payment Return Deficiency (or such lesser amount as the Agent may specify) (such assignment of

the Term Loans (but not Term Commitments) of the Erroneous Payment Impacted Loans, the “Erroneous Payment Deficiency Assignment”) at par plus any accrued and unpaid interest (with the assignment fee to be waived by the Agent in such instance), and is hereby (together with the Borrowers) deemed to execute and deliver an assignment with respect to such Erroneous Payment Deficiency Assignment, and such Lender shall deliver any Term Notes evidencing such Term Loans to the Borrowers or the Agent, (ii) the Agent as the assignee Lender shall be deemed to acquire the Erroneous Payment Deficiency Assignment, (iii) upon such deemed acquisition, the Agent as the assignee Lender shall become a Lender, as applicable, hereunder with respect to such Erroneous Payment Deficiency Assignment and the assigning Lender shall cease to be a Lender hereunder with respect to such Erroneous Payment Deficiency Assignment, excluding, for the avoidance of doubt, its obligations under the indemnification provisions of this Agreement and its applicable Term Commitments which shall survive as to such assigning Lender and (iv) the Agent may reflect in the Register its ownership interest in the Term Loans subject to the Erroneous Payment Deficiency Assignment. The Agent may, in its discretion, sell any Term Loans acquired pursuant to an Erroneous Payment Deficiency Assignment and upon receipt of the proceeds of such sale, the Erroneous Payment Return Deficiency owing by the applicable Lender shall be reduced by the net proceeds of the sale of such Term Loan (or portion thereof), and the Agent shall retain all other rights, remedies and claims against such Lender (and/or against any recipient that receives funds on its respective behalf). For the avoidance of doubt, no Erroneous Payment Deficiency Assignment will reduce the Commitments of any Lender and such Commitments shall remain available in accordance with the terms of this Agreement. In addition, each party hereto agrees that, except to the extent that the Agent has sold a Term Loan (or portion thereof) acquired pursuant to an Erroneous Payment Deficiency Assignment, and irrespective of whether the Agent may be equitably subrogated, the Agent shall be contractually subrogated to all the rights and interests of the applicable Lender under the Loan Documents with respect to each Erroneous Payment Return Deficiency (the “Erroneous Payment Subrogation Rights”).

(e) The parties hereto agree that an Erroneous Payment shall not pay, prepay, repay, discharge or otherwise satisfy any Secured Obligations owed by the Borrowers or any other Loan Party, except, in each case, to the extent such Erroneous Payment is, and solely with respect to the amount of such Erroneous Payment that is, comprised of funds received by the Agent from the Borrowers or any other Loan Party for the purpose of making such Erroneous Payment.

(f) To the extent permitted by applicable law, no Payment Recipient shall assert any right or claim to an Erroneous Payment, and hereby waives, and is deemed to waive, any claim, counterclaim, defense or right of set-off or recoupment with respect to any demand, claim or counterclaim by the Agent for the return of any Erroneous Payment received, including without limitation waiver of any defense based on “discharge for value” or any similar doctrine.

(g) Each party’s obligations, agreements and waivers under this Section 12.11 shall survive the resignation or replacement of the Agent, any transfer of rights or obligations by, or the replacement of, a Lender, the termination of the Term

SECTION 12. GUARANTY.

12.1 Guaranty. Each Loan Party hereby agrees that such Loan Party is jointly and severally liable for, and hereby absolutely and unconditionally guarantees to the Agent and the Lenders and their respective successors and assigns, the full and prompt payment (whether at stated maturity, by acceleration or otherwise) and performance of, all Secured Obligations owed or hereafter owing to the Agent and the Lenders by each other Loan Party. Each Loan Party agrees that its guaranty obligation hereunder is a continuing guaranty of payment and performance and not of collection, and that its obligations under this Section 12 shall be absolute and unconditional, irrespective of, and unaffected by:

- (a) the genuineness, validity, regularity, enforceability or any future amendment of, or change in, this Agreement, any other Loan Document or any other agreement, document or instrument to which any Loan Party is or may become a party;
- (b) the absence of any action to enforce this Agreement (including this Section 12) or any other Loan Document or the waiver or consent by the Agent and the Lenders with respect to any of the provisions thereof;
- (c) the existence, value or condition of, or failure to perfect its Lien against, any security for the Secured Obligations or any action, or the absence of any action, by the Agent and the Lenders in respect thereof (including the release of any such security);
- (d) the insolvency of any Loan Party; or
- (e) any other action or circumstances which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor;

it being agreed by each Loan Party that its obligations under this Section 12 shall not be discharged until the full and final payment in Cash of all of the Secured Obligations (other than inchoate obligations). Each Loan Party shall be regarded, and shall be in the same position, as principal debtor with respect to the Secured Obligations guaranteed hereunder.

12.2 Waivers by the Loan Parties. Each Loan Party expressly waives all rights it may have now or in the future under any statute, or at common law, or pursuant to any other laws or in equity, or otherwise, to compel the Agent or the Lenders to marshal assets or to proceed in respect of the Secured Obligations guaranteed hereunder against any other Loan Party, any other party or against any security for the payment and performance of the Secured Obligations before proceeding against, or as a condition to proceeding against, such Loan Party. It is agreed among each Loan Party, the Agent and the Lenders that the foregoing waivers are of the essence of the transaction contemplated by this Agreement and the other Loan Documents and that, but for the provisions of this Section 12 and such waivers, the Agent and the Lenders would decline to enter into this Agreement.

12.3 Benefit of Guaranty. Each Loan Party agrees that the provisions of this Section 12 are for the benefit of the Agent and the Lenders and their respective successors, transferees, endorsees and assigns, and nothing herein contained shall impair, as between Borrower, on the one hand, and the Agent and the Lenders, on the other hand, the obligations of such other Loan Party under the Loan Documents.

12.4 Subordination of Subrogation, Etc. Notwithstanding anything to the contrary in this Agreement or in any other Loan Document, and except as set forth in Section 12.7, each Loan Party hereby expressly and irrevocably subordinates to the prior payment in full, in cash, of the Secured Obligations (other than contingent indemnity obligations for which no claim is outstanding) any and all rights pursuant to any laws or in equity to subrogation, reimbursement, exoneration, contribution, indemnification or set off and any and all defenses available to a surety, guarantor or accommodation co-obligor until the full and final payment in Cash of all of the Secured Obligations (other than inchoate obligations). Each Loan Party acknowledges and agrees that this subordination is intended to benefit the Agent and the Lenders and shall not limit or otherwise affect such Loan Party's liability hereunder or the enforceability of this Section 12, and that the Agent, the Lenders and their respective successors and assigns are intended third party beneficiaries of the waivers and agreements set forth in this Section 12.4.

12.5 Election of Remedies. If the Agent or any Lender may, under applicable law, proceed to realize its benefits under any of the Loan Documents giving the Agent or such Lender a Lien upon any Collateral, whether owned by any Loan Party or by any other Person, either by judicial foreclosure or by non-judicial sale or enforcement, the Agent or any Lender may, at its sole option, determine which of its remedies or rights it may pursue without affecting any of its rights and remedies under this Section 12. If, in the exercise of any of its rights and remedies, the Agent or any Lender shall forfeit any of its rights or remedies, including its right to enter a deficiency judgment against any Loan Party or any other Person, whether because of any applicable laws pertaining to "election of remedies" or the like, each Loan Party hereby consents to such action by the Agent or such Lender and waives any claim based upon such action, even if such action by the Agent or such Lender shall result in a full or partial loss of any rights of subrogation which each Loan Party might otherwise have had but for such action by the Agent or such Lender. Any election of remedies which results in the denial or impairment of the right of the Agent or any Lender to seek a deficiency judgment against any Loan Party shall not impair any other Loan Party's obligation to pay the full amount of the Secured Obligations. In the event the Agent or any Lender shall bid at any foreclosure or trustee's sale or at any private sale permitted by law or the Loan Documents, the Agent (either directly or through one or more acquisition vehicles) or such Lender may offset the Secured Obligations against the purchase price of such bid in lieu of accepting cash or other non-cash consideration in connection with such sale or other disposition. The amount of the successful bid at any such sale, whether the Agent, any Lender or any other party is the successful bidder, shall be conclusively deemed to be the fair and reasonably equivalent value of the Collateral and the difference between such bid amount and the remaining balance of the Secured Obligations shall be conclusively deemed to be the amount of the Secured Obligations guaranteed under this Section 12, notwithstanding that any present or future law or court decision or ruling may have the effect of reducing the amount of any deficiency claim to

which the Agent or any Lender might otherwise be entitled but for such bidding at any such sale.

12.6 Limitation. Notwithstanding any provision herein contained to the contrary, the liability of each Loan Party (other than the Borrowers) under this Section 12 (which liability is in any event in addition to amounts for which such Loan Party is primarily liable under Section 2) shall be limited to an amount not to exceed as of any date of determination the greater of:

(a) the net amount of all Loans (plus all other Secured Obligations owing in connection therewith) advanced to any other Loan Party under this Agreement and then re-loaned or otherwise transferred to, or for the benefit of, such Loan Party; and

(b) the amount which could be claimed by the Agent and the Lenders from such Loan Party under this Section 12 without rendering such claim voidable or avoidable under Section 548 of Chapter 11 of the United States Bankruptcy Code, as amended, or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law after taking into account, among other things, such Loan Party's right of contribution and indemnification from each other Loan Party under Section 12.7.

The provisions of this Section 12.6 shall be implemented automatically without the need for any amendment, modification, termination or waiver of any provision of this Agreement or any other Loan Document.

12.7 UK Limitation. The guaranty contained in this Section 12 does not apply to any liability to the extent that it would result in this guaranty constituting unlawful financial assistance within the meaning of sections 678 or 679 of the Companies Act 2006.

12.8 Contribution with Respect to Guaranty Obligations.

(a) To the extent that any Loan Party shall make a payment under this Section 12 of all or any of the Secured Obligations (other than Loans made to that Loan Party for which it is primarily liable) (a "**Guarantor Payment**") which, taking into account all other Guarantor Payments then previously or concurrently made by any other Loan Party, exceeds the amount which such Loan Party would otherwise have paid if each Loan Party had paid the aggregate Secured Obligations satisfied by such Guarantor Payment in the same proportion that such Loan Party's "Allocable Amount" (as defined below) (as determined immediately prior to such Guarantor Payment) bore to the aggregate Allocable Amounts of each of the Loan Parties as determined immediately prior to the making of such Guarantor Payment, then, following the occurrence of the full and final payment in Cash of all of the Secured Obligations (other than inchoate obligations), such Loan Party shall be entitled to receive contribution and indemnification payments from, and be reimbursed by, each other Loan Party for the amount of such excess, pro rata based

upon their respective Allocable Amounts in effect immediately prior to such Guarantor Payment.

(b) As of any date of determination, the “**Allocable Amount**” of any Loan Parties shall be equal to the maximum amount of the claim which could then be recovered from such Loan Parties under this Section 12 without rendering such claim voidable or avoidable under Section 548 of Chapter 11 of the United States Bankruptcy Code, as amended or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law.

(c) This Section 12.7 is intended only to define the relative rights of Loan Parties and nothing set forth in this Section 12.7 is intended to or shall impair the obligations of Loan Parties, jointly and severally, to pay any amounts as and when the same shall become due and payable in accordance with the terms of this Agreement, including Section 12.1. Nothing contained in this Section 12.7 shall limit the liability of any Loan Party to pay the Loans made directly or indirectly to that Loan Party and accrued interest, fees, expenses and all other Secured Obligations with respect thereto for which such Loan Party shall be primarily liable.

(d) The parties hereto acknowledge that the rights of contribution and indemnification hereunder shall constitute assets of the Loan Party to which such contribution and indemnification is owing.

(e) The rights of the indemnifying Loan Parties against other Loan Parties under this Section 12.7 shall be exercisable upon and after the full and final payment in Cash of all of the Secured Obligations (other than inchoate obligations).

12.9 **Liability Cumulative.** The liability of Loan Parties under this Section 12 is in addition to and shall be cumulative with all liabilities of each Loan Party to the Agent and the Lenders under this Agreement and the other Loan Documents to which such Loan Party is a party or in respect of any Secured Obligations or obligation of any other Loan Party, without any limitation as to amount, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary.

12.10 **Contractual Recognition of Bail-In.** Notwithstanding any other term of any Loan Document or any other agreement, arrangement or understanding between parties, each party hereto acknowledges and accepts that any liability of any party to any other party under or in connection with the Loan Documents may be subject to Bail-In Action by the relevant Resolution Authority and acknowledges and accepts to be bound by the effect of:

(a) any Bail-In Action in relation to any such liability, including (without limitation):

(i) a reduction, in full or in part, in the principal amount, or outstanding amount due (including any accrued but unpaid interest) in respect of any such liability

- (ii) a conversion of all, or part of, any such liability into shares or other instruments of ownership that may be issued to, or conferred on, it; and
 - (iii) a cancellation of any such liability; and
- (b) a variation of any term of any Finance Document to the extent necessary to give effect to any Bail-In Action in relation to any such liability.

(SIGNATURES TO FOLLOW)

IN WITNESS WHEREOF, Loan Parties, Agent and Lender have duly executed and delivered this Loan Agreement and Guaranty as of the day and year first above written.

BORROWERS:

MESOBLAST, INC.

By: /s/ Silviu Itescu

Name: Silviu Itescu

Title: Sole Director

MESOBLAST INTERNATIONAL SÀRL

Place and Date

By: /s/ Ralph Challancin

Name: Ralph Challancin

Title: Director

GUARANTOR:

MESOBLAST UK LIMITED

By: /s/ Michael Sampson

Name: Michael Sampson

Title: Director

[Signature Page to Loan Agreement (Oaktree/Mesoblast)]

PARENT:

Executed by Mesoblast Limited in accordance with Section 127 of the *Corporations Act 2001* (Cth)

/s/ Silviu Itescu

Signature of director

Silviu Itescu

Name of director (print)

/s/ Niva Sivakumar

Signature of director/company secretary

(Please delete as applicable)

Niva Sivakumar

Name of director/company secretary (print)

[Signature Page to Loan Agreement (Oaktree/Mesoblast)]

OAKTREE FUND ADMINISTRATION, LLC, as
Agent

By: Oaktree Capital Management, L.P.
Its: Managing Member

By: /s/ Maria Attaar
Name: Maria Attaar
Title: Vice President

By: /s/ Kendall Bass
Name: Kendall Bass
Title: Vice President

[Signature Page to Loan Agreement (Oaktree/Mesoblast)]

MACQUARIE US TRADING LLC, as
Lender

By: /s/ Michael Greenblatt

Name: Michael Greenblatt

Title:

By: /s/ Joshua Karlin

Name: Joshua Karlin

Title:

[Signature Page to Loan Agreement (Oaktree/Mesoblast)]

TABLE OF EXHIBITS AND SCHEDULES

Exhibit A:	Advance Request; Attachment to Advance Request
Exhibit B:	Term Note
Exhibit C:	Form of Solvency Certificate
Exhibit D:	Form of Warrant
Exhibit F:	Compliance Certificate
Exhibit G:	Joinder Agreement
Exhibit I-1:	Form of U.S. Tax Compliance Certificate (For Foreign Lenders That Are Not Partnerships For U.S. Federal Income Tax Purposes)
Exhibit I-2:	Form of U.S. Tax Compliance Certificate (For Foreign Participants That Are Not Partnerships For U.S. Federal Income Tax Purposes)
Exhibit I-3:	Form of U.S. Tax Compliance Certificate (For Foreign Participants That Are Partnerships For U.S. Federal Income Tax Purposes)
Exhibit I-4:	Form of U.S. Tax Compliance Certificate (For Foreign Lenders That Are Partnerships For U.S. Federal Income Tax Purposes)
Schedule 1.1	Commitments
Annex A	Security Arrangements
Annex B	Novartis License and Collaboration Agreement Covenants

Default under the Loan Documents. Company understands and acknowledges that Agent has the right to review the financial information supporting this representation and, based upon such review in its sole discretion, Lender may decline to fund the requested Advance.

Company hereby represents that each Loan Party's corporate status and locations have not changed since the date of the Agreement or, if the Attachment to this Advance Request is completed, are as set forth in the Attachment to this Advance Request.

Company agrees to notify Agent promptly before the funding of the Loan if any of the matters which have been represented above shall not be true and correct on the Advance Date and if Agent has received no such notice before the Advance Date then the statements set forth above shall be deemed to have been made and shall be deemed to be true and correct as of the Advance Date.

Company:

MESOBLAST, INC.

Print Name:

Title:

ATTACHMENT TO ADVANCE REQUEST

Borrower hereby represents and warrants to Agent that each Loan Party's current name and organizational status is as follows:

- Name: [•]
- Type of organization: [•]
- State of organization: [•]
- Organization file number: [•]

[Please insert duplicate blocks for each Loan Party.]

Company hereby represents and warrants to Agent that the street addresses, cities, states and postal codes of each Loan Party's current locations are as follows:

Addresses with books and records:

<u>Complete street and mailing address, including county.</u>	<u>Name of Loan Party.</u>

Addresses where a Loan Party owns, leases, or occupies real property or maintains equipment, inventory, or other property at such address:

<u>Complete street and mailing address, including county.</u>	<u>Name of Loan Party.</u>

EXHIBIT B
SECURED TERM PROMISSORY NOTE

\$[_____]

Advance Date: __ __, 20[]

FOR VALUE RECEIVED, Mesoblast, Inc., a Delaware corporation and Mesoblast International Sàrl, a company formed under the laws of Switzerland, for themselves and each of their Subsidiaries that has delivered a Joinder Agreement pursuant to Section 7.13 (collectively, the "Borrowers") hereby promise to pay to the order of [•], a [•] (the "Lender") at [•] or such other place of payment as the holder of this Secured Term Promissory Note (this "Promissory Note") may specify from time to time in writing, in lawful money of the United States, the principal amount of [_____] Dollars (\$[_____]) or such other principal amount as Lender has advanced to the Borrowers, together with interest at a rate as set forth in Section 2.2(c) of the Loan Agreement based upon a year consisting of 360 days, with interest computed daily based on the actual number of days in each month.

This Promissory Note is the Note referred to in, and is executed and delivered in connection with, that certain Loan Agreement and Guaranty dated as of November 19, 2021, by and among the Borrowers, the Guarantors, Oaktree Fund Administration, LLC (the "Agent") and the several banks and other financial institutions or entities from time to time party thereto as lender (as the same may from time to time be amended, modified or supplemented in accordance with its terms, the "Loan Agreement"), and is entitled to the benefit and security of the Loan Agreement and the other Loan Documents (as defined in the Loan Agreement), to which reference is made for a statement of all of the terms and conditions thereof. All payments shall be made in accordance with the Loan Agreement. All terms defined in the Loan Agreement shall have the same definitions when used herein, unless otherwise defined herein. An Event of Default under the Loan Agreement shall constitute a default under this Promissory Note.

Each Borrower waives presentment and demand for payment, notice of dishonor, protest and notice of protest under the UCC or any applicable law. Each Borrower agrees to make all payments under this Promissory Note without setoff, recoupment or deduction and regardless of any counterclaim or defense. This Promissory Note has been negotiated and delivered to Lender and is payable in the State of New York. This Promissory Note shall be governed by and construed and enforced in accordance with, the laws of the State of New York, excluding any conflicts of law rules or principles that would cause the application of the laws of any other jurisdiction.

BORROWERS:

[SIG BLOCKS TO BE INSERTED]

US-DOCS\126899452.1

4810-9912-0636 v.15

EXHIBIT F
COMPLIANCE CERTIFICATE

Oaktree Fund Administration, LLC (as “Agent”)
[•]

Reference is made to that certain Loan Agreement and Guaranty dated as of November 19, 2021 and the Loan Documents (as defined therein) entered into in connection with such Loan Agreement and Guaranty all as may be amended from time to time (hereinafter referred to collectively as the “Loan Agreement”) by and among Oaktree Fund Administration, LLC (the “Agent”), the several banks and other financial institutions or entities from time to time party thereto (collectively, the “Lenders”) and [*insert name of main borrower*] (the “Company”) as Borrower and each other Borrower and Guarantor party thereto. All capitalized terms not defined herein shall have the same meaning as defined in the Loan Agreement.

The undersigned is an Officer of the Company, knowledgeable of all Company financial matters, and is authorized to provide certification of information regarding the Company; hereby cer

Exceptions:

REPORTING REQUIREMENT

Interim Financial Statements

Audited Financial Statements

REQUIRED

Quarterly within 60 days

FYE within 90 days

CHECK IF

ATTACHED

ACCOUNTS

The undersigned hereby also confirms the below disclosed accounts represent all depository accounts and securities accounts presently open in the name of each Loan Party or Subsidiary, as applicable.

Have any depository or securities accounts been opened since the last Compliance Certificate? YES/NO

Are the Loan Parties in compliance with Section 7.12 based on the below disclosed depository accounts and securities accounts? YES/NO

		Account	Month	Last
		Depository	Financial	(Depository
		AC #	Institution/	Securities)
		Balance	Account	Purpose
LOAN PARTY	Name/Address:	AC #	Institution/	Securities)
		1		
		2		
		3		
		4		
		5		
		6		
		7		
LOAN PARTY/	SUBSIDIARY			
Name/Address				
		1		
		2		
		3		
		4		
		5		
		6		
		7		

(a) The amount of Unrestricted Cash held in accounts in the United States as of the date hereof: \$ _____

INSURANCE

Have the Loan Parties amended or entered into any new insurance policies? YES/NO

Very Truly Yours,

[SIG BLOCK TO BE ADDED]

EXHIBIT G
FORM OF JOINDER AGREEMENT

This Joinder Agreement (the "Joinder Agreement") is made and dated as of [], 20[], and is entered into by and between _____, a _____ corporation ("Subsidiary"), and Oaktree Fund Administration, LLC, a Delaware limited liability company (as "Agent").

RECITALS

A. Subsidiary's Affiliate, Mesoblast, Inc., a Delaware corporation ("Company") has entered into that certain Loan Agreement and Guaranty dated as of November 19, 2021, with Company, each other Borrower (as defined in the Loan Agreement) and Guarantor (as defined in the Loan Agreement), the several banks and other financial institutions or entities from time to time party thereto as lender (collectively, the "Lender") and the Agent, as such agreement may be amended, restated or modified (the "Loan Agreement"), together with the other agreements executed and delivered in connection therewith, including but not limited to the IP Security Agreements (as defined in the Loan Agreement);

B. Subsidiary acknowledges and agrees that it will benefit both directly and indirectly from Company's execution of the Loan Agreement and the other agreements executed and delivered in connection therewith;

AGREEMENT

NOW THEREFORE, Subsidiary and Agent agree as follows:

1. The recitals set forth above are incorporated into and made part of this Joinder Agreement. Capitalized terms not defined herein shall have the meaning provided in the Loan Agreement.
2. By signing this Joinder Agreement, Subsidiary shall be bound by the terms and conditions of the Loan Agreement the same as if it were a [Borrower][Guarantor] (as defined in the Loan Agreement) under the Loan Agreement, mutatis mutandis, including, without limitation providing a continuing guaranty pursuant to Section 12 of the Loan Agreement; provided however, that (a) with respect to (i) Section 5.1 of the Loan Agreement, Subsidiary represents that it is an entity duly organized, legally existing and in good standing under the laws of [], (b) neither Agent nor Lender shall have any duties, responsibilities or obligations to Subsidiary arising under or related to the Loan Agreement or the other Loan Documents, (c) that if Subsidiary is covered by Company's insurance, Subsidiary shall not be required to maintain separate insurance or comply with the provisions of Sections 6.1 and 6.2 of the Loan Agreement, and (d) that as long as Company satisfies the requirements of Section 7.1 of the Loan Agreement, Subsidiary shall not have to provide Agent separate Financial Statements. To the extent that Agent or Lender has any duties, responsibilities or obligations arising under or related to the Loan Agreement or the other Loan Documents, those duties, responsibilities or obligations shall flow only to Company and not to Subsidiary or any other Person or entity. By way of example (and not an exclusive list): (i) Agent's providing notice to Company in accordance with the Loan Agreement or as otherwise agreed among Company, Agent and

Lender shall be deemed provided to Subsidiary; (ii) a Lender's providing an Advance to Company shall be deemed an Advance to Subsidiary; and (iii) Subsidiary shall have no right to request an Advance or make any other demand on Lender.

3. Subsidiary agrees not to certificate its equity securities without Agent's prior written consent, which consent may be conditioned on the delivery of such equity securities to Agent in order to perfect Agent's security interest in such equity securities.
4. Subsidiary acknowledges that it benefits, both directly and indirectly, from the Loan Agreement, and hereby waives, for itself and on behalf on any and all successors in interest (including without limitation any assignee for the benefit of creditors, receiver, bankruptcy trustee or itself as debtor-in-possession under any bankruptcy proceeding) to the fullest extent provided by law, any and all claims, rights or defenses to the enforcement of this Joinder Agreement on the basis that (a) it failed to receive adequate consideration for the execution and delivery of this Joinder Agreement or (b) its obligations under this Joinder Agreement are avoidable as a fraudulent conveyance.
5. As security for the prompt, complete and indefeasible payment when due (whether on the payment dates or otherwise) of all the Secured Obligations, Subsidiary hereby grants to Agent a security interest in all of Subsidiary's right, title, and interest in and to the Collateral, including the Intellectual Property Collateral.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

SUBSIDIARY:

By:
Name:
Title:

Address:

Telephone: _____
email: _____

AGENT:

OAKTREE FUND ADMINISTRATION, LLC

By: _____
Name: _____
Title: _____

Address:
[•]

EXHIBIT I-1

**FORM OF U.S. TAX COMPLIANCE CERTIFICATE
(For Foreign Lenders That Are Not Partnerships For U.S. Federal Income Tax Purposes)**

Reference is hereby made to Loan Agreement and Guaranty dated November 19, 2021 (the "Loan Agreement") by and by and between Mesoblast Limited ACN 109 431 870, an Australian listed public company, Mesoblast UK Limited, a company incorporated in England and Wales with registered number 07596260 whose registered address is 5 New Street Square, London, EC4A 3TW, UK, Mesoblast, Inc., a Delaware corporation, Mesoblast International Sàrl, a company organized under the laws of Switzerland, and each of Parent's Subsidiaries that delivers a Joinder Agreement pursuant to Section 7.13 of the Loan Agreement, Oaktree Fund Administration, LLC, as agent for the lenders, and the several banks and other financial institutions or entities from time to time party thereto.

Pursuant to the provisions of Section 2.11 of the Loan Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) it is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a "ten percent shareholder" of the Borrowers within the meaning of Section 871(h)(3)(B) of the Code and (iv) it is not a "controlled foreign corporation" related to the Borrowers as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Agent and the Borrowers with a certificate of its non-U.S. Person status on IRS Form W-8BEN or IRS Form W-8BEN-E. By executing this certificate, the undersigned agrees that (1) if the information provided in this certificate changes, the undersigned shall promptly so inform the Borrowers and the Agent, and (2) the undersigned shall have at all times furnished the Borrowers and the Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Loan Agreement and used herein shall have the meanings given to them in the Loan Agreement.

Date: _____, 20[] [NAME OF LENDER]

By: _____
Name:
Title:

EXHIBIT I-2

**FORM OF U.S. TAX COMPLIANCE CERTIFICATE
(For Foreign Participants That Are Not Partnerships For U.S. Federal Income Tax Purposes)**

Reference is hereby made to Loan Agreement and Guaranty dated November 19, 2021(the "Loan Agreement") by and between Mesoblast Limited ACN 109 431 870, an Australian listed public company, Mesoblast UK Limited, a company incorporated in England and Wales with registered number 07596260 whose registered address is 5 New Street Square, London, EC4A 3TW, UK, Mesoblast, Inc., a Delaware corporation, Mesoblast International Sàrl, a company organized under the laws of Switzerland, and each of Parent's Subsidiaries that delivers a Joinder Agreement pursuant to Section 7.13 of the Loan Agreement, Oaktree Fund Administration, LLC, as agent for the lenders, and the several banks and other financial institutions or entities from time to time party thereto.

Pursuant to the provisions of Section 2.11 of the Loan Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a "ten percent shareholder" of the Borrowers within the meaning of Section 871(h)(3)(B) of the Code and (iv) it is not a "controlled foreign corporation" related to the Borrowers as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with a certificate of its non-U.S. Person status on IRS Form W-8BEN or IRS Form W-8BEN-E. By executing this certificate, the undersigned agrees that (1) if the information provided in this certificate changes, the undersigned shall promptly so inform such Lender in writing, and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Loan Agreement and used herein shall have the meanings given to them in the Loan Agreement.

Date: _____, 20[] [NAME OF PARTICIPANT]

By: _____
Name:
Title:

EXHIBIT I-3

FORM OF U.S. TAX COMPLIANCE CERTIFICATE
(For Foreign Participants That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to Loan Agreement and Guaranty dated November 19, 2021(the "Loan Agreement") by and by and between Mesoblast Limited ACN 109 431 870, an Australian listed public company, Mesoblast UK Limited, a company incorporated in England and Wales with registered number 07596260 whose registered address is 5 New Street Square, London, EC4A 3TW, UK, Mesoblast, Inc., a Delaware corporation, Mesoblast International Sàrl, a company organized under the laws of Switzerland, and each of Parent's Subsidiaries that delivers a Joinder Agreement pursuant to Section 7.13 of the Loan Agreement, Oaktree Fund Administration, LLC, as agent for the lenders, and the several banks and other financial institutions or entities from time to time party thereto.

Pursuant to the provisions of Section 2.11 of the Loan Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the participation in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such participation, (iii) with respect such participation, neither the undersigned nor any of its direct or indirect partners/members is a "bank" extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a "ten percent shareholder" of the Borrowers within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a "controlled foreign corporation" related to the Borrowers as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or IRS Form W-8BEN-E or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN or IRS Form W-8BEN-E from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided in this certificate changes, the undersigned shall promptly so inform such Lender and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Loan Agreement and used herein shall have the meanings given to them in the Loan Agreement.

Date: _____, 20[] [NAME OF PARTICIPANT]

By: _____
Name:
Title:

EXHIBIT I-4

FORM OF U.S. TAX COMPLIANCE CERTIFICATE
(For Foreign Lenders That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to Loan Agreement and Guaranty dated November 19, 2021 (the "Loan Agreement") by and between Mesoblast Limited ACN 109 431 870, an Australian listed public company, Mesoblast UK Limited, a company incorporated in England and Wales with registered number 07596260 whose registered address is 5 New Street Square, London, EC4A 3TW, UK, Mesoblast, Inc., a Delaware corporation, Mesoblast International Sàrl, a company organized under the laws of Switzerland, and each of Parent's Subsidiaries that delivers a Joinder Agreement pursuant to Section 7.13 of the Loan Agreement, Oaktree Fund Administration, LLC, as agent for the lenders, and the several banks and other financial institutions or entities from time to time party thereto.

Pursuant to the provisions of Section 2.11 of the Loan Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such Loan(s) (as well as any Note(s) evidencing such Loan(s)), (iii) with respect to the extension of credit pursuant to this Loan Agreement or any other Loan Document, neither the undersigned nor any of its direct or indirect partners/members is a "bank" extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a "ten percent shareholder" of the Borrowers within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a "controlled foreign corporation" related to the Borrowers as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Agent and the Borrowers with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or IRS Form W-8BEN-E or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN or IRS Form W-8BEN-E from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided in this certificate changes, the undersigned shall promptly so inform the Borrowers and the Agent, and (2) the undersigned shall have at all times furnished the Borrowers and the Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Loan Agreement and used herein shall have the meanings given to them in the Loan Agreement.

Date: _____, 20[] [NAME OF LENDER]

By: _____
Name:
Title:

SCHEDULE 1.1

COMMITMENTS

LENDER	TRANCHE	TERM COMMITMENT	HMRC DT Treaty Passport scheme reference number and jurisdiction of tax residence (if applicable)
Equarie US Holding LLC	A	\$60,000,000	13/M/386438/DTTP, USA (UK Treaty Lender)
Equarie US Holding LLC	B	\$10,000,000	13/M/386438/DTTP, USA (UK Treaty Lender)
Equarie US Holding LLC	C	\$20,000,000	13/M/386438/DTTP, USA (UK Treaty Lender)
TOTAL COMMITMENTS		\$90,000,000	

ANNEX A
SECURITY ARRANGEMENTS

1.1 **Covenants.** Until the payment in full of Secured Obligations (other than contingent indemnity obligations for which no claim is outstanding) and the termination of all Term Commitments, each Loan Party agrees that it shall:

- (a) appear in and defend any action, suit or proceeding which is reasonably likely to adversely affect its title to, or right or interest in, or the Agent's right or interest in, the Collateral, including any action, suit or proceeding with respect to any Liens on the Collateral (other than any Permitted Lien);
- (b) do and perform all commercially reasonable acts that may be necessary and appropriate to maintain, preserve and protect the Collateral;
- (c) comply, in all material respects, with all applicable Laws, and all policies of insurance, relating to the possession, operation, maintenance and control of the Collateral;
- (d) keep all Books pertaining to the Rights to Payment of such Loan Party at such Loan Party's chief executive office, principal place of business or place where such Loan Party conducts business;
- (e) upon the occurrence and during the continuation of an Event of Default and upon the written request of the Agent (A) notify all or any designated portion of the account debtors and other obligors on the Rights to Payment of such Loan Party of the security interest hereunder and any Security Document, (B) notify the account debtors and other obligors on the Rights to Payment or any designated portion thereof that payment shall be made directly to the Agent or to such other Person or location as the Agent shall specify; and (C) establish such lockbox or similar arrangements for the payment of the Accounts and other Rights to Payment of such Loan Party as the Agent shall require;
- (f) within 45 days after the end of each fiscal year, notify the Agent of any outstanding Commercial Tort Claims having a value greater than \$2,000,000); and
- (g) cooperate with the Agent in obtaining control (as defined in the UCC) of Collateral consisting of any Deposit Accounts, Securities Accounts, Electronic Chattel Paper, Investment Property or Letter-of-Credit Rights, including delivery of Account Control Agreements, as the Agent may request or deem desirable, to perfect and continue perfected, maintain the priority of or provide notice of the Agent's security interest in such Collateral.

1.2 **Authorization; Agent Appointed Attorney-in-Fact.** In addition to (and not in limitation of) any other right or remedy provided to the Agent under this Annex A, the Agreement or any other Loan Document, the Agent shall have the right to, in the name

of any Loan Party, or in the name of the Agent or otherwise, without notice to or assent by any such Loan Party, and each Loan Party hereby constitutes and appoints the Agent (and any of the Agent's officers or employees or agents designated by the Agent) as such Loan Party's true and lawful attorney-in-fact, with full power and authority to, solely during the continuation of an Event of Default and exercise of remedies pursuant to Section 10 hereof:

- Collateral;
- (a) take possession of and endorse any notes, acceptances, checks, drafts, money orders or other forms of payment or security and collect any proceeds of any Collateral;
 - (b) sign and endorse any invoice or bill of lading, warehouse or storage receipts, drafts against customers or other obligors, assignments, notices of assignment, verifications and notices to customers or other obligors relating to any of the Collateral;
 - (c) notify the U.S. Postal Service and other postal authorities to change the address for delivery of mail addressed to such Loan Party to such address as the Agent may designate; and, without limiting the generality of the foregoing, establish with any Person lockbox or similar arrangements for the payment of the Rights to Payment of such Loan Party;
 - (d) receive, open and dispose of all mail addressed to such Loan Party;
 - (e) send requests for verification of Rights to Payment to the customers or other obligors of such Loan Party;
 - (f) contact, or direct such Loan Party to contact, all account debtors and other obligors on the Rights to Payment of such Loan Party and instruct such account debtors and other obligors to make all payments directly to the Agent;
 - (g) assert, adjust, sue for, compromise or release any claims under any policies of insurance;
 - (h) exercise dominion and control over, and refuse to permit further withdrawals from, any Deposit Accounts of such Loan Party maintained with the Agent, any Lender or any other bank, financial institution or other Person, in each case other than any Excluded Accounts;
 - (i) notify each Person maintaining lockbox or similar arrangements for the payment of the Rights to Payment of such Loan Party to remit all amounts representing collections on such Rights to Payment directly to the Agent;
 - (j) ask, demand, collect, receive and give acquittances and receipts for any and all Rights to Payment of such Loan Party, enforce payment or any other rights in respect of the Rights to Payment and other Collateral, grant consents, agree to any amendments, modifications or waivers of the agreements and documents governing such Rights to Payment and other Collateral, and otherwise file any Claims, take any action or institute, defend, settle or adjust any actions, suits or proceedings with respect to the Collateral, as the Agent may deem necessary or desirable to maintain, preserve and

protect the Collateral, to collect the Collateral or to enforce the rights of the Agent with respect to the Collateral;

(k) execute any and all applications, documents, papers and instruments necessary for the Agent to use or otherwise exploit the Intellectual Property Collateral constituting Collateral and grant or issue any exclusive or non-exclusive License with respect to any Intellectual Property Collateral constituting Collateral, in each case to the extent permitted by such applicable Intellectual Property Collateral;

(l) execute any and all endorsements, assignments or other documents and instruments necessary to sell, lease, license, assign, convey or otherwise transfer title in, or dispose of, the Collateral;

(m) execute and deliver to any securities intermediary or other Person any entitlement order or other notice, document or instrument which the Agent may deem necessary or advisable to maintain, protect, realize upon and preserve the Deposit Accounts and Investment Property of such Loan Party constituting Collateral and the Agent's security interest therein;

(n) commence and prosecute any and all suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect or otherwise realize on all or any of the Collateral or to enforce any rights in respect of any Collateral;

(o) settle, compromise, compound, adjust or defend any actions, suits or proceedings relating to all or any of the Collateral; and

(p) use, sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with all or any of the Collateral, and execute any and all such other documents and instruments, and do any and all acts and things for and on behalf of such Loan Party, which the Agent may deem necessary or advisable to maintain, protect, realize upon and preserve the Collateral and the Agent's security interest therein and to accomplish the purposes of this Agreement.

1.3 **Remedies.** Solely upon the occurrence and during the continuation of an Event of Default and exercise of remedies pursuant to Section 10 hereof, each Loan Party agrees to deliver each item of Collateral to the Agent on demand, and the Agent shall have, in addition to all other rights and remedies granted to it in this Agreement or any other Loan Document, all rights and remedies of a secured party under the UCC and other applicable law. Without limiting the generality of the foregoing, each Loan Party agrees that:

(a) The Agent may peaceably, with or without legal process and with or without notice, without liability for trespass enter any premises of such Loan Party, take possession of any Collateral, remove or dispose of all or part of the Collateral on any premises of such Loan Party or elsewhere, or, in the case of Equipment, render it nonfunctional, and otherwise collect, receive, appropriate and realize upon all or any part of the Collateral, and demand, give receipt for, settle, renew, extend, exchange, compromise, adjust, or sue for all or any part of the Collateral, as the Agent may

determine, and, generally, exercise any and all rights afforded to a secured party under the Uniform Commercial Code or other applicable law.

(b) The Agent may require such Loan Party to assemble all or any part of the Collateral and make it available to the Agent, at any place and time designated by the Agent.

(c) The Agent may use or transfer any of such Loan Party's rights and interests in any Intellectual Property Collateral constituting Collateral, by license, by sublicense (solely to the extent permitted by such applicable license) or otherwise, on such conditions and in such manner as the Agent may determine.

(d) The Agent may secure the appointment of a receiver of the Collateral or any part thereof (to the extent and in the manner provided by applicable law).

(e) The Agent may withdraw (or cause to be withdrawn) any and all funds from any Deposit Accounts, Securities Accounts or Commodity Accounts, in each case other than Excluded Accounts.

(f) The Agent may sell, resell, lease, use, assign, transfer or otherwise dispose of any or all of the Collateral in its then condition or following any commercially reasonable preparation or processing (utilizing in connection therewith any of such Loan Party's assets, without charge or liability to the Administrative Agent therefor) at public or private sale or at any broker's board or any securities exchange, by one or more Contracts, in one or more parcels, at the same or different times, for cash or credit or for future delivery without assumption of any credit risk, all as the Agent deems advisable; provided that such Loan Party shall be credited with the net proceeds of a sale only when such proceeds are finally collected by the Agent. The Agent and each of the Lenders shall have the right upon any such public sale, and, to the extent permitted by law, upon any such private sale, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption, which right or equity of redemption such Loan Party hereby releases, to the extent permitted by law. The Agent shall give such Loan Party such notice of any public or private sale as may be required by the UCC or other applicable law. Such Loan Party recognizes that the Agent may be unable to make a public sale of any or all of the Collateral, by reason of prohibitions contained in applicable securities laws or otherwise, and expressly agrees that a private sale to a restricted group of purchasers for investment and not with a view to any distribution thereof shall be considered a commercially reasonable sale. Each such purchaser at any such sale shall hold the property sold absolutely, free from any claim or right on the part of any Loan Party, and each Loan Party hereby waives and releases (to the extent permitted by law) all rights of redemption, stay, valuation and appraisal that such Loan Party now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted.

The Agent shall give each applicable Loan Party not less than 10 days' written notice (which each Loan Party agrees is reasonable notice within the meaning of Section 9-611 of the UCC or its equivalent in other jurisdictions) of the Agent's intention to make any

sale of Collateral. Such notice, in the case of a public sale, shall state the time and place for such sale and, in the case of a sale at a broker's board or on a securities exchange, shall state the board or exchange at which such sale is to be made and the day on which the Collateral, or portion thereof, will first be offered for sale at such board or exchange. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Agent may fix and state in the notice (if any) of such sale. At any such sale, the Collateral, or portion thereof, to be sold may be sold in one lot as an entirety or in separate parcels, and by the Agent in its own right or by one or more agents or contractors, upon any premises owned, leased or occupied by any Loan Party, the Agent or any such agent or contractor, and any such sale may include any other property, in each case, as the Agent may (in its sole and absolute discretion) determine. The Agent shall not be obligated to make any sale of any Collateral if it shall determine not to do so, regardless of the fact that notice of sale of such Collateral shall have been given. The Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Agent until the sale price is paid by the purchaser or purchasers thereof, but the Agent shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may be sold again upon like notice. At any public (or, to the extent permitted by law, private) sale made pursuant to this Agreement, any Lender may bid for or purchase, free (to the extent permitted by applicable law) from any right of redemption, stay, valuation or appraisal on the part of any Loan Party (all said rights being also hereby waived and released to the extent permitted by applicable law), the Collateral or any part thereof offered for sale and may make payment on account thereof by using any claim then due and payable to such Lender from any Loan Party as a credit against the purchase price, and such Lender may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to any Loan Party therefor. For purposes hereof, a written agreement to purchase the Collateral or any portion thereof shall be treated as a sale thereof; the Agent shall be free to carry out such sale pursuant to such agreement and no Loan Party shall be entitled to the return of the Collateral or any portion thereof subject thereto, notwithstanding the fact that after the Agent shall have entered into such an agreement all Events of Default shall have been remedied and the Obligations shall have been indefeasibly paid in full in cash. As an alternative to exercising the power of sale herein conferred upon it, the Agent may proceed by a suit or suits at law or in equity to foreclose this Agreement and to sell the Collateral or any portion thereof pursuant to a judgment or decree of a court or courts having competent jurisdiction or pursuant to a proceeding by a court-appointed receiver. Any sale pursuant to the provisions of this Annex A shall be deemed to conform to the commercially reasonable standards as provided in Section 9-610(b) of the UCC or its equivalent in other jurisdictions. Neither the Agent nor the Lenders shall be required to marshal any present or future Collateral or to resort to such Collateral in any particular order.

(g) Neither the Agent nor any Lender shall have any obligation to clean up or otherwise prepare the Collateral for sale. The Agent has no obligation to attempt to

satisfy the Secured Obligations by collecting them from any other Person liable for them and the Agent and the Lenders may release, modify or waive any Collateral provided by any other Person to secure any of the Secured Obligations, all without affecting the Agent's or any Lender's rights against such Loan Party. Such Loan Party waives any right it may have to require the Agent or any Lender to pursue any third Person for any of the Secured Obligations. The Agent and the Lenders may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered to adversely affect the commercial reasonableness of any sale of the Collateral. The Agent may sell the Collateral without giving any warranties as to the Collateral. The Agent may specifically disclaim any warranties of title or the like. This procedure will not be considered to adversely affect the commercial reasonableness of any sale of the Collateral. If the Agent sells any of the Collateral upon credit, such Loan Party will be credited only with payments actually made by the purchaser, received by the Agent and applied to the indebtedness of the purchaser. In the event the purchaser fails to pay for the Collateral, the Agent may resell the Collateral and the Loan Parties shall be credited with the proceeds of the sale.

1.4 **Intellectual Property License.** For the purpose of enabling the Agent to exercise its rights and remedies under this Annex A, Section 10 or otherwise in connection with this Agreement, and solely during the continuance of an Event of Default, each Loan Party hereby grants to the Agent an irrevocable, non-exclusive license (exercisable without payment or royalty or other compensation to such Loan Party) to use, license or sublicense any Intellectual Property Collateral and, including in such license, all access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof; provided, however, that nothing in this Annex A shall require a Loan Party to grant any license that (i) violates the express terms of any agreement between a Loan Party and a third party governing such Loan Party's use of such Intellectual Property, or gives such third party any right of acceleration, modification or cancellation therein, or (ii) is prohibited by any applicable Law; provided, further, that such licenses to be granted hereunder with respect to Trademarks shall be subject to maintenance of quality standards with respect to the goods and services on which such Trademarks are used necessary to preserve the validity of such Trademarks

1.5 **Proceeds Account.** (a) Subject to Section 1.5(b) of this Annex A, to the extent that any of the Secured Obligations may be contingent, unmatured or unliquidated at such time as an Event of Default has occurred and is continuing and remedies have been exercised pursuant to Section 10 hereof, the Agent may, at its election, (i) retain the proceeds of any sale, collection, disposition or other realization upon the Collateral (or any portion thereof) in a special purpose non-interest-bearing restricted deposit account (the "Proceeds Account") created and maintained by the Agent for such purpose (which shall constitute a Deposit Account included within the Collateral hereunder) until such time as the Agent may elect to apply such proceeds to the Secured Obligations, and each Loan Party agrees that such retention of such proceeds by the Agent shall not be deemed strict foreclosure with respect thereto; (ii) in any manner elected by the Agent, estimate the liquidated amount of any such contingent, unmatured or unliquidated Claims and apply the proceeds of the Collateral against such amount; or (iii) otherwise proceed in any manner permitted by applicable law. Each Loan Party agrees that the Proceeds Account shall be a

blocked account and that upon the irrevocable deposit of funds into the Proceeds Account, such Loan Party shall not have any right of withdrawal with respect to such funds. Accordingly, each Loan Party irrevocably waives until the termination of this Agreement the right to make any withdrawal from the Proceeds Account and the right to instruct the Agent to honor drafts against the Proceeds Account.

(b) The cash proceeds actually received from the sale or other disposition or collection of any Loan Party's Collateral, and any other amounts received in respect of such Collateral the application of which is not otherwise provided for herein, shall be applied as provided in Section 10.2 of the Agreement. Any surplus thereof which exists after payment in full of the Secured Obligations (other than the contingent indemnity obligations for which no claim is outstanding) shall be promptly paid over to such Loan Party or otherwise disposed of in accordance with the UCC or other applicable law. Each Loan Party shall remain liable to the Agent and Lenders for any deficiency which exists after any sale or other disposition or collection of Collateral.

ANNEX B

NOVARTIS LICENSE AND COLLABORATION AGREEMENT COVENANTS

1.1 Each of Parent and Mesoblast SUI shall not permit the [***] in any material respect that is adverse to the Lenders (including by adding any material obligations or liabilities without the prior written consent of Agent, such consent not to be unreasonably withheld.

1.2 Notwithstanding anything to the contrary herein, if the [***] is materially breached or terminated as a result of any action or failure [***], (i) there shall not be any Event of Default hereunder solely as a result of such material breach or termination and (ii) [***] For the avoidance of doubt, [***]

FORM OF WARRANT

THIS WARRANT AND THE ADSs (AS DEFINED BELOW) ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND LAWS OR PURSUANT TO AN OPINION OF LEGAL COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO MESOBLAST LIMITED THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

[FORM OF] WARRANT TO PURCHASE AMERICAN DEPOSITARY SHARES

Number of American Depositary Shares: []
(subject to adjustment)

Warrant No.

Original Issue Date: []

Mesoblast Limited, a corporation incorporated under the laws of Australia (the “*Company*”), hereby certifies that, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, [•] or its registered assigns (the “*Holder*”), is entitled, subject to the terms set forth below, to purchase from the Company up to a total of [•] American Depositary Shares (the “*ADSs*”), each representing five (5) ordinary shares, no par value, of the Company (the “*Ordinary Shares*”) (each such ADS, a “*Warrant ADS*” and all such ADSs, the “*Warrant ADSs*,” and the ordinary shares underlying the Warrant ADSs, the “*Warrant Shares*”) at an exercise price per ADS equal to US\$[•] (as adjusted from time to time as provided in [Section 9](#) herein, the “*Exercise Price*”), upon surrender of this Warrant to Purchase ADSs (together with any Warrants to Purchase ADSs issued in exchange, transfer or replacement hereof, the “*Warrant*”) at any time and from time to time on or after the date hereof (the “*Original Issue Date*”), subject to the following terms and conditions:

1. Definitions. For purposes of this Warrant, the following terms shall have the following meanings:

(a) “*ADRs*” means the American Depositary Receipts evidencing the ADSs.

(b) “*Affiliate*” means any Person directly or indirectly controlled by, controlling or under common control with, a Holder, but only for so long as such control shall continue. For purposes of this definition, “control” (including, with correlative meanings, “controlled by”, “controlling” and “under common control with”) means, with respect to a Person, possession, direct or indirect, of (a) the power to direct or cause direction of the management and policies of such Person (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise), or (b) at least 10% of the voting securities (whether directly or pursuant to any option, warrant or other similar arrangement) or other comparable equity interests of such Person.

(c) “*ASX Listing Rules*” means the listing rules of the Australian Securities Exchange, a financial market operated by ASX Limited.

(d) “*Commission*” means the United States Securities and Exchange Commission.

(e) “*Corporations Act*” means the Corporations Act 2001 of Australia, as amended.

(f) “*Closing Sale Price*” means, for any security as of any date, the last trade price for such security on the Principal Trading Market for such security, as reported by Bloomberg Financial Markets, or, if such Principal Trading Market begins to operate on an extended hours basis and does not designate the last trade price, then the last trade price of such security prior to 4:00 P.M., New York City time, as reported by Bloomberg Financial Markets, or if the foregoing do not apply, the last trade price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg Financial Markets. If the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Sale Price of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then the Board of Directors of the Company shall use its good faith judgment to determine the fair market value. The Board of Directors’ determination shall be binding upon all parties absent demonstrable error. All such determinations shall be appropriately adjusted for any share dividend, share split, share combination or other similar transaction during the applicable calculation period.

(g) “*Depository*” means JP Morgan Chase Bank, N.A., the Company’s depository registrar for the ADSs, and any successor appointed in such capacity.

(h) “*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

(i) “*Principal Trading Market*” means the national securities exchange or other trading market on which the ADSs are primarily listed on and quoted for trading, which, as of the Original Issue Date, shall be the Nasdaq Global Select Market.

(j) “*Registration Statement*” means the Company’s Registration Statement on Form F-6 (File No. 333-207378), declared effective on October 19, 2015.

(k) “*Securities Act*” means the Securities Act of 1933, as amended.

(l) “*Trading Day*” means any weekday on which the Principal Trading Market is normally open for trading.

2. Issuance of Securities: Registration of Warrant ADSs. This Warrant has not been, and will not be, registered under the Securities Act. Accordingly, this Warrant is a “restricted security” under Rule 144 promulgated under the Securities Act and may not be transferred unless registered under the Securities Act or in transactions exempt from, or not subject to, the registration and/or qualification requirements of the Securities Act and applicable state securities laws. The Company shall register ownership of this Warrant, upon records to be maintained by the Company for that purpose (the “*Warrant Register*”), in the name of the record Holder (which shall include the initial Holder or, as the case may be, any assignee to which this Warrant is assigned hereunder)

from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

3. Registration of Transfers. Subject to compliance with all applicable securities laws, the Company shall, or will cause its Depository to, register the transfer of all or any portion of this Warrant in the Warrant Register, upon surrender of this Warrant, and payment for all applicable transfer taxes (if any). Upon any such registration or transfer, a new warrant to purchase ADSs in substantially the form of this Warrant (any such new warrant, a "New Warrant") evidencing the portion of this Warrant so transferred shall be issued to the transferee, and a New Warrant evidencing the remaining portion of this Warrant not so transferred, if any, shall be issued to the transferring Holder. The acceptance of the New Warrant by the transferee thereof shall be deemed the acceptance by such transferee of all of the rights and obligations in respect of the New Warrant that the Holder has in respect of this Warrant. The Company shall, or will cause its Depository to, prepare, issue and deliver at the Company's own expense any New Warrant under this Section 3. Until due presentment for registration of transfer, the Company may treat the registered Holder hereof as the owner and holder for all purposes, and the Company shall not be affected by any notice to the contrary.

4. Exercise and Duration of Warrants.

(a) All or any part of this Warrant shall be exercisable by the registered Holder in any manner permitted by this Warrant at any time and from time to time on or after the Original Issue Date.

(b) The Holder may exercise this Warrant by delivering to the Company and the Depository, as applicable, (i) an exercise notice, in the form attached as Schedule 1 hereto (the "Exercise Notice"), completed and duly signed; (ii) a Letter of Transmittal to the Depository in the form attached as Schedule 2, completed and duly signed; and (iii) payment of the Exercise Price for the number of Warrant ADSs as to which this Warrant is being exercised, and the date on which the last of such items is delivered to the Company (as determined in accordance with the notice provisions hereof) is an "Exercise Date." The Holder shall not be required to deliver the original Warrant in order to effect an exercise hereunder. Execution and delivery of the Exercise Notice shall have the same effect as cancellation of the original Warrant and issuance of a New Warrant evidencing the right to purchase the remaining number of Warrant ADSs, if any. An Exercise Notice must be issued for Warrants that have a minimum aggregate Exercise Price of the lesser of: (i) \$50,000 or (ii) the balance of the total of the Warrants held by the holder.

5. Delivery of Warrant ADSs.

(a) Subject to Section 5(d), upon exercise of this Warrant and payment of the Exercise Price, the Company shall promptly (but in no event later than five (5) Trading Days after the Exercise Date), (i) cause its registrar to deposit the Warrant Shares subject to such exercise with the Depository, (ii) cause the Depository to credit such aggregate number of ADSs to which the Holder is entitled pursuant to such exercise to the Holder's or its designee's balance account with The Depository Trust Company ("DTC") through its Deposit Withdrawal Agent Commission system, or if the Depository is not participating in the Fast Automated Securities

Transfer Program (the “FAST Program”) or if the ADRs are required to bear a legend regarding restriction on transferability, credit the Warrant ADSs to the Holder’s or its designee’s balance account on the ADS register, which may be the ADS register maintained by the Depository on behalf of the Company, and (iii) unless this Warrant has been issued with disclosure to investors under Part 6D.2 of the Corporations Act, release on the announcements platform of the Australian Securities Exchange a notice under section 708A(5)(e) of the Corporations Act that complies with section 708A(6) of the Corporations Act (“Cleansing Notice”) or a cleansing prospectus that complies with section 713 of the Corporations Act (“Cleansing Prospectus”). The Holder, or any natural person or legal entity (each, a “Person”) so designated by the Holder to receive Warrant ADSs, shall be deemed to have become the holder of record of such Warrant ADSs as of the Exercise Date, irrespective of the date such Warrant ADSs are credited to the Holder’s OTC account or the date of delivery of the ADRs evidencing such Warrant ADSs, as the case may be.

(b) Other than where as a result of the operation of Section 5(d), if by the close of the fifth (5th) Trading Day after the Exercise Date, the Company fails to deliver, or fails to cause the Depository to deliver, as applicable, to the Holder the required number of Warrant ADSs in the manner required pursuant to Section 5(a) or fails to credit, or fails to cause the Depository to credit, as applicable, the Holder’s balance account with OTC for such number of Warrant ADSs to which the Holder is entitled, and if after such fifth (5th) Trading Day and prior to the receipt of such Warrant ADSs, the Holder purchases (in an open market transaction or otherwise) ADSs to deliver in satisfaction of a sale by the Holder of the Warrant ADSs which the Holder anticipated receiving upon such exercise (a “Buy-In”), then the Company shall, within five (5) Trading Days after the Holder’s request and in the Holder’s sole discretion, either (1) pay in cash to the Holder an amount equal to the Holder’s total purchase price (including brokerage commissions, if any) for the ADSs so purchased, at which point the Company’s obligation to deliver such ADRs (and to issue such Warrant ADSs) shall terminate or (2) promptly honor its obligation to deliver to the Holder ADRs representing such Warrant ADSs and pay cash to the Holder in an amount equal to the excess (if any) of Holder’s total purchase price (including brokerage commissions, if any) for the ADSs so purchased in the Buy-In over the product of (A) the number of ADSs purchased in the Buy-In, times (B) the Closing Sale Price of an ADS on the Exercise Date.

(c) To the extent permitted by law and subject to Section 5(b) and Section 5(d), the Company’s obligations to issue and deliver Warrant ADSs in accordance with and subject to the terms hereof (including the limitations set forth in Section 11 below) are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other Person of any obligation to the Company or any violation or alleged violation of law by the Holder or any other Person, and irrespective of any other circumstance that might otherwise limit such obligation of the Company to the Holder in connection with the issuance of Warrant ADSs. Subject to Section 5(b), nothing herein shall limit the Holder’s right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company’s failure to timely deliver ADRs representing ADSs upon exercise of the Warrant as required pursuant to the terms hereof.

(d) Notwithstanding any other term of this Warrant, the Company is not obliged to issue and deliver any Warrant Shares (or to cause the Depository to credit such aggregate number of ADSs) if the Company is required under section 5(a)(iii) to issue a Cleansing Notice or a Cleansing Prospectus and the Company (acting in good faith) considers (i) it is possessed of excluded information (as that term is defined in section 708A(7) of the Corporations Act) and that it would need to disclose that excluded information in order to issue a Cleansing Notice or Cleansing Prospectus, and (ii) the issuance of a Cleansing Notice or Cleansing Prospectus would materially prejudice the interests of the Company by reason of forcing disclosure of information which would not otherwise be required under ASX Listing Rule 3.1, then the Company will only be obliged to issue and deliver the Warrant Shares (or to cause the Depository to credit such aggregate number of ADSs) at such later date provided that such date shall be the earliest of (x) five (5) Trading Days on which the Board of Directors has determined the Company would no longer be materially prejudiced by issuing the Cleansing Notice or Cleansing Prospectus, as applicable, and (y) twenty (20) Trading Days following the exercise of this Warrant.

6. Classes, Taxes and Expenses. Issuance and initial delivery of ADRs evidencing ADSs upon exercise of this Warrant shall be made without charge to the Holder for any issue or transfer tax, transfer agent fee or other incidental expense (excluding any applicable stamp duties) in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Company; *provided, however*, that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the registration of Warrant ADSs or the Warrants in a name other than that of the Holder or an Affiliate thereof. The Holder shall be responsible for all other tax liability that may arise as a result of holding or transferring this Warrant or receiving Warrant Shares upon exercise hereof.

7. Replacement of Warrant. If this Warrant is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation hereof, or in lieu of and substitution for this Warrant, a New Warrant, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction (in such case) and, in each case, a customary and reasonable indemnity and surety bond, if requested by the Company. Applicants for a New Warrant under such circumstances shall also comply with such other reasonable regulations and procedures and pay such other reasonable third-party costs as the Company may prescribe. If a New Warrant is requested as a result of a mutilation of this Warrant, then the Holder shall deliver such mutilated Warrant to the Company as a condition precedent to the Company's obligation to issue the New Warrant.

8. Reservation of Warrant Shares. The Company covenants that all Warrant ADSs and the underlying Warrant Shares so issuable and deliverable shall, upon issuance and the payment of the applicable Exercise Price in accordance with the terms hereof, be duly and validly authorized, issued and fully paid[and non-assessable]. The Company will take all such action as may be reasonably necessary to assure that such ADSs may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of any securities exchange or automated quotation system upon which the ADSs may be listed.

9. Certain Adjustments. Subject to the ASX Listing Rules, the Exercise Price and number of Warrant ADSs issuable upon exercise of this Warrant are subject to adjustment from time to time as set forth in this Section 9. To the extent of inconsistency with the ASX Listing

Rules, the operation of this clause 9 shall be adjusted to conform with the adjustment required by the ASX Listing Rules. The terms of this Warrant, and the rights of the holder of this Warrant, may be changed by the Company to comply with the ASX Listing Rules applying to a reorganization of capital of the Company at the time of the reorganization.

(a) Share Dividends and Splits. If the Company, at any time while this Warrant is outstanding, (i) pays a dividend on its Ordinary Shares or otherwise makes a distribution on any class of share capital issued and outstanding on the Original Issue Date and in accordance with the terms of such shares on the Original Issue Date or as amended, as described in the Registration Statement, that is payable in Ordinary Shares, (ii) subdivides its outstanding Ordinary Shares into a larger number of Ordinary Shares, (iii) combines its outstanding Ordinary Shares into a smaller number of Ordinary Shares, (iv) reclassifies a class of share capital into Ordinary Shares of the Company, or (v) conducts a bonus issue (as defined in the ASX Listing Rules) then in each such case the Exercise Price shall be multiplied by a fraction, the numerator of which shall be the number of Ordinary Shares outstanding immediately before such event and the denominator of which shall be the number of Ordinary Shares outstanding immediately after such event. Any adjustment made pursuant to clause (i) of this paragraph shall become effective immediately after the record date for the determination of shareholders entitled to receive such dividend or distribution, provided, however, that if such record date shall have been fixed and such dividend is not fully paid on the date fixed therefor, the Exercise Price shall be recomputed accordingly as of the close of business on such record date and thereafter the Exercise Price shall be adjusted pursuant to this paragraph as of the time of actual payment of such dividends. Any adjustment pursuant to clause (ii) or (iii) of this paragraph shall become effective immediately after the effective date of such subdivision or combination.

(b) Pro Rata Distributions. If the Company, at any time while this Warrant is outstanding, distributes to all holders of Ordinary Shares (i) evidences of its indebtedness, (ii) any security (other than a distribution of Ordinary Shares covered by the preceding paragraph), (iii) rights or warrants to subscribe for or purchase any security or (iv) cash or any other asset (in each case, "*Distributed Property*"), then, upon any exercise of this Warrant, which shall be made subject to the Holder providing the Company with prior written notice of such Holder's intent to exercise within five (5) business days after the public announcement of the distribution of Distributed Property, that occurs after the record date fixed for determination of shareholders entitled to receive such distribution, the Holder shall be entitled to receive, in addition to the Warrant ADSs otherwise issuable upon such exercise (if applicable), the Distributed Property that such Holder would have been entitled to receive in respect of such number of Warrant ADSs had the Holder been the record holder of such Warrant ADSs immediately prior to such record date without regard to any limitation on exercise contained therein, in all cases subject to the terms of, and any limitations contained in, the deposit agreement among the Company, the Depository, and the holders of the ADSs governing the terms of the ADSs, the Corporations Act, the ASX Listing Rules and Section 16(a).

(c) Rights Issue. If, at any time while this Warrant is outstanding, an offer or invitation is made by the Company to some or all of holders of Ordinary Shares to subscribe for shares, options or other securities of the Company on a pro rata basis, the Exercise Price shall be reduced as specified in ASX Listing Rule 6.22 in relation to pro rata issues (except bonus issues).

(d) Fundamental Transactions. If, at any time while this Warrant is outstanding (i) the Company effects any merger, amalgamation or consolidation of the Company with or into another Person, in which the Company is not the surviving entity and in which the shareholders of the Company immediately prior to such merger or consolidation do not own, directly or indirectly, at least 50% of the voting power of the surviving entity immediately after such merger or consolidation, (ii) the Company effects any sale to another Person of all or substantially all of its assets in one transaction or a series of related transactions, (iii) pursuant to any tender offer or exchange offer (whether by the Company or another Person), holders of share capital tender shares representing more than 50% of the voting power of the share capital of the Company and the Company or such other Person, as applicable, accepts such tender for payment, (iv) the Company consummates a share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than the 50% of the voting power of the share capital of the Company (except for any such transaction in which the shareholders of the Company immediately prior to such transaction maintain, in substantially the same proportions, the voting power of such Person immediately after the transaction), (v) the Company effects any reclassification of the Ordinary Shares or any compulsory share exchange pursuant to which the Ordinary Shares are effectively converted into or exchanged for other securities, cash or property (other than as a result of a subdivision or combination of shares of Ordinary Shares covered by Section 9(a), above) or (vi) the Company effects any other event or transaction similar to the foregoing (in any such case, a "*Fundamental Transaction*"), then, at least ten (10) Trading Days prior to the consummation of such Fundamental Transaction, the Company shall provide written notice to the Holder, and if this Warrant is not fully exercised prior to the consummation of such Fundamental Transaction, then this Warrant may be exercised pursuant to the provisions of Section 4(b) hereof immediately prior to the consummation of such Fundamental Transaction, without giving effect to any beneficial ownership limitation set forth in Section 11 hereof.

(e) Change in ADS Ratio. If after the Original Issue Date the number of Ordinary Shares represented by one ADS is increased or reduced, then the number of Warrant ADSs to be provided on exercise of a Warrant will be reduced or increased (respectively) in inverse proportion to the change in the ADS-to-Ordinary ratio.

(f) Number of Warrant ADSs. Simultaneously with any adjustment to the Exercise Price pursuant to Section 9, the number of Warrant ADSs that may be purchased upon exercise of this Warrant shall be increased or decreased proportionately, so that after such adjustment the aggregate Exercise Price payable hereunder for the increased or decreased number of Warrant ADSs shall be the same as the aggregate Exercise Price in effect immediately prior to such adjustment.

(g) Calculations. All calculations under this Section 9 shall be made to the nearest one-tenth of one cent or the nearest share, as applicable.

(h) Notice of Adjustments. Upon the occurrence of each adjustment pursuant to this Section 9, the Company at its expense will, at the written request of the Holder, promptly compute such adjustment, in good faith, in accordance with the terms of this Warrant and prepare a certificate setting forth such adjustment, including a statement of the adjusted Exercise

Price and adjusted number or type of Warrant ADSs or other securities issuable upon exercise of this Warrant (as applicable), describing the transactions giving rise to such adjustments and showing in detail the facts upon which such adjustment is based. Upon written request, the Company will promptly deliver a copy of each such certificate to the Holder and to the Depository.

(i) Notice of Corporate Events. If, while this Warrant is outstanding, the Company (i) declares a dividend or any other distribution of cash, securities or other property in respect of its Ordinary Shares, including, without limitation, any granting of rights or warrants to subscribe for or purchase any share capital of the Company or any subsidiary, (ii) authorizes or approves, enters into any agreement contemplating or solicits shareholder approval for any Fundamental Transaction or (iii) authorizes the voluntary dissolution, liquidation or winding up of the affairs of the Company, then, except if such notice and the contents thereof shall be deemed to constitute material non-public information, the Company shall deliver to the Holder a notice of such transaction at least ten (10) days prior to the applicable record or effective date on which a Person would need to hold Ordinary Shares in order to participate in or vote with respect to such transaction; *provided, however*, that the failure to deliver such notice or any defect therein shall not affect the validity of the corporate action required to be described in such notice. In addition, if while this Warrant is outstanding, the Company authorizes or approves, enters into any agreement contemplating or solicits shareholder approval for any Fundamental Transaction contemplated by Section 9(c), other than a Fundamental Transaction under clause (iii) of Section 9(c), the Company shall deliver to the Holder a notice of such Fundamental Transaction at least thirty (30) days prior to the date such Fundamental Transaction is consummated. Holder agrees to maintain any information disclosed pursuant to this Section 9(g) in confidence until such information is publicly available, and shall comply with applicable law with respect to trading in the Company's securities following receipt any such information.

(j) Other Events. If any event of the type contemplated by the provisions of this Section 9 but not expressly provided for by such provisions occurs, then the Company shall make an appropriate adjustment in the Exercise Price and the number of Warrant ADSs or other securities issuable upon exercise of this Warrant (as applicable) so as to protect the rights of the Holder in a manner consistent with the provisions of this Section 9; provided, that no such adjustment pursuant to this Section 9(i) shall increase the Exercise Price or decrease the number of Warrant ADSs or other securities issuable as otherwise determined pursuant to this Section 9.

10. [reserved].

11. Limitations on Exercise.

(a) Notwithstanding anything to the contrary herein, the Company shall not effect any exercise of this Warrant, and the holder shall not be entitled to exercise this Warrant for a number of Warrant ADSs in excess of that number of Warrant ADSs which, upon giving effect or immediately prior to such exercise, would cause (i) the aggregate number of Ordinary Shares beneficially owned by the Holder, its Affiliates and any Persons who are members of a Section 13(d) group with such Holder or its Affiliates to exceed 9.99% (the "*Maximum Percentage*") of the total number of issued and outstanding Ordinary Shares of the Company following such exercise, or (ii) the combined voting power of the securities of the Company beneficially owned

by the Holder and its Affiliates and any other Persons who are members of a Section 13(d) group with such Holder or its Affiliates to exceed the Maximum Percentage of the combined voting power of all of the securities of the Company then outstanding following such exercise. For purposes of this paragraph, beneficial ownership and whether a holder is a member of a Section 13(d) group shall be calculated and determined in accordance with Section 13(d) of the Exchange Act and the rules promulgated thereunder. For purposes of this Warrant, in determining the number of outstanding Ordinary Shares (including Ordinary Shares underlying outstanding ADSs), the Holder may rely on the number of outstanding Ordinary Shares as reflected in (x) the Company's most recent Current Report on Form 6-K reporting quarterly financial results of the Company or Annual Report on Form 20-F, as the case may be, filed with the Commission prior to the date hereof, (y) a more recent public announcement by the Company or (z) any other notice by the Company, the transfer agent for the Ordinary Shares or the Depositary setting forth the number of Ordinary Shares outstanding (including Ordinary Shares underlying outstanding ADSs). Upon the written request of the Holder, the Company shall within three (3) Trading Days confirm in writing or by electronic mail to the Holder the number of Ordinary Shares then outstanding (including Ordinary Shares underlying outstanding ADSs). In any case, the number of outstanding Ordinary Shares (including Ordinary Shares underlying outstanding ADSs) shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder since the date as of which such number of outstanding Ordinary Shares was reported. By written notice to the Company, the Holder may from time to time increase or decrease the Maximum Percentage to any other percentage specified not in excess of 19.99% specified in such notice; provided that any such increase will not be effective until the sixty-first (61st) day after such notice is delivered to the Company. For purposes of this Section 11(a), the aggregate number of Ordinary Shares or voting securities beneficially owned by the Holder and its Affiliates and any other Persons who are members of a Section 13(d) group with such Holder or its Affiliates shall include the ADSs (and underlying Warrant Shares) issuable upon (x) the exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of Warrant ADSs which would be issuable upon exercise of the remaining unexercised and non-cancelled portion of this Warrant by the Holder and (y) the exercise or conversion of the unexercised, non-converted or non-cancelled portion of any other securities of the Company that do not have voting power (including without limitation any securities of the Company which would entitle the holder thereof to acquire at any time ADSs or Ordinary Shares, including without limitation any debt, preferred shares, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, ADSs or Ordinary Shares), is subject to a limitation on conversion or exercise analogous to the limitation contained herein and is beneficially owned by the Holder or any of its Affiliates and other Persons who are members of a Section 13(d) group with such Holder or its Affiliates.

(b) This Section 11 shall not restrict the number of ADSs which a Holder may receive or beneficially own in order to determine the amount of securities or other consideration that such Holder may receive in the event of a Fundamental Transaction as contemplated in Section 9 of this Warrant.

12. No Fractional Shares. No fractional Warrant ADSs will be issued in connection with any exercise of this Warrant. In lieu of any fractional shares that would otherwise be issuable, the number of Warrant ADSs to be issued shall be rounded down to the next whole number and

the Company shall pay the Holder in cash the fair market value (based on the Closing Sale Price) for any such fractional ADSs.

13. Notices. Any and all notices or other communications or deliveries hereunder (including, without limitation, any Exercise Notice) shall be in writing and shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile or confirmed e-mail at the facsimile number or e-mail address specified in the books and records of the Depository and the Company prior to 5:30 P.M., New York City time, on a Trading Day, (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile or confirmed e-mail at the facsimile number or e-mail address specified in the books and records of the Depository and the Company on a day that is not a Trading Day or later than 5:30 P.M., New York City time, on any Trading Day, (iii) the Trading Day following the date of mailing, if sent by nationally recognized overnight courier service specifying next business day delivery, or (iv) upon actual receipt by the Person to whom such notice is required to be given, if by hand delivery.

14. Warrant Agent. The Company shall initially serve as warrant agent under this Warrant. Upon thirty (30) days' notice to the Holder, the Company may appoint a new warrant agent. Any corporation into which the Company or any new warrant agent may be merged or any corporation resulting from any consolidation to which the Company or any new warrant agent shall be a party or any corporation to which the Company or any new warrant agent transfers substantially all of its corporate trust or shareholders services business shall be a successor warrant agent under this Warrant without any further act. Any such successor warrant agent shall promptly cause notice of its succession as warrant agent to be mailed (by first class mail, postage prepaid) to the Holder at the Holder's last address as shown on the Warrant Register.

15. Term of Exercise. Subject to the terms and conditions set forth herein, this Warrant shall be exercisable, in whole or in part, during the term commencing on the Original Issue Date and ending at 5:00 p.m., New York time, on the seventh anniversary of the Original Issue Date.

16. Miscellaneous.

(a) No Rights as a Shareholder. The Holder, solely in such Person's capacity as a holder of this Warrant, shall not be entitled to vote or receive dividends or be deemed the holder of share capital of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder, solely in such Person's capacity as the Holder of this Warrant, any of the rights of a holder of ADRs, ADSs or Ordinary Shares of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of shares, reclassification of shares, consolidation, merger, amalgamation, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of the Warrant ADSs which such Person is then entitled to receive upon the due exercise of this Warrant. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Warrant or otherwise) or as a shareholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company. The Holder has no right to participate in new issues of securities by the Company.

(b) Authorized Shares. (i) Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its constitution or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (a) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and non-assessable Warrant ADSs (including Warrant Shares underlying such Warrant ADSs) upon the exercise of this Warrant, and (b) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof as may be necessary to enable the Company to perform its obligations under this Warrant.

(ii) Before taking any action which would result in an adjustment in the number of Warrant ADSs for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

(c) Successors and Assigns. Subject to compliance with applicable securities laws, this Warrant may be assigned by the Holder. This Warrant may not be assigned by the Company without the written consent of the Holder. This Warrant shall be binding on and inure to the benefit of the Company and the Holder and their respective successors and assigns. Subject to the preceding sentence, nothing in this Warrant shall be construed to give to any Person other than the Company and the Holder any legal or equitable right, remedy or cause of action under this Warrant. This Warrant may be amended only in writing signed by the Company and the Holder, or their successors and assigns.

(d) Amendment and Waiver. Except as otherwise provided herein, the provisions of the Warrants may be amended and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of the Holder.

(e) Acceptance. Receipt of this Warrant by the Holder shall constitute acceptance of and agreement to all of the terms and conditions contained herein.

(f) Governing Law: Jurisdiction. ALL QUESTIONS CONCERNING THE CONSTRUCTION, VALIDITY, ENFORCEMENT AND INTERPRETATION OF THIS WARRANT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAW THEREOF, EXCEPT THAT ALL MATTERS GOVERNING THE AUTHORIZATION AND EXECUTION OF THIS WARRANT BY THE COMPANY SHALL BE GOVERNED BY THE LAWS OF THE STATE OF VICTORIA AND THE COMMONWEALTH OF AUSTRALIA. EACH OF THE COMPANY AND THE HOLDER HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS SITTING IN THE

CITY OF NEW YORK, BOROUGH OF MANHATTAN, FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION HEREWITH OR WITH ANY TRANSACTION CONTEMPLATED HEREBY OR DISCUSSED HEREIN (INCLUDING WITH RESPECT TO THE ENFORCEMENT OF ANY OF THE TRANSACTION DOCUMENTS), AND HEREBY IRREVOCABLY WAIVES, AND AGREES NOT TO ASSERT IN ANY SUIT, ACTION OR PROCEEDING, ANY CLAIM THAT IT IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF ANY SUCH COURT. EACH OF THE COMPANY AND THE HOLDER HEREBY IRREVOCABLY WAIVES PERSONAL SERVICE OF PROCESS AND CONSENTS TO PROCESS BEING SERVED IN ANY SUCH SUIT, ACTION OR PROCEEDING BY MAILING A COPY THEREOF VIA REGISTERED OR CERTIFIED MAIL OR OVERNIGHT DELIVERY (WITH EVIDENCE OF DELIVERY) TO SUCH PERSON AT THE ADDRESS IN EFFECT FOR NOTICES TO IT AND AGREES THAT SUCH SERVICE SHALL CONSTITUTE GOOD AND SUFFICIENT SERVICE OF PROCESS AND NOTICE THEREOF. NOTHING CONTAINED HEREIN SHALL BE DEEMED TO LIMIT IN ANY WAY ANY RIGHT TO SERVE PROCESS IN ANY MANNER PERMITTED BY LAW. EACH OF THE COMPANY AND THE HOLDER HEREBY WAIVES ALL RIGHTS TO A TRIAL BY JURY.

(g) Headings. The headings herein are for convenience only, do not constitute a part of this Warrant and shall not be deemed to limit or affect any of the provisions hereof.

(h) Severability. In case any one or more of the provisions of this Warrant shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Warrant shall not in any way be affected or impaired thereby, and the Company and the Holder will attempt in good faith to agree upon a valid and enforceable provision which shall be a commercially reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Warrant.

(i) ASX Listing Rules. The terms of this Warrant and the rights of the Holder hereunder, are at all times subject to the terms of the ASX Listing Rules.

(j) Internal Revenue Code. The issuance of this Warrant and the Notes pursuant to that certain Loan Agreement and Guaranty, dated as of November 19, 2021, by and among the borrowers party thereto, the Company as guarantor, the Holder and the other lenders party thereto from time to time and Oaktree Fund Administration, LLC, in its capacity as administrative agent and collateral agent, for \$[•] constitutes an “investment unit” within the meaning of Section 1273(c)(2) of the Internal Revenue Code of 1986, as amended.

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IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its authorized officer as of the date first indicated above.

MESOBLAST LIMITED
By: Name:
Title:

SCHEDULE 1

FORM OF EXERCISE NOTICE

[To be executed by the Holder to purchase ADSs under the Warrant] Ladies and Gentlemen:

- (1) The undersigned is the Holder of Warrant No [•] (the "*Warrant*") issued by Mesoblast Limited, a corporation incorporated under the laws of Australia (the "*Company*"). Capitalized terms used herein and not otherwise defined herein have the respective meanings set forth in the Warrant.
- (2) The undersigned hereby exercises its right to purchase Warrant ADSs pursuant to the Warrant.
- (3) The Holder intends that payment of the Exercise Price shall be made as a Cash Exercise. The Holder shall pay the sum of US\$[•] in accordance with the terms of the Warrant, in immediately available funds to the Company.
- (4) Pursuant to this Exercise Notice, the Company shall deliver to the Holder Warrant ADSs determined in accordance with the terms of the Warrant.
- (5) By its delivery of this Exercise Notice, the undersigned represents and warrants to the Company that in giving effect to the exercise evidenced hereby the Holder will not beneficially own in excess of the number of Ordinary Shares (as determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended) permitted to be owned under Section 11(a) of the Warrant to which this notice relates.

Dated:

Name of Holder:

By:

Name:

Title:

(Signature must conform in all respects to name of Holder as specified on the face of the Warrant)

SCHEDULE 2

FORM OF LETTER OF TRANSMITTAL

(See attached.)

In connection with the deposit of the Deposited Securities, the Depositor and any person on whose behalf it may be acting, certifies, confirms, represents, warrants, agrees and covenants to you that

(1) he, she or it has read all of the representations and warranties applicable to it that are set forth in the Deposit Agreement, including, without limitation, those set forth in paragraph (1) of the form of ADR attached to the Deposit Agreement, (2) all of such representations and warranties set forth in the Deposit Agreement are incorporated herein by this reference, and are deemed to be a part hereof as if directly set forth herein, (3) the deposit being made under this Letter of Transmittal and pursuant to such Deposit Agreement is being made in compliance with the representations, warranties and provisions of such Deposit Agreement and all applicable laws, rules and regulations, and (4) by depositing such Deposited Securities he, she or it will become a party to and be bound by the provisions of the Deposit Agreement.

Each of the Depositor and the undersigned Company hereby further certifies, confirms, represents and warrants that the Deposited Securities have been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), on a Registration Statement on Form F-3 (File No. 333-) (the "Registration Statement"), which was properly filed and declared effective by the U.S. Securities and Exchange Commission (the "Commission") on , 20__, and such Registration Statement continues to remain effective on the date hereof.

Each of the Depositor and the Company signing below hereby further certifies, confirms, represents, warrants, agrees and covenants that: (1) neither the Depositor nor any person(s) on whose behalf the Deposited Securities are being presented for deposit against the issuance of American Depositary Shares or Global Depositary Shares (in either case, "DSs") is an "issuer" of such Deposited Securities or is directly or indirectly acting for such "issuer" or is an "affiliate" (as defined in Rule 144(a)(1) promulgated under the Securities Act) of such "issuer", (2) the Deposited Securities are not "restricted securities" (as defined in Rule 144(a)(3) promulgated under the Securities Act), (3) neither the Depositor nor any such other person(s) has purchased any of such Deposited Securities from an "issuer" with a view to distribution, is proposing to offer or sell any of such Deposited Securities for an "issuer" in connection with the distribution of such Deposited Securities, or is participating, or has a direct or indirect participation, in any such undertaking or in the direct or indirect underwriting of any such undertaking, (4) such Deposited Securities do not constitute the whole or a part of an unsold allotment to or subscription by a "dealer", as a participant in the distribution of such Deposited Securities by the Company issuing the same or by or through an "underwriter"; (5) the Depositor is currently able to sell and/or resell all of the DSs issuable upon the deposit of such securities in a single transaction pursuant to the effective Registration Statement and any "prospectus delivery requirements" under the Securities Act have been, or will be at the time of sale of such DSs, complied with, (6) the Company and the Depositor meet all of the requirements for the registration, and the sale and/or resale, of such DSs issuable on the deposit of the Deposited Securities under the Securities Act on the Form Registration Statement, (7) any sales of the DSs issuable upon the deposit of such Deposited Securities will be made in compliance with the requirements of the Securities Act, the Registration Statement, including, without limitation, the "Plan of Distribution" contained in the prospectus included therein, and all other applicable securities and other laws, and (8) (a) if the Registration Statement, or the prospectus included therein, at any time is or becomes (i) no longer "effective," or such "effectiveness" is or becomes suspended, under the Securities Act for the sale and/or resale of such DSs issuable upon deposit of such Deposited Securities in accordance with its terms for any

reason, (ii) subject to any “stop order” by the Commission, or (iii) unusable, and/or (b) if either the Depositor or the Company is informed or becomes aware that the Registration Statement, or the prospectus included therein, is, or may potentially be or may potentially become, (i) no longer so “effective,” or such “effectiveness” is suspended, or may potentially be or may potentially become, suspended, under the Securities Act for the sale and/or resale of such DSs issuable upon deposit of such Deposited Securities in accordance with its terms for any reason, (ii) subject to any such “stop order” by the Commission, or (iii) unusable, in each case, for any reason, the Depositor and the Company shall so inform the Depository in writing of such fact or circumstances, and shall surrender the DSs issuable in connection with this Letter of Transmittal for cancellation and surrender of the underlying Deposited Securities and shall comply with all laws and regulations, including, without limitation, the Securities Act, with respect to such withdrawn Deposited Securities.

For the purposes of this certification the term “issuer” includes not only the Company but also any person directly or indirectly controlling, controlled by or under direct or indirect common control with the Company; the term “dealer” means any person who engages either for all or part of his time, directly or indirectly, as agent, broker, or principal, in the business of offering, buying, selling, or otherwise dealing or trading in securities issued by another person; the term “underwriter” means any person who has purchased from the “issuer” the securities presented for deposit with a view to, or offers or sells for the “issuer” in connection with, the distribution of any such securities, or participates or has a direct or indirect participation in any such undertaking, or participates or has a participation in the direct or indirect underwriting of any such undertaking; but the term “underwriter” does not include a person whose interest is limited to a commission from an underwriter or dealer not in excess of the usual and customary distributors’ or seller’ commission.

Each of the Depositor and Company signing below hereby further certifies, confirms, represents, warrants, agrees, covenants and guarantees that: (1) the Deposited Securities are not subject to any pre-emptive or similar rights; (2) the Deposited Securities are duly authorized, validly issued, fully paid and non-assessable, and were legally obtained by the Depositor; (3) all pre-emptive (and similar) rights with respect to the Deposited Securities have been validly waived or exercised; (4) the Depositor is duly authorized to deposit the Deposited Securities and has fulfilled all requirements of applicable law or regulation with respect to the Deposited Securities or the deposit thereof against the issuance of DSs; (5) the Deposited Securities are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim; (6) the Deposited Securities have not been stripped of any rights or entitlements; (7) the Deposited Securities are not subject to any unfulfilled requirements of applicable law or regulation; (8) the deposit of the Deposited Securities with JPMorgan Chase Bank, N.A., the entry in the register of members of the Company of JPMorgan Chase Bank, N.A. as the registered holder of the Deposited Securities, the issuance of DSs representing the Deposited Securities, and any offer, transfer, sale, pledge or other disposition of the DSs or the Deposited Securities represented thereby do not conflict with or result in a breach of any terms or provisions of the Company’s governing charter documents or any law, rule or regulation, and do not require any order, consent, permit, license, validation, exemption, authorization or approval of or registration with any governmental authority or agency or other official body; and (9) there are no restrictions under law on the transfer of any of the Deposited Securities or the rights of the holder of the Deposited Securities to hold or vote such Deposited Securities.

Kindly instruct JPMorgan Chase Bank, N.A., in its capacity as depository, by cable or SWIFT to deliver the relative DSs against payment of any issuance fees and charges to:

US Broker Name (DTC Participant Name):

Broker DTC Participant Number:

Contact Person:

Contact Person:

broker (if any):

US
US Broker
Email and phone number of
Email and phone number of local
A/C Name:
Number:
Sub A/C Name (if any):
Sub A/C Name (if any):

The Depositor understands that in order for the person/entity in whose name the DSs are to be registered to receive any distributions without withholding, a Form W-9 or Form W-8 must be properly submitted to the Depository.

In consideration of your so doing, each of the undersigned Depositor and Company does hereby, for itself, and its successors and assigns, unconditionally guarantee to the Depository and the Custodian, and each of their respective successors and assigns, that the Deposited Securities are genuine and that we have good title to them, and that there are no stops or restraints against the same on the books of the above Company or otherwise, and we agree at all times hereafter that if for any reason the Depository, the Custodian or any other party or parties should make claim on said Deposited Securities or declare said Deposited Securities to be invalid, if for any reason JPMorgan Chase Bank, N.A. is not recognized or at any time fails to continue to be recognized as the holder or the certification made above was not true when made, we will, upon request, substitute other valid securities, and in addition, we agree to at all times hereafter indemnify and save harmless the Depository and the Custodian, and each of their respective successors and assigns, against all loss or damage to it and its agents by reason hereof and/or by reason of breach of the above certification.

Each of the Depositor and the Company will at all times hereafter indemnify and save harmless the Depository, the Custodian and each of their respective officers, directors, employees, agents, affiliates, successors and assigns, against, and hold them harmless from, any and all liabilities, losses, claims, actions, costs, damages, penalties, fines, obligations, transfer or other taxes, duties, stamps and/or other governmental charges, and expenses of any kind whatsoever (including, without limitation, reasonable attorneys' fees and expenses) (each a "Liability" and any one or more of them "Liabilities") that may be imposed on, incurred by or asserted against any of them in connection with or arising out of or by reason of (i) this Letter of Transmittal or the transactions contemplated herein, including without limitation, the deposit of the Deposited Securities with the Depository or the Custodian, the entry of the Depository or its nominee as the registered holder of the Deposited Securities, the issuance of DSs representing the Deposited Securities, any offer, transfer, sale, pledge or other disposition of the DSs or the Deposited Securities represented thereby, any surrender and cancellation of DSs, any withdrawal of Deposited Securities represented by DSs; or (ii) any actions or omissions to act in accordance with instructions set forth in this Letter of Transmittal; or (iii) the breach or inaccuracy of any of the acknowledgements, representations,

warranties, certifications, confirmations, agreements, covenants or guarantees contained herein, including, without limitation, Liabilities arising out of any claim against any of them by any registered holder or beneficial owner of the DSs issued in accordance with the instructions set forth herein and/or any transferee or pledgee thereof.

Each of the Depositor and the Company acknowledges and agrees that its indemnities, acknowledgements, certifications, confirmations, representations, warranties, agreements, covenants and guarantees herein shall survive the deposit of Deposited Securities hereunder, the issuance of DSs representing the Deposited Securities, any offer, transfer, sale, pledge or other disposition of the DSs or the Deposited Securities represented thereby, any surrender and cancellation of DSs, and any withdrawal of Deposited Securities represented by DSs.

Delivery of an executed copy of this Letter of Transmittal by facsimile or other electronic transmission (including “.pdf”, “.tif” or similar format) shall be effective as delivery of a manually executed version hereof.

This Letter of Transmittal shall be governed by and construed in accordance with the internal laws of the State of New York.

Certified and Agreed to as of the date first above written:

DEPOSITOR:

(Firm Name)

By: Name:
 Title:
 Contact Phone Number:

N.B. An official signature is required.

COMPANY:

Mesoblast
Limited

(Company Name)

By:

Name:

Title:
Secretary

Contact Phone Number:

Company

N.B. An official signature is required.

Subsidiaries of Mesoblast Limited

Legal Entity

Mesoblast International Sarl
Mesoblast UK Limited
Mesoblast, Inc.

Jurisdiction of Organization

Switzerland
United Kingdom
United States

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Silviu Itescu, certify that:

1. I have reviewed this annual report on Form 20-F of Mesoblast Limited (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: August 31, 2022

By: _____
/s/ Silviu Itescu
Silviu Itescu
Chief Executive Officer

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Andrew Chaponnel, certify that:

1. I have reviewed this annual report on Form 20-F of Mesoblast Limited (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: August 31, 2022

By: _____
/s/ Andrew Chaponnel
Andrew Chaponnel
Interim Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Mesoblast Limited (the "Company") on Form 20-F for the year ended June 30, 2022 as filed on the date hereof (the "Report"), I, Silviu Itescu, Chief Executive Officer for the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge: I, Silviu Itescu, certify that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 31, 2022

By: _____ /s/ Silviu Itescu
Silviu Itescu
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Mesoblast Limited (the "Company") on Form 20-F for the year ended June 30, 2022 as filed on the date hereof (the "Report"), I, Andrew Chaponnel, Interim Chief Financial Officer for the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

I, Andrew Chaponnel, certify that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 31, 2022

By: _____
/s/ Andrew Chaponnel
Andrew Chaponnel
Interim Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-261863 and 333-240107) of Mesoblast Limited of our report dated August 31, 2022 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers
Melbourne, Australia
August 31, 2022

Appendix 4E

Preliminary final report for the twelve months to 30 June 2022

Name of entity

MESOBLAST LIMITED
ABN 68 109 431 870

1. Reporting period

Report for the financial year ended	30 June 2022
Previous corresponding period is the financial year ended	30 June 2021

2. Results for announcement to the market

	Up/down	% change		Amount reported for the year ended 30 June 2022 USD'000
Revenues from ordinary activities (<i>item 2.1</i>)	Up	37%	to	10,214
Loss from ordinary activities after tax attributable to members (<i>item 2.2</i>)	Down*	8%	to	91,347
Net loss for the period attributable to members (<i>item 2.3</i>) *decrease in loss	Down*	8%	to	91,347
There are no dividends being proposed or declared for the period (<i>item 2.4 and 2.5</i>)				
Commentary related to the above results				
Please refer to 'Item 5.A Operating results' within the Form 20-F for the year ended 30 June 2022.				

3. Net tangible assets per security

Net tangible (liability)/asset backing
per ordinary security (in USD cents)

30 June 2022	30 June 2021
(10.18) cents	2.64 cents

A large proportion of the Company's assets are intangible in nature, consisting of goodwill, acquired licenses to patents, in-process research and development acquired, currently marketed products and right-of-use assets. Our intangible assets primarily relate to the acquisition of both Mesoblast, Inc and the culture-expanded Mesenchymal Stem Cell technology. These assets and the associated provision for contingent consideration are excluded from the calculation of net tangible assets per security. As at June 30, 2022 and 2021, the value of deferred tax liabilities was \$Nil.

4. Other documents accompanying this Appendix 4E

This Appendix 4E should be read in conjunction with the Mesoblast annual report on the form 20-F, which includes:

- Item 18 Financial Statements; and
- Other sections as tabled below.

This preliminary final report and the associated Directors' Report are found throughout the various sections of the accompanying Mesoblast annual report on the form 20-F.

The following table has been provided to assist readers to locate each section of the Directors' Report within the accompanying annual report on the form 20-F.

Sections of Directors' Report	Form 20-F Reference
Principal activities	Item 5.A Operating Results See subheading – "Financial Overview"
Review of operations and activities	Item 4.B Business Overview Item 5.A Operating Results
Business strategies and prospects for future years	Item 4.B Business Overview
Business risks	Item 3.D Risk Factors
Significant changes in the state of affairs	Item 5.A Operating Results See subheading – "Significant changes in the state of affairs"
Matters subsequent to the end of the financial year	Item 8.B Significant Changes
Likely developments and expected results of operations	Item 5.A Operating Results See subheading – "Likely developments and expected results of operations"
Environmental regulations	Item 5.A Operating Results See subheading – "Environmental regulations"
Dividends	Item 4.B Business Overview See subheading – "Dividends"
Information on directors	Item 6.A Key Management Personnel See subheading – "Details of Directors and Senior Management"
Remuneration report	The Remuneration report starts at Item 6 and ends part way through Item 6.B as indicated
Indemnification of officers	Item 6.B Compensation See subheading – "Indemnification of officers"
Proceedings on behalf of the group	Item 6.B Compensation See subheading – "Proceedings on our behalf"
Non-Audit Services	Item 6.B Compensation See subheading – "Non-audit services"
Auditor's independence declaration	Exhibits 99.2
Directors' Resolution	Item 6.B Compensation See subheading – "Directors' resolution"

5. Audited Financial Report 2022

This preliminary final report has been based on accounts which have been audited. The independent auditors report includes the following statement:

We draw attention to Note 1(j) in the financial report, which indicates that the Group had net cash outflows from operating activities of \$65.8 million and the ability of the Group to continue as a going concern is dependent on the Group obtaining financing from one or more sources. These conditions, along with other matters set forth in Note 1(j), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

A copy of the audited Financial Statements for the year ended 30 June 2022 is included in Item 18 Financial Statements within the Form 20-F.

- End of Appendix 4E -

This page is required for Australian Disclosure Requirements and has been intentionally left blank.