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, 2018

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)

AUSTRALIA
(Jurisdiction of incorporation or organization)

Level 38, 55 Collins Street
Melbourne, VIC, 3000, Australia
Telephone: +61 (3) 9639 6036
(Address of principal executive offices)

Silviu Itescu
Chief Executive Officer
Telephone: +61 (3) 9639 6036; Fax: +61 (3) 9639 6030
Level 38, 55 Collins Street
Melbourne, VIC, 3000, Australia
(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. None

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

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing five Ordinary Shares*	The NASDAQ Global Select Market

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.

482,639,654 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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 definitions 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 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 depositary shares, each of which represents ordinary shares, and "ADRs" refers to the American depositary receipts that evidence our ADSs.
- "Mesoblast," "we," "us" or "our" refer to Mesoblast Limited and its subsidiaries.
- "A$" or "Australian dollar" refers to the legal currency of Australia.
- "IFRS" refers to the International Financial Reporting Standards as issued by the International Accounting Standards Board, or IASB.
- "AIFRS" refers to the Australian equivalents to International Financial Reporting Standards as issued by the Australian Accounting Standards Board, or AASB.
- "U.S. GAAP" refers to the Generally Accepted Accounting Principles in the United States.
- "FDA" refers to the United States Food and Drug Administration.
- "US$" 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.

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;

- the commercialization of our product candidates, if approved;
- regulatory or public perceptions and market acceptance surrounding the use of stem-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;
- 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 thoroughly this Form 20-F and the documents that we refer to herein 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.

PART I

Item 1. Identity of Directors, Senior Management

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

3.A Selected Financial Data

The following selected consolidated financial data presented below has been extracted from our consolidated financial statements prepared in accordance with IFRS as issued by the IASB. Our consolidated financial statements for the years ended June 30, 2018, 2017 and 2016 are included in "Item 18. Financial Statements" in this Form 20-F.

The summary consolidated financial data should be read in conjunction with "Item 5. Operating and Financial Review and Prospects" and our consolidated financial statements and related notes thereto. Historical results are not necessarily indicative of results to be expected in the future.

	Year ended June 30,				
(in U.S. dollars, in thousands except per share information)	**2018**	**2017**	**2016**	**2015**	**2014**
Consolidated Income Statement Data:					
Revenue:					
Commercialization revenue	$ 3,641	$ 1,444	$ 37,969	$ 15,004	$ 15,004
Milestone revenue	13,334	500	3,500	2,000	—
Interest revenue	366	468	1,079	2,757	8,386
Total revenue	**17,341**	**2,412**	**42,548**	**19,761**	**23,390**
Research & development	(65,927)	(58,914)	(50,013)	(62,649)	(50,929)
Manufacturing commercialization	(5,508)	(12,065)	(29,763)	(23,783)	(25,434)
Management and administration	(21,907)	(23,007)	(22,500)	(29,540)	(24,403)
Fair value remeasurement of contingent consideration[1]	10,541	(130)	28,112	(15,336)	(4,327)
Other operating income and expenses	1,312	1,489	2,714	15,303	6,173
Finance costs	(1,829)	—	—	—	—
Impairment of intangible assets	—	—	(61,919)	—	—
Loss before income tax	**(65,977)**	**(90,215)**	**(90,821)**	**(96,244)**	**(75,530)**
Income tax benefit/(expense)	30,687	13,400	86,694	—	(4)
Loss attributable to the owners of Mesoblast Limited	**$ (35,290)**	**$ (76,815)**	**$ (4,127)**	**$ (96,244)**	**$ (75,534)**
Losses per share from continuing operations attributable to the ordinary equity holders:	**Cents**	**Cents**	**Cents**	**Cents**	**Cents**
Basic - losses per share[2]	(7.58)	(19.25)	(1.13)	(29.71)	(23.42)
Diluted - losses per share[2]	(7.58)	(19.25)	(1.13)	(29.71)	(23.42)

(1) For the year ended June 30, 2017, the Group identified an opportunity to enhance the presentation of the fair value remeasurement of contingent consideration and associated unwinding of the discount rate recorded within finance costs in the Consolidated Income Statement. The Group considered that the change in contingent consideration is primarily due to changes in assumptions about the settlement of the contingent consideration and these line items in the Consolidated Income Statement should therefore be reported in aggregate, to provide more relevant information to the users of the financial statements. This change in presentation has been retrospectively applied to the years ended June 30, 2016, 2015 and 2014.

(2) For the year ended June 30, 2018, the Group adjusted its losses per share calculations to reflect the bonus element in the fully underwritten institutional and retail entitlement offer to existing eligible shareholders which occurred in September 2017. This change has been retrospectively applied to the years ended June 30, 2017, 2016, 2015 and 2014.

(in U.S. dollars, in thousands except per share information)	As of June 30, 2018	2017	2016	2015	2014
Consolidated Balance Sheet Data:					
Cash and cash equivalents	37,763	45,761	80,937	110,701	185,003
Total current assets	101,071	63,609	88,823	122,460	191,931
Total assets	692,443	655,686	684,018	781,766	847,153
Total current liabilities	24,003	36,670	29,415	48,407	40,199
Total liabilities	146,435	138,920	155,857	313,779	308,594
Total net assets	546,008	516,766	528,161	467,987	538,559
Equity:					
Issued capital (482,639,654; 428,221,398; 381,363,137; 336,997,729 and 321, 640,094 ordinary shares (no par value) issued as of June 30, 2018, 2017, 2016, 2015, and 2014, respectively)	889,481	830,425	770,272	709,191	662,722
Reserves	36,719	31,243	25,976	22,756	43,553
(Accumulated loss)/retained earnings	(380,192)	(344,902)	(268,087)	(263,960)	(167,716)
Total equity	546,008	516,766	528,161	467,987	538,559

(in U.S. dollars, in thousands)	Year ended June 30, 2018	2017	2016	2015	2014
Cash Flow Data:					
Net cash (outflows) in operating activities	(75,012)	(95,471)	(87,996)	(101,036)	(74,906)
Net cash (outflows)/inflows in investing activities	(1,153)	142	(1,727)	(5,064)	(38,202)
Net cash inflows in financing activities	68,613	60,005	62,066	45,852	2,196
Net (decrease) in cash and cash equivalents	**(7,552)**	**(35,324)**	**(27,657)**	**(60,248)**	**(110,912)**

Exchange Rate

The Company publishes its consolidated financial statements expressed in U.S. dollars. Mesoblast Limited, the parent entity of the Group, has a functional currency of Australian dollars. For the convenience of the reader, this Annual Report contains translations of certain Australian dollar amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the Australian dollar amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise stated, the translations of Australian dollars into U.S. dollars have been made at the rate of US$0.7391 = A$1.00, the foreign exchange rate as issued daily by the Reserve Bank of Australia (http://www.rba.gov.au/statistics/tables/) on June 29, 2018.

Exchange rates for the six months to July 2018 A$1.00 per US$:

	High	Low
Most recent six months:		
Month ended February 28, 2018	0.8044	0.7779
Month ended March 31, 2018	0.7876	0.7665
Month ended April 30, 2018	0.7804	0.7545
Month ended May 31, 2018	0.7588	0.7435
Month ended June 30, 2018	0.7664	0.7353
Month ended July 31, 2018	0.7467	0.7360

Exchange rates for the last five fiscal years A$1.00 per US$:

	Average Rate(1)
Annual:	
Fiscal year ended	
June 30, 2014	0.9148
June 30, 2015	0.8288
June 30, 2016	0.7272
June 30, 2017	0.7542
June 30, 2018	0.7736

(1) Determined by calculating the average rate of the exchange rates on the last trading day of each month during the period.

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, 2018 was $35.3 million. As of June 30, 2018, we have an accumulated deficit of $380.2 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 in the future as we move toward commercialization, including the scaling up of our manufacturing activities and our establishment of infrastructure and logistics necessary to support a potential product launch. 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 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 any 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 anticipate generating revenues from product sales for the foreseeable future (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 Alifosel®, previously known as Cx601, an adipose-derived mesenchymal stem cell product developed by TiGenix NV, 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 and 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 a sales force, marketing and distribution capabilities and necessary supporting infrastructure including capabilities and systems necessary to ensure compliance with legal and regulatory requirements relating to interactions with healthcare providers;
- obtaining market acceptance of our product candidates and stem cell therapy as a viable treatment option;
- addressing any competing technological and market developments;
- obtaining and sustaining an adequate level of reimbursement from payors;
- identifying and validating new stem 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 any approved product candidate. Our expenses could increase beyond expectations if we are required by the 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 when needed 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, 2018, our cash and cash equivalents were $37.8 million. We expect to continue to incur significant expenses and increasing 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")), MSC-100-IV (acute Graft versus Host Disease ("aGVHD")) 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;
- 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 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 collaborations, 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 described in Note 1(i) of our accompanying financial statements, our continuing viability and our ability to continue as a going concern and meet our debts and commitments as they fall due are dependent upon the strategic alliance with Tasly Pharmaceutical Group (“Tasly”), non-dilutive funding in the form of commercial partnering transactions or equity-based financing to fund future operations, together with maintaining implemented cost containment and deferment strategies.

Management and the directors believe that we will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis, notwithstanding that there is a material uncertainty that may cast significant doubt on our ability to continue as a going concern and that we may be unable to realize our assets and liabilities in the normal course of business. Our 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 in the future, 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 us.

The terms of our loan facilities with Hercules Capital, Inc. (“Hercules”) 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 March 6, 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 at closing. 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 MSC-100-IV in pediatric patients with steroid refractory 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 Hercules and NovaQuest contain a number of restrictive covenants that impose operating restrictions on us, which may restrict our ability to respond to changes in our business or take specified actions. 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, Hercules 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 Hercules or NovaQuest accelerates the repayment, if any, we may not have sufficient funds to repay our existing debt. If we were unable to repay those amounts, Hercules 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 Hercules, and a portion of our assets relating to the 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 92% of our cash and cash equivalents as of June 30, 2018 were denominated in U.S. dollars and 8% 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.

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

Our product candidates are based on our novel mesenchymal lineage adult stem cells ("MLC") 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 stem cell products have been approved in the United States.

Other than with respect to sales of TEMCELL by our licensee JCR in Japan, we have not commercially marketed, distributed or sold any products, either ourselves or through a licensee. 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 MLC platform, a novel type of stem 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 MLC 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 than other, better known or extensively studied pharmaceutical or other product candidates to develop. 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. At the moment, no industrially manufactured, non-hematopoietic, allogeneic stem cell products have been approved in the United States, which makes it difficult to determine how long it will take or how much it will cost to obtain regulatory approvals for our product candidates in either the United States or elsewhere.

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

Other than with respect to TEMCELL which is sold by our licensee in Japan, we have not obtained any regulatory approvals for a product, either ourselves or through a licensee. 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.

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 the Phase 3 CHF trial from Teva Pharmaceutical Industries Ltd;
- 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 prospective 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 the testing, validation, manufacturing and delivery of the product candidates to the clinical 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 the 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.

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 stem cell therapy trials because of negative publicity from adverse events in the biotechnology or stem cell 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. As a result, 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, 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;
- ability to monitor patients adequately during and after treatment; and
- the degree of treatment effect in event-driven trials.

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 and CROs;
- standards within different jurisdictions for conducting clinical trials and resulting patients;
- our inability to locate 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
- 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.

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 stem cell 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 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, even 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 other 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 Class II-IV CHF, and MSC-100-IV, which will focus on steroid-refractory aGVHD. 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 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.

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 (other than TEMCELL which is sold under license in Japan), even if we expend substantial time and resources seeking such approval.

Further, regulatory requirements governing stem 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 new 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. As this is a new law, it is not clear yet what impact it will have on the operation of our business. Although the FDA issued draft guidances for comment in November 2017, it remains unclear how and when the FDA will finalize these and fully implement 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.

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;
- the inability to obtain sufficient quantities of the product candidates required for clinical trials;
- 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. In addition, regulatory approval does not specify pricing or reimbursement which may not match our expectations based on the results of our clinical data.

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 (LVADs). 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 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 a product candidate, 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 MLCs, is frequently misunderstood by the public. Negative public attitudes toward stem cell therapy could also result in greater governmental regulation of stem cell therapies, which could harm our business. The use of these 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 stem cells 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 stem cells may lead researchers to leave the field of stem cell 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.

Fast track designation by the FDA may not lead to a faster development or regulatory review or approval process, and it does not increase the likelihood that any of our product candidates will receive marketing approval in the United States.

If a drug is intended for the treatment of a serious or life-threatening condition or disease and the applicable nonclinical or clinical data demonstrate the potential to address unmet medical needs for this condition, the drug sponsor may apply for FDA fast track designation. The FDA has broad discretion whether or not to grant this designation, so even if we believe a particular product candidate is eligible for this designation, we cannot assure that the FDA would decide to grant it. Our MSC-100-IV product candidate has received fast track designation for the treatment of aGVHD by the FDA. We may in the future seek fast track designation for other of our product candidates as appropriate in the United States. For any product candidate that receives fast track designation, we may not experience a faster development, review or approval process compared to conventional FDA procedures. The FDA may withdraw fast track designation if it believes that the designation is no longer supported by data from our clinical development program.

Orphan drug designation may not ensure that we will enjoy 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 European Union 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 MSC-100-IV product candidate has received orphan drug designation for the treatment of aGVHD by the FDA. 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.

Breakthrough therapy designation by the FDA may not lead to a faster development or regulatory review or approval process, and it does not increase the likelihood that any of our product candidates will receive marketing approval in the United States.

We have in the past and may in the future apply for breakthrough therapy designation for our product candidates, as appropriate, in the United States. A breakthrough therapy is defined as a product that is intended, alone or in combination with one or more other drugs, to treat a serious or life-threatening disease or condition, and for which preliminary clinical evidence indicates substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. For drugs and biologics that have been designated as breakthrough therapies, interaction and communication between the FDA and the applicant can help to identify the most efficient path for clinical development while minimizing the number of patients placed in ineffective control regimens. Products designated as breakthrough therapies by the FDA may, in some cases, also be eligible for accelerated approval.

Designation as a breakthrough therapy is within the discretion of the FDA. Accordingly, even if we believe one of our products or product candidates meets the criteria for designation as a breakthrough therapy, the FDA may disagree. In any event, the receipt of a breakthrough therapy designation for a product or product candidate may not result in a faster development process, review or approval compared to products considered for approval under conventional FDA procedures and does not assure ultimate approval by the FDA. We have in the past been denied breakthrough designation for certain of our product candidates. In addition, even if one or more of our products or product candidates does qualify as a breakthrough therapy, the FDA may later decide that the products no longer meet the conditions for qualification or decide that the time period for FDA review or approval will not be shortened.

We may be required to participate in FDA Advisory Committee proceedings for some or all of our product candidates which may raise unanticipated safety and other concerns about our product candidates in a public forum.

It is likely that we will have to participate in FDA Advisory Committee proceedings for our aGVHD product candidate as well as potentially other product candidates. FDA Advisory Committees are convened to conduct public hearings on matters of importance that come before FDA, to review the issues involved, and to provide advice and recommendations to the Agency. New product candidates may be referred for review by Advisory Committees whether 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/advocates from the consumer sector), may impact 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.

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

We may face competition from biosimilars due to the changing 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 Trump'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, with the attendant competitive pressure and consequences.

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 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 quantities of our MLC product candidates in manufacturing facilities, owned by Lonza Walkersville, Inc. and Lonza Bioscience Singapore Pte. Ltd. (collectively referred to as "Lonza"). We do not have any direct experience in manufacturing commercial quantities of any of our product candidates. The production of any biopharmaceutical, particularly stem cells, 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 for clinical trials and 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.

Further, we have made significant advances in the development of 3-dimensional ("3D") bioreactor based production for MLCs, the goal of which is to allow us to produce our products at commercial scale. There is no guarantee that we will successfully complete this process 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 two-dimensional, or 2D, manufacturing processes. In the event our transition to 3D manufacturing is unsuccessful, we may not be able to produce our products in a cost-efficient manner and our business may be adversely affected.

We rely on Lonza as our sole supplier and manufacturer of certain of 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 MLC 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 MLC product candidates. Relying on Lonza as our sole source to manufacture our MLC 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; 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 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 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.

Our or our 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 MLC-containing bone marrow from donors, for which we currently rely on Lonza. MLCs 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 will 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 and the product candidates themselves. We rely exclusively on Lonza to supply certain of our product candidates. In addition, we rely on additional third parties to provide 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 disc repair). 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;
- 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 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. Further, we may be required to conduct additional clinical trials using 3D manufacturing processes before we receive regulatory approval.

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, Lonza for compliance with the regulatory requirements. If Lonza 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 Lonza 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.

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, stem cell-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 and patients 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 sales, marketing and distribution capabilities or enter into licensing or collaboration agreements for these purposes, we may not be successful in independently commercializing any future products.

We have no sales and marketing infrastructure and, as a company, have limited sales, marketing or distribution 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 lack of complementary products to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more diversified product lines; 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 clinical testing, obtaining regulatory approvals, recruiting patients and in manufacturing pharmaceutical products. 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 the stem cell industry and/or those with collaboration arrangements and other third party payors. 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, 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, and we expect that with the recent change in the administration the Affordable Care Act may be repealed or significantly amended. We can provide no assurance that 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 there are 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 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 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 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 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 stem 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 stem cell therapy, 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 do not clearly demonstrate the efficacy 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 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. 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 and military conditions in such countries. For example, on June 23, 2016, the electorate in the United Kingdom, or UK, voted in favor of leaving the European Union (EU) (commonly referred to as “Brexit”). Thereafter, on March 29, 2017, the country formally notified the EU of its intention to withdraw pursuant to Article 50 of the Lisbon Treaty. The withdrawal of the UK from the EU will take effect either on the effective date of the withdrawal agreement or, in the absence of agreement, two years after the UK provides a notice of withdrawal pursuant to the EU Treaty. The United Kingdom's vote to leave the European Union creates an uncertain political and economic environment in the United Kingdom and potentially across other European Union member states, which may last for a number of months or years. 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 between the U.K. and 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 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 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 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. Assuming that other requirements for patentability are met, prior to March 2013, in the United States, the first to invent the claimed invention was entitled to the patent, while outside the United States, the first to file a patent application was entitled to the patent. After March 2013, under the Leahy-Smith America Invents Act, or the America Invents Act, enacted in September 2011, the United States transitioned to a first inventor to file system in which, assuming that other requirements for patentability are met, the first inventor to file a patent application will be entitled to the patent on an invention regardless of whether a third party was the first to invent the claimed invention. 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 America Invents Act also includes a number of significant changes that affect the way patent applications are prosecuted and may also affect patent litigation and proceedings. These include allowing 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. The new post-grant review (PGR) proceedings added as of September 2012 by the America Invents Act, 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 USTPO 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. Therefore, the America Invents Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our owned or in-licensed patent applications and the enforcement or defense of our owned or in-licensed issued patents, all of which could have a material adverse effect on our business, financial condition, results of operations, and prospects.

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 during which we will have the right to exclusively market our product will be shortened and our competitors may obtain approval of 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 and regulatory affairs 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 Silviu Itescu, our Chief Executive Officer. Dr. Itescu was an early pioneer in the study and clinical development of stem 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. We do not maintain "key person" insurance for any of our executives or other employees.

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. In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our research and development and commercialization strategy. Our consultants and advisors may be employed by employers other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us.

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 laws. 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. ("Osiris") 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 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, 2018, our cumulative operating losses have a total potential tax benefit of $97.4 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 June 30, 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 provided by Section 382 of the Internal Revenue Code of 1986. 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 are 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. We currently project to benefit from these incentives in future taxable years. We recognized income of $1.8 million and $1.5 million, respectively, from the Research and Development Tax Incentive program for the years ended June 30, 2018 and 2017. To the extent our research and development expenditures are deemed to be “ineligible,” then our grants would decrease.

There can be no assurances that we will continue to benefit from these incentives or that such tax incentive credit programs will not be revoked or modified in any way in the future. 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 2016 and in the May 2018 Federal budget announced its intention to pass certain recommendations of the review panel into law to reduce the research and development tax incentive credits available in certain circumstances. One of the changes announced in May 2018 was to reduce the amount of the research and development tax incentive credits available by capping the annual refundable tax offset amount at A$4.0 million for companies with an annual aggregate turnover of less than A$20.0 million, such as us, however, refundable tax offsets related to spend incurred on clinical trials conducted in Australia would not be capped. If the Research and Development Tax program incentives are revoked or modified, or if we no longer qualify as a small-medium business under the A$20.0 million turnover test or we are no longer eligible for such incentives due to other circumstances, our business, results of operations and financial condition may be adversely affected.

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 prices 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 prices as not reflecting arms' length transactions, they could require us to adjust our transfer prices and thereby reallocate our income to reflect these revised transfer prices, 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 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* ("HITECH"), 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. 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 ("GDPR"), 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.

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 United States and (c) our business must be administered principally outside the United States. 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 United States generally accepted accounting principles, 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.

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 new 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 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 Hercules 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.

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.

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 Global Select Market 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;
- natural disasters 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.

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 will 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. 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 and, if adversely determined, could have a material adverse effect on our results of operations and financial condition.

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 Global Select Market, we will be permitted to, and plan to, follow certain home country corporate governance practices in lieu of certain Nasdaq Global Select Market 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 *Securities Exchange Act of 1934*, as amended (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, 2018, 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 as 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 Australian research and development tax incentive credits and other active 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. 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 depositary 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 depositary 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 depositary. However, the depositary 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 depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary 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 United States. 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 United States. 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 United States 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 United States 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.

Our Constitution and Australian laws and regulations applicable to us may adversely affect our ability to take actions that could be beneficial to our shareholders.

As an Australian company we are subject to different corporate requirements than a corporation organized under the laws of the United States. Our Constitution, as well as the Corporations Act, sets forth various rights and obligations that apply to us as an Australian company and which may not apply to a U.S. corporation. These requirements may operate differently than those of many U.S. companies.

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 U.S.. 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.

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

Important Corporate Developments

Fiscal year 2018 to date of annual report

July — Entered into a strategic alliance with Tasly Pharmaceutical Group ("Tasly") for the development, manufacture and commercialization in China of 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 receive exclusive rights and will fund all development, manufacturing and commercialization activities in China for MPC-150-IM and MPC-25-IC. Mesoblast will receive $40.0 million on closing, $25.0 million on product regulatory approvals in China, double-digit escalating royalties on net product sales and is eligible to receive six escalating milestone payments upon the product candidates reaching certain sales thresholds in China. Tasly and Mesoblast plan to leverage each other's clinical trial results to support their respective regulatory submissions. The transaction is subject to filing with the State Administration of Foreign Exchange.

Shawn Cline Tomasello appointed Non-executive Director bringing substantial commercial and transactional experience to the Board. She was Chief Commercial Officer at Kite Pharma, where she played a pivotal role in the company's acquisition in 2017 by Gilead Sciences for $11.9 billion and was previously Chief Commercial Officer at Pharmacyclics, Inc., which was acquired in 2015 by AbbVie, Inc. for $21.0 billion.

In July, we announced that on June 29, 2018, we entered into a $50.0 million financing facility with NovaQuest Capital Management, L.L.C. ("NovaQuest") for the continued development and commercialization of remestemcel-L (MSC-100-IV) for children with steroid refractory acute Graft versus Host Disease (aGVHD). NovaQuest was formed in 2000 as a strategic investment unit within Quintiles (now IQVIA), the world's largest clinical research organization. On closing, Mesoblast drew $30.0 million and issued $10.0 million in ordinary shares. Prior to maturity in July 2026, the loan is only repayable from net sales of remestemcel-L. Interest payments will be deferred until after the first ex Asia commercial sale of remestemcel-L. The financing is subordinated to the senior creditor, Hercules.

June — Key Day 100 survival outcomes of MSC-100-IV (remestemcel-L), in children with steroid refractory aGVHD presented at the 2018 annual meeting of the International Society for Stem Cell Research (ISSCR in Melbourne. Top line Day 100 results demonstrated 87% survival rate for Day 28 responders to remestemcel-L treatment (33/38), and an overall survival rate of 75% (41/55). The multi-infusion regimen of remestemcel-L was well tolerated.

Joseph R. Swedish joined Mesoblast's Board of Directors bringing than two decades of healthcare leadership experience as the CEO for major U.S. healthcare organizations, including as Executive Chairman, President and CEO of Anthem Inc., a Fortune 33 company and the leading health benefits provider in the U.S. He replaced Dr Ben-Zion Weiner.

May — Josh Muntner appointed Chief Financial Officer, based in New York, bringing substantial U.S. corporate finance, transactional and capital markets experience to Mesoblast.

	Entered into partnership with Cartherics Pty Ltd (“Cartherics”) to develop allogeneic off-the-shelf CAR-T cells armed with multiple targeting receptors for use in solid cancers. Mesoblast and Cartherics will jointly own the intellectual property produced using their combined technologies.
April	The independent Data Monitoring Committee for the Phase 3 trial evaluating MPC-150-IM in moderate to advanced chronic heart failure conducted a scheduled review of available data from 465 randomized patients and recommended continuation of the trial without modification.
March	Enrollment completed in the Phase 3 trial evaluating a single intra-discal injection of product candidate MPC-06-ID in patients with chronic low back pain due to degenerative disc disease. The 2:1 randomized, placebo-controlled Phase 3 trial enrolled 404 patients across 48 centers in the United States and Australia.
	Entered into a $75.0 million non-dilutive, four-year credit facility with Hercules, a leading specialty finance company, drawing the first tranche of $35.0 million on closing. An additional $15.0 million may be drawn on or before Q4 CY2018, and a further $25.0 million may be drawn on or before Q3 CY2019, as certain milestones are met.
February	Phase 3 trial of remestemcel-L in children with steroid refractory aGVHD successfully met the primary endpoint of Day 28 overall response rate. In the 55 children enrolled in the open-label trial conducted across 32 sites in the U.S., the Day 28 OR rate was 69%, a statistically significant increase compared to the protocol-defined historical control rate of 45% (p=0.0003). Among patients who received at least one treatment infusion and were followed up for 100 days (n=50), the mortality rate was 22%, in contrast to Day 100 mortality rates as high as 70% in patients who fail to respond to initial steroid therapy. The treatment regimen of remestemcel-L was well tolerated.
	These Phase 3 study results of remestemcel-L were presented at the tandem annual scientific meetings of the Center for International Blood & Marrow Transplant Research and the American Society of Blood and Marrow Transplantation held in Salt Lake City from February 21-25, 2018.
December	FDA granted Regenerative Medicine Advanced Therapy (RMAT) designation for MPC-150-IM in the treatment of heart failure patients with left ventricular systolic dysfunction and left ventricular assist devices (LVADs). The RMAT designation under the 21st Century Cures Act aims to expedite the development of regenerative medicine therapies intended for the treatment of serious diseases and life-threatening conditions.
	Completed enrollment of Phase 3 trial of remestemcel-L in children with aGVHD.
	TiGenix NV, now a wholly owned subsidiary of Takeda Pharmaceutical Company Limited (“Takeda”), was granted exclusive worldwide access to certain of Mesoblast’s patents to support global commercialization of its adipose-derived mesenchymal stem cell product Alofisel®, previously known as Cx601, for the local treatment of fistulae. As consideration, Mesoblast will receive up to €20.0 million in payments, as well as single digit royalties on net sales of Alofisel®.
	Frost & Sullivan named Mesoblast the 2017 Global Technology Leader in the Cell Therapy Industry.
	Results from the randomized, placebo-controlled Phase 2 trial of MPC-300-IV over 52 weeks in patients with biologic refractory rheumatoid arthritis (RA) presented at the 2017 American College of Rheumatology Annual Meeting in San Diego
September	A multi-center team of researchers led by Icahn School of Medicine at Mount Sinai Hospital, New York, completed enrollment of a 159-patient Phase 2b trial evaluating MPC-150-IM for the treatment of end-stage heart failure in patients with left ventricular systolic dysfunction and LVADs.
	Completion of a fully underwritten 1 for 12 pro-rata accelerated non-renounceable entitlement offer raising approximately A$50.7 million with proceeds to fund Phase 3 clinical programs, commercial manufacturing and ongoing operations.
August	Announced plans to achieve an accelerated market entry of product candidate MPC-150-IM in the treatment of patients with the most advanced stages of chronic heart failure, defined as New York Heart Association stages Class III and Class IV.
	Results of the Phase 2a trial of MPC-75-IA for prevention of radiographic and clinical features of knee osteoarthritis after traumatic injury published in Arthritis Research & Therapy. The results showed a single intra-articular injection of MPC-75-IA reduced cartilage loss and bone changes by six months, and improved pain and function for over two years, when compared to controls.

Fiscal year 2017

June	Results from Phase 2 trial in patients with biologic refractory RA were selected by peer review and presented at the European League Against Rheumatism (EULAR) Annual European Congress of Rheumatology.

April	Phase 3 trial of product candidate MPC-150-IM in patients with moderate to advanced chronic heart failure was successful in the pre-specified interim futility analysis of the efficacy endpoint in the trial's first 270 patients. The trial's Independent Data Monitoring Committee formally recommended that the trial should continue as planned
	Received A$3.7 million from the Australian Government for Research & Development activities conducted during the 2016 fiscal year.
	FDA cleared the commencement of a 24-patient trial sponsored and funded by the Boston Children's Hospital and combining Mesoblast's mesenchymal precursor cells (MPCs) with corrective heart surgery in children under the age of 5 with hypoplastic left heart syndrome.
March	Successfully completed a fully underwritten institutional placement of 26.25 million new shares for gross proceeds of approximately $40.0 million.
	Results from the Phase 2 trial in patients with chronic low back pain due to intervertebral disc degeneration showed that a single intra-discal injection of 6 million MPCs resulted in meaningful improvements in both pain and function that were durable for at least 36 months.
	FDA granted a Fast Track designation for the use of MSC-100-IV to achieve improved overall response rate in children with steroid refractory acute graft versus host disease.
February	39-week data from the Phase 2 trial in patients with RA resistant to anti-Tumor Necrosis Factor agents showed that a single intravenous infusion of the product candidate MPC-300-IV was well tolerated and demonstrated a durable improvement in clinical symptoms, physical function, and disease activity relative to placebo over this period of follow-up.
	Results of a new study published in the peer-reviewed journal *Stem Cell Research & Therapy* showed that a single intravenous infusion of 150 million of the Company's proprietary allogeneic "off-the-shelf" STRO-3 immunoselected MPCs significantly improved clinical disease severity, reduced joint cartilage erosions, and improved synovial inflammation and histopathology in a large animal model of early RA.
December	Entered into an equity purchase agreement with Mallinckrodt Pharmaceuticals to exclusively negotiate a commercial and development partnership for MPC-06-ID in the treatment or prevention of moderate/severe chronic low back pain due to disc degeneration and MSC-100-IV in the treatment of aGVHD. As consideration, Mallinckrodt purchased approximately 20.04 million of Mesoblast's ordinary shares for gross proceeds of approximately A$29.6 million.
	MD Anderson Cancer Center and the United States National Institutes of Health (NIH) agreed to fund a clinical trial combining MPC-based expansion and ex-vivo fucosylation of hematopoietic stem cells for cord blood transplantation in cancer patients.
November	Phase 3 trial of product candidate MSC-100-IV used as front-line therapy in children with steroid-resistant aGVHD was successful in a pre-specified interim futility analysis.
October	Received the Frost & Sullivan Asia Pacific 2016 Cell Therapy Company of the Year Award.
	Results from the Phase 2 trial of product candidate, MPC-300-IV, in patients with diabetic kidney disease published in the peer-reviewed journal *EBioMedicine*.
September	Mr William (Bill) A. Burns, former Chief Executive Officer (CEO) of Roche Pharmaceuticals, appointed Vice Chairman of Mesoblast.
August	Intellectual property portfolio covering the use of its MPCs in the treatment of rheumatic diseases, including RA, strengthened by the granting of a key patent by the United States Patent and Trademark Office.
	Results from Phase 2 trial in biologic refractory RA showed that a single intravenous infusion of product candidate, MPC-300-IV, was well tolerated and demonstrated a dose-related improvement in clinical symptoms, physical function and disease activity relative to placebo through the 12 week primary endpoint.
	24 month results from phase 2 trial of chronic low back pain product candidate MPC-06-ID presented at the 24th Annual Scientific Meeting of the Spine Intervention Society and received the 2016 Best Basic Science Abstract award.
July	Announced plans for an early interim analysis on its Phase 3 chronic heart failure trial, projections for annualized cash burn and the establishment of an equity facility to provide up to A$120.0 million funding at the Company's discretion for up to three years.

4.B Business Overview

Mesoblast's leadership in the development and commercialization of allogeneic cellular medicines is based on its disruptive technology platform, proprietary manufacturing processes and multiple Phase 3 assets.

Our off-the-shelf product candidates target advanced stages of diseases with high, unmet medical needs.

Three product candidates are being evaluated in Phase 3 clinical trials for approval by the United States Food and Drug Administration (FDA):

- MSC-100-IV (remestemcel-L) for steroid refractory acute graft versus host disease;
- MPC-150-IM for advanced heart failure; and
- MPC-06-ID for chronic low back pain due to degenerative disc disease.

We also have a promising emerging pipeline of products for follow-on indications.

Two allogeneic mesenchymal stem cell products 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 goal is for MSC-100-IV to be the first commercially available allogeneic mesenchymal stem cell product in the United States.

Disruptive Technology Platform

Mesoblast is developing immuno-selected, culture expanded cellular medicines based on mesenchymal precursor cells (MPCs) and their progeny, mesenchymal stem cells (MSCs). These rare mesenchymal lineage cells (approximately 1:100,000 of bone marrow cells) are found around blood vessels and are central to blood vessel maintenance, repair and regeneration. Preclinical studies have shown that these cells respond to signals associated with tissue damage, secreting mediators that promote tissue repair and modulate immune responses.

Mesoblast's immuno-selection process provides a homogeneous population of MPCs, which are at the apex of the mesenchymal lineage hierarchy, with receptors that appear to respond to activating inflammation and damaged-tissue signals. This enables targeting of multiple pathways that may result in therapeutic benefits in a number of complex and intractable diseases.

A key feature of Mesoblast's mesenchymal lineage cells is that they are allogeneic and immune tolerant. They are intended to be administered without the need for donor–recipient matching or recipient immune suppression, and therefore are often referred to as 'off-the-shelf' medicines.

Mesenchymal Lineage Stem Cells

Mesenchymal lineage cells are present around blood vessels in all tissues where they can respond effectively to various signals associated with tissue damage. This response includes the secretion of a variety of biomolecules, including growth factors, cytokines, chemokines and immunomodulatory biomolecules that affect various reparative mechanisms associated with the maintenance of tissue health. Based on biologic evidence, the potential beneficial effects of these biomolecules on damaged tissues are believed to include:

- Blood vessel function and regeneration: Mesenchymal lineage cells play a central role in the maintenance, repair and regeneration of blood vessels. This is achieved in large part through the secretion of growth factors which act on neighboring endothelial cells to promote blood vessel regeneration and function.
- Tissue repair: Mesenchymal lineage cells represent a key cellular constituent of stem cell niches in multiple adult tissues such as the bone marrow, heart and brain where they facilitate endogenous tissue repair by multiple mechanisms, including promotion of survival and function of mature cells within a given tissue or of the endogenous stem cells with which they are associated in niches within these tissues. This is achieved by secretion of a broad repertoire of bioactive molecules, including chemokines, growth factors and enzymes, which promote survival and proliferation together with remodeling of the extracellular matrix of the tissue.
- Immunomodulation: Located at the interface between the circulation and the tissues, mesenchymal lineage cells play a physiological role in modulating immune responses via their ability to alter the effector functions of extravasated white blood cells by up-regulation of a battery of secreted immunomodulatory proteins.

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 MLC 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.

Allogeneic, Off-the-Shelf, Commercially Scalable Products

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.

In contrast, autologous stem cell products, which are produced from the patient's own stem cells, require individual product regulatory testing and do not benefit from manufacturing economies of scale. Moreover, autologous therapies may be vulnerable to significant patient-to-patient variability.

Revenue Generating Products and Late-Stage Assets

Each of Mesoblast's product candidates has distinct technical characteristics, target indications, individual reimbursement strategy, commercialization potential, and unique partnering opportunities.

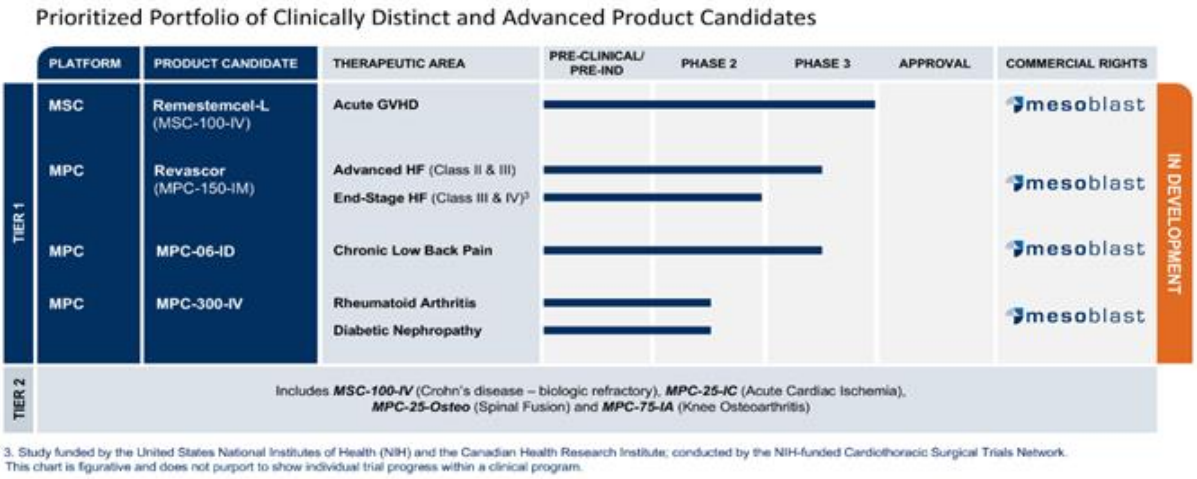
Products Commercialized by Licensees

Mesoblast's licensee in Japan, JCR Pharmaceuticals Co. Ltd., is marketing its mesenchymal stem cell-based product in Japan for the treatment of acute GVHD in children and adults. TEMCELL® HS. Inj., a registered product of JCR Pharmaceuticals Co Ltd., was the first allogeneic cellular medicine to receive full regulatory approval in Japan. Mesoblast receives royalty income on sales of TEMCELL® HS Inj in Japan.

In 2017, Mesoblast granted TiGenix NV, now a wholly owned subsidiary of Takeda Pharmaceutical Company Limited ("Takeda"), exclusive access to certain of its patents to support global commercialization of Alofisel®, previously known as Cx601, the first allogeneic mesenchymal stem cell therapy to receive central marketing authorization (MA) approval from the European Commission. Mesoblast will receive royalty income on Takeda's worldwide sales of Alofisel® in the local treatment of perianal fistulae.

Prioritized Portfolio of Advanced Product Candidates

We have prioritized our therapeutic programs into tiers based on stage of development, largest market opportunities and nearest term revenue potential. Tier 1 programs represent our lead programs where we focus the majority of our time and resources. These product candidates are discussed in detail below. Tier 2 programs are continually evaluated, and we may advance these programs into Tier 1 depending on merit of clinical data generated, market opportunity or collaboration opportunity. Additional product candidates may advance into Tier 1 and Tier 2 going forward.



Our Tier 1 Phase 3 clinical trial evaluating MPC-150-IM for moderate to advanced chronic heart failure is actively recruiting across North America. Our Tier 1 Phase 3 clinical trial evaluating MPC-06-ID for chronic low back pain completed enrollment in March 2018. The Tier 1 Phase 3 trial of MSC-100-IV for acute graft versus host disease in children has successfully met the Day 28 primary endpoint after completing enrollment in December 2017.

Tier 1 Programs

MSC-100-IV for the Treatment of acute Graft versus Host Disease (aGVHD)

Overview

MSC-100-IV is our intravenously delivered product candidate for the treatment of acute steroid-refractory graft versus host disease, or SR-aGVHD, following allogeneic bone marrow transplant. Available data from clinical dose ranging studies identified an effective dose to be 2 million MSCs/kg, body weight, to be administered repeatedly for at least four weeks after diagnosis of aGVHD. For the U.S. market, the unit packaging is 25 million cells per vial for intravenous infusion.

In a bone marrow transplant, donor cells can attack the recipient, causing aGVHD. 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.

MSC-100-IV was developed to counteract the inflammatory processes by down-regulating the production of pro-inflammatory cytokines, increasing production of anti-inflammatory cytokines, and enabling recruitment of endogenous anti-inflammatory cells to involved tissues.

Currently there are no approved therapies for patients with acute graft versus host disease (SR-aGVHD) in the U.S.

MSC-100-IV has been used for the treatment of aGVHD in children in the U.S., Canada and several European countries under an expanded access program. This program enrolled more than 240 patients suffering from SR-aGVHD.

Market Opportunity

According to the Center for International Blood and Marrow Transplant Research, there are approximately 30,000 allogeneic BMTs globally per year for diseases including hematological cancers, with ~20% of all cases in the pediatric population. Nearly 50% of all allogeneic BMT patients develop aGVHD. Liver or gastrointestinal involvement occur in up to 40% of all patients with aGVHD and are associated with the greatest risk of death, with mortality rates of up to 85%.

The aGVHD market requires a small, targeted commercial footprint. The target market for aGVHD will primarily be board-certified physicians in hematology/oncology who perform hematopoietic stem cell transplants. In the U.S., there are approximately 75 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.

Current Status and Anticipated Milestones

A single-arm, open-label Phase 3 study of 55 pediatric patients with SR-aGVHD treated with our MSC product candidate has completed enrollment. The patients were enrolled in 32 sites across the United States, with 89% of patients suffering from the most severe form, grade C/D aGVHD.

In February this year, this trial met its primary endpoint of Day 28 overall response rate (69% versus 45% historical control rate, p=0.0003). Subsequent top line Day 100 results demonstrated 87% survival rate for Day 28 responders to remestemcel-L treatment (33/38), and an overall survival rate of 75% (41/55). The multi-infusion regimen of remestemcel-L was well tolerated.

Based on interactions with the FDA, Mesoblast believes that successful results from the completed Phase 3 trial, together with Day 180 safety, survival and quality of life parameters in these patients, may provide sufficient clinical evidence to support a BLA filing in the United States, where there are currently no approved products for SR aGVHD. We are currently undertaking pre-BLA and pre-launch activities in regards to this product candidate and intend to pursue a pediatric approval.

MPC-150-IM for the Treatment of Advanced and End-Stage Chronic Heart Failure (CHF) Due to Left Ventricular Dysfunction

Overview

MPC-150-IM is being evaluated for the treatment of advanced CHF. MPC-150-IM consists of 150 million MPCs administered by direct cardiac injection in patients suffering from moderate/severe or end-stage CHF and progressive loss of heart function following damage to the heart muscle caused by a heart attack, coronary artery disease, hypertension, genetic factors, or other causes.

MPCs release a range of factors when triggered by specific receptor-ligand interactions within damaged tissue. Based on preclinical data, it is believed 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 regeneration of heart muscle through activation of intrinsic tissue precursors.

Our unit dose of 150 million cells was based on multiple preclinical large animal studies in ischemic and non-ischemic heart failure models which identified an optimal cell dose above 110 million. A completed Phase 2 dose- ranging study in patients with moderate to advanced chronic heart failure of either ischemic or non-ischemic etiology identified the 150 million dose as the most effective for both improvement in left ventricular volumes and remodeling and in prevention of heart failure related hospitalizations or cardiac death.

Two trials of our MPC-150-IM investigational agent are ongoing, our Phase 3 trial in patients with New York Heart Association (NYHA) Class II/III moderate to advanced CHF, and a Phase 2b trial in patients with end-stage CHF implanted with a left ventricular assist device (LVAD). The latter trial is being 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 are also supporting this trial.

Market Opportunity

CHF is a chronic condition characterized by an enlarged heart and insufficient blood flow to the organs and extremities of the body. The condition progresses over time and can be caused by many factors that put an excess demand on the heart muscle, including high blood pressure, incompetent valves, infections of the heart muscle or valves, or congenital heart problems.

In 2016, more than 15 million patients in the seven major global pharmaceutical markets are estimated to have been diagnosed with CHF. The American Heart Association 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.

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): patients experience fatigue and shortness of breath during moderate physical activity
- Class III (moderate): 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 and terminal cardiac events increases progressively with increases in left ventricular volumes, reduction in left ventricular ejection fraction, and progression in NYHA functional class. About 40% of all heart failure patients have a low ejection fraction (<35-40%), NYHA Class II, III or IV CHF, and are at considerable risk of repeated hospitalizations and death despite maximal drug therapy.

Patients with advanced or Class III/IV CHF continue to represent the greatest unmet medical need despite recent advances in new therapeutic agents for heart failure. In contemporary studies, Class III/IV heart failure patients, characterized by heart failure hospitalizations in the previous 12 months, severely impaired baseline cardiac function, increased systolic and diastolic volumes, and elevated B-type natriuretic peptide (BNP) levels, have been reported to have a 50% incidence of terminal cardiac events or cardiovascular hospitalization for decompensated heart failure over a median period of 16.6 months.

The definitive method of treating end-stage disease currently is a heart transplant or implanting a mechanical assist device. Although there are many patients awaiting a heart transplant, due to limited supply there were only 3,191 heart transplants performed in the U.S. in 2016.

Results from our Phase 2 trials in patients with Class II/III CHF and in patients with end-stage CHF requiring mechanical assist devices have shown that our MPCs appear to have the potential to positively impact patients with the advanced forms of CHF due to diminished left ventricular systolic function. We believe that targeting advanced heart failure patients with the most unmet need can provide us with the most effective Phase 3 program, the most efficient path to market, and the opportunity for the most attractive pricing.

Completed Phase 2 Trial in NYHA Class II/III CHF Patients

The primary objective of the Phase 2 study was to evaluate the safety and tolerability of three increasing doses (25, 75, or 150 million cells) of MPCs compared to control in 60 patients with chronic heart failure due to left ventricular systolic dysfunction of either ischemic or non-ischemic etiology. The secondary objectives were to look at efficacy via multiple parameters, and to identify an optimal effective dose and the optimal target population for MPC treatment.

Endomyocardial injections of MPCs in patients with chronic heart failure were feasible and safe. The incidence of adverse events was similar across all groups, and there was no clinically significant immune response in any patients who received MPCs.

The 150 million cell dose showed the greatest effect on left ventricular remodeling and functional capacity and a threshold benefit for reducing heart failure-related major adverse cardiovascular events (HF-MACE) long-term.

Completed Pilot Phase 2a Trial in Patients with End-Stage Heart Failure Requiring Mechanical Support

A multi-center, randomized, double-blind, sham-procedure controlled trial conducted by a team of researchers within the NIH-funded CTSN evaluated 30 patients 2:1 randomized to epicardial injection of 25 million MPCs or medium (control) during LVAD implantation for either bridge-to-transplant or destination therapy.

The results of this trial were presented at the American Heart Association Scientific Sessions 2013 and published in *Circulation* in June 2014.

This trial has demonstrated feasibility and safety, and suggested that a single low-dose MPC injection improved cardiac function and had an early benefit on survival.

Current Status and Anticipated Milestones

A Phase 2b trial of MPC-150-IM in 159 patients with end-stage heart failure and an implantable LVAD has completed enrollment, with top-line results for the trial's primary endpoint expected before the end of 2018.

The trial is 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, are eligible to participate in the trial. All patients will be followed until 12 months post randomization.

The primary efficacy endpoint of the study is the number of temporary weans from LVAD tolerated over the 6 months post-randomization, indicating strengthening of the native heart muscle. Additional efficacy endpoints include patient survival, adverse events and rehospitalization rates over 12 months.

In December 2017, the FDA granted Regenerative Medicine Advanced Therapy (RMAT) designation for MPC-150-IM in the treatment of chronic heart failure patients with left ventricular systolic dysfunction and LVADs. The RMAT designation under the 21st Century Cures Act aims to expedite the development of regenerative medicine therapies intended for the treatment of serious diseases and life-threatening conditions.

Program for Class II/III CHF patients

We are conducting a multicenter, double-blinded, 1:1 randomized, sham-procedure-controlled Phase 3 trial of MPC-150-IM in up to 600 Class II/III CHF patients. The trial is actively enrolling patients across North America with NYHA Class II/III disease 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 includes 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 are expected to result in enrichment for patients with substantial left ventricular contractile abnormality, advanced chronic heart failure due to LV 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 MPC-150-IM in our previous Phase 2 trial.

This events-driven Phase 3 trial is expected to complete enrollment by the end of 2018. The trial's primary efficacy endpoint is a comparison of recurrent non-fatal HF-MACE between either MPC-treated patients or sham-treated controls.

MPC-06-ID for the Treatment of Chronic Low Back Pain (CLBP)

Overview

MPC-06-ID is our proprietary Phase 3 product candidate being evaluated for the treatment of patients with CLBP caused by degenerative disc disease (DDD). MPC-06-ID 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.

Market Opportunity

In 2016, over 7 million people in the U.S. alone were estimated to suffer from CLBP caused by DDD, of which 3.2 million patients have moderate disease. After failure of conservative measures (medication, injections, epidural steroid physical therapy etc.), there is a need for treatments that both reduce pain and improve function 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 therapies for progressive, severe and debilitating pain due to degenerating intervertebral discs treat the symptoms of the disease. However, they are not disease modifying and do not address the underlying cause of the disease. Surgical intervention is not always successful in addressing the patient's pain and functional deficit. Surgeons estimate that between 50% to 70% of patients ultimately fail back surgery, with failure defined as either not achieving at least a 50% reduction of symptoms within four months or experiencing new-onset pain and spasm. Total costs of low back pain are estimated to be between $100.0 billion and $200.0 billion annually with two thirds of 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.

Completed Phase 2 Clinical Trial

The primary objective of our Phase 2 study comparing two doses and two controls in 100 patients was to evaluate the safety of MPCs in CLBP. Secondary objectives were to evaluate efficacy parameters such as radiographic, low back pain, function/disability, medication usage, work status and quality of life improvement measures. Patients were evaluated at 1, 3, 6 and 12 months after treatment with longer term follow-up evaluations continuing at 24 and 36 months.

Eligible subjects were at least 18 years of age with chronic lumbar back pain for 6 months or greater duration due to moderate DDD with one painful lumbar vertebral level between L1 and S1. Subjects had to have failed at least 3 months of non-operative management with exposure to physical therapy. The study evaluated intra-discal injection of two separate doses: 6 million MPCs, which is MPC-06-ID, and 18 million MPCs with both MPC doses administered with HA, and compared to saline (placebo control) or HA alone (vehicle control) injection, using a pre-specified Per Protocol ("PP") population analysis. 100 subjects across 15 sites were randomized with 20 receiving saline, 20 receiving HA, 30 receiving MPC-06-ID with HA, and 30 receiving 18 million MPCs with HA. The mean duration of DDD in these patients was approximately 6 years. Baseline pain, function scores, and radiographic scores were similar among all groups.

In July 2016, 24-month results from the Phase 2 trial were presented at the 24th Annual Scientific Meeting of the Spine Intervention Society and received the 2016 Best Basic Science Abstract award at the meeting.

Data and analyses of the 36-month Phase 2 trial support the Phase 3 trial of MPC-06-ID for CLBP and the rationale for MPC dose selection, use of saline control, and the trial's endpoints.

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 2:1 to receive either 6 million MPCs or saline control. The trial's primary endpoint of Overall Treatment Success (using a composite of 50% improvement in lower back pain and 15 point improvement in function at both 12 and 24 months with no treatment or surgical interventions at the treated level through 24 months) is an acceptable endpoint, as per guidance from the FDA.

MPC-300-IV for the treatment of Biologic-Refractory Rheumatoid Arthritis and Diabetic Nephropathy

The diverse and potent anti-inflammatory properties of MPCs are the foundation for their usefulness in immune-mediated diseases such as rheumatoid arthritis and diabetic kidney disease (or diabetic nephropathy), where monocytes, macrophages and activated pro-inflammatory T cells play a very active and destructive role in disease pathogenesis through activation of multiple pro-inflammatory cytokine pathways. We have conducted studies in patients with biologic-refractory rheumatoid arthritis and diabetic nephropathy using our other Tier 1 product candidate MPC-300-IV.

In November 2017, we announced 52-week data from a trial in 48 patients who had failed biologics for rheumatoid arthritis. A single intravenous infusion of MPC-300-IV was well tolerated and demonstrated improvement in clinical symptoms, physical function and reduced disease activity relative to placebo. We believe the safety and efficacy results from the Phase 2 trial support further development of this product candidate as a potential first-line treatment option in rheumatoid arthritis patients who have previously received a prior anti-TNF or other biologic agent.

In October 2016, we announced that results from our Phase 2 trial of MPC-300-IV, in 24 patients with diabetic kidney disease were published in the peer-reviewed journal *EBioMedicine*. The paper, entitled 'Allogeneic Mesenchymal Precursor Cells (MPC) in Diabetic Nephropathy: A Randomized, Placebo Controlled, Dose Escalation Study', concluded that a single intravenous infusion of MPC-300-IV was well tolerated and had positive effects on renal function at the 12-week primary endpoint in a Phase 2 trial in adult patients with type 2 diabetic nephropathy. This trial was conducted in Australia.

Tier 2 Programs

In addition, we have conducted preclinical and clinical research with our Tier 2 candidate products in acute cardiac ischemia, Crohn's disease, spinal fusion and prevention of knee osteoarthritis after an anterior cruciate ligament repair.

Enrollment has completed in our Phase 2 trial for MPC-25-IC for the treatment of acute myocardial infarction (AMI). This trial was a prospective, randomized, placebo-controlled, double blind clinical trial that will analyze the effect of intracoronary infusion of MPCs in 106 patients with a first-time acute ST-elevation myocardial infarction. The therapy was initiated directly following revascularization of the left anterior descending artery, along with standard therapies for AMI. After successful revascularization, the patients were 1:1:1 randomized to receive 12.5 or 25 million MPC or placebo via intracoronary infusion. The primary endpoint of safety was evaluated at 30 days. The secondary efficacy endpoint is defined as reduction in the left ventricular end-systolic volume at 6 months. Additional efficacy parameters from cardiac magnetic resonance and echocardiography will also be evaluated at this time point. Occurrence of MACE events will be evaluated over 24 months with full trial results released following this period.

Complementary Technologies

In addition to establishing what we believe to be the most advanced regenerative medicine product portfolio in the industry, we have also 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) clear 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 stem cell 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—with the exception of procurement and creation of master cell banks, our manufacturing is currently conducted in Lonza's Singapore facility, and products will be cryopreserved, then shipped to storage sites in the U.S. and other jurisdictions via cryoshippers. Those distribution centers then 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 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, except that we intend to establish distribution relationships in various regions.

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 MSC-100-IV for aGVHD 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 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 which may prove sufficient for commercial production of some of our final products. 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 U.S. 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 MLC cell-based technologies and other proprietary regenerative product candidates and technologies, as well as for elements of our manufacturing processes, with approximately 770 patents and patent applications across 71 patent families as of August 2018.

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 MLC 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 MLCs are those which are directed to our Tier 1 product candidates: CLBP, CHF, aGVHD and chronic inflammatory conditions such as rheumatoid arthritis ("RA") and diabetic kidney disease ("DKD"). We also have issued and pending patents covering our Tier 2 and pipeline indications, including inflammatory bowel disease (e.g., Crohn's disease), neurologic diseases, eye diseases and orthopedic diseases.

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 August 2018, our patent portfolio includes the following patents and patent applications in the following major jurisdictions: 79 granted U.S. patents and 46 pending U.S. patent applications; 50 granted Japanese patents and 34 pending Japanese patent applications; 24 granted Chinese patents and 25 pending Chinese patent applications; 40 granted European patents and 41 pending European patent applications; and 55 granted Australian patents and 20 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 up-front, 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".

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, 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 acute GVHD, TEMCELL® Hs. Inj.. TEMCELL is the first culture-expanded allogeneic stem cell 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 are entitled to future payments of up to $1.0 million in the aggregate when JCR reaches certain commercial milestones and 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.

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 later of December 31, 2020 or 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 product candidates for preclinical and clinical testing, as well as for commercial manufacture of our product candidates if marketing approval is obtained.

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 $2.5 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 mesenchymal precursor cells and methods of isolating, culturing and expanding mesenchymal precursor cells 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 MSC-100-IV 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 competing product.

Tasly Pharmaceutical Group — Cardiovascular Alliance for China

In July 2018, we entered into a Development and Commercialization Agreement as well as an Investment Agreement with Tasly Pharmaceutical Group ("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 will receive 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 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 occur.

The Investment Agreement provides for a $20.0 million equity purchase in Mesoblast Limited by Tasly at A$1.86 per share, representing a 20% premium to a blended volume weighted average price calculated over three months, one month and one day around the date the Investment Agreement was signed.

The closing of both the Development and Commercialization Agreement and the Investment Agreement with Tasly is subject to filing with the State Administration of Foreign Exchange.

TiGenix NV – patent license for treatment of fistulae

In December 2017, we entered into a Patent License Agreement with TiGenix NV ("TiGenix"), now a wholly owned subsidiary of Takeda Pharmaceutical Company Limited ("Takeda"), which granted Takeda exclusive access to certain of our patents to support global commercialization of the adipose-derived mesenchymal stem 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) as a non-refundable up-front payment. We are entitled to further payments of €5.0 million within 12 months of the patent license agreement date, and up to €10.0 million when Takeda reaches certain product regulatory milestones. Additionally, we will 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 Biologics License Application ("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 or 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 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 ("EEA") 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 ("MAA"). 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. 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. 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. 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 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 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.

In addition, other legislative changes have been proposed and adopted since the ACA was enacted. For example, on August 2, 2011, President Obama signed into law the Budget Control Act of 2011, which, among other things, created the Joint Select Committee on Deficit Reduction to recommend to Congress proposals in spending reductions. The Joint Select Committee on Deficit Reduction did not achieve a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, triggering the legislation’s automatic reduction to several government programs. This includes aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, starting in 2013. Sequestration cuts went into effect on April 1, 2013, and the Bipartisan Budget Act of 2013 extended sequestration for Medicare for another two years, through 2023. A bill signed by President Obama on February 15, 2014, further extended these cuts for an additional year, through fiscal year 2024. On January 21, 2014, President Obama signed the fiscal year 2014 omnibus appropriations bill, modifying for fiscal year 2014 and fiscal year 2015 the cuts that went into effect under the sequester on March 1, 2013. On January 2, 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, reduced Medicare payments to several providers and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These laws may result in additional reductions in Medicare and other healthcare funding, which could have a material adverse effect on our customers and accordingly, our financial operations.

The current presidential administration and Congress are also expected to attempt broad sweeping changes to the current health care laws. We face uncertainties that might result from modifications or repeal of any of the provisions of the ACA including as a result of current and future executive orders and legislative actions. 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 ACA 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.

While the status of the ACA under the current administration remains in question, 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, 2018. 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$815,000 per year for this lease, which expires in April 2020. We also lease approximately 15,600 square feet in New York City, where significant development and commercial activities are conducted. We pay $1,073,000 per year for this lease. We also lease laboratory and office space in Singapore. We pay approximately S$348,000 per year for this lease, which expires in December 2018. We also lease laboratory and office space in Texas and pay approximately $201,000 per year for this lease, which expires in December 2019. 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. For the year ended June 30, 2018, we had an accumulated deficit of $380.2 million. Our net loss for the year ended June 30, 2018 was $35.3 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 expenditure to decrease over the next 12 to 24 months if we are able to successfully partner one or more of our products. We expect management and administration expenses to remain relatively consistent. Subject to us achieving successful regulatory approval, we expect an increase in our total expenses driven by an increase in our 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. As described in "Item 18 Financial Statements – Note 1(i)", a fully discretionary equity facility remains for up to A$120 million/US$90 million over 12 months to provide additional funds as required. 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 "Item 18. Financial Statements – Note 1(i)."

Commercialization and Milestone Revenue. Commercialization and milestone revenue relates to up-front, royalty and milestone payments recognized under development and commercialization agreements.

Revenues from such non-refundable, up-front payments are initially reported as deferred revenues on the consolidated balance sheet and are recognized in revenue as earned over the respective performance period.

In the year ended June 30, 2018, we recognized $3.6 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 $1.4 million for the year ended June 30, 2017. These amounts were recorded in revenue as there are no further performance obligations required in regards to these items.

In the year ended June 30, 2018, we recognized $11.8 million (€10.0 million) in milestone revenue in relation to our patent license agreement with TiGenix NV ("TiGenix"), now a wholly owned subsidiary of Takeda Pharmaceutical Company Limited ("Takeda"), which granted Takeda exclusive access to certain of our patents to support global commercialization of the adipose-derived mesenchymal stem 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. Within this $11.8 million, $5.9 million (€5.0 million) was recognized in relation to the non-refundable up-front payment received upon execution of our patent license agreement with Takeda in December 2017 and $5.9 million (€5.0 million) in milestone revenue was recognized in relation to further payments due within 12 months from the patent license agreement date for product Alofisel®. There was no milestone revenue recognized in relation to the Takeda agreement in the year ended June 30, 2017. In the year ended June 30, 2018, we also recognized $1.5 million in milestone revenue upon our licensee JCR, achieving a sales milestone on cumulative net sales of TEMCELL in Japan, compared with $0.5 million in the year ended June 30, 2017. These amounts were recorded in revenue as there are no further performance obligations required in regards to these milestones.

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 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;
- product support costs consisting primarily of salaries and related overhead expenses for personnel in research and development 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 of 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 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
- costs related to share-based incentives granted to personnel in manufacturing functions.

Management and Administration. Management and administration expenses consist primarily of salaries and related costs for employees in executive, corporate and administrative functions. 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, probability of success, market penetration, market population, 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 a net remeasurement gain of $10.5 million and a net remeasurement loss of $0.1 million for the years ended June 30, 2018 and 2017, respectively.

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

Tax incentives comprise payments from the Australian government’s Innovation Australia Research and Development Tax Incentive program for research and development activities conducted in relation to our qualifying research that meets the regulatory criteria. The research and development tax incentive credit is available for our 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. A refundable tax offset is available to eligible companies with an annual aggregate turnover of less than A$20.0 million. Eligible companies can receive a refundable tax offset for a percentage of their research and development spending. For the years ended June 30, 2018 and 2017, the rate of the refundable tax offset is 43.5%. We recognized income of $1.8 million and $1.5 million, respectively, from the Research and Development Tax Incentive program for the years ended June 30, 2018 and 2017.

Foreign withholding tax primarily relates to the tax on revenue recognized from our patent license agreement with Takeda entered into in December 2017. We recognized $0.7 million of foreign withholding tax in the year ended June 30, 2018 and $Nil in the year ended June 30, 2017.

Foreign exchange gains and losses relate to unrealized foreign exchange gains and losses on our foreign currency deposits held across the Mesoblast Group, including U.S. dollar deposits held in Mesoblast Limited and Euro deposits and receivables held in the Swiss and Singapore entities, respectively, plus realized gains and losses on any foreign currency payments to our suppliers due to movements in exchange rates. We recognized foreign exchange gains of $0.2 million in the year ended June 30, 2018 and $Nil in the year ended June 30, 2017.

Finance Costs. Finance costs consist of 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.

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. On December 22, 2017, the United States signed into law the Tax Cuts and Jobs Act (the "Tax Act"), which changed many aspects of U.S. corporate income taxation, including a reduction in the corporate income tax rate from 35% to 21%. We recognized the tax effects of the Tax Act in the year ended June 30, 2018, the most significant of which was a tax benefit resulting from the remeasurement of deferred tax balances to 21%. We recognized a non-cash income tax benefit of $30.7 million in the year ended June 30, 2018 and $13.4 million in the year ended June 30, 2017.

Results of Operations

Comparison of Our Results for the Year ended June 30, 2018 with the Year ended June 30, 2017

The following table summarizes our results of operations for the years ended June 30, 2018 and 2017, 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, 2018	2017	$ Change	% Change
Consolidated Income Statement Data:				
Revenue:				
Commercialization revenue	$ 3,641	1,444	2,197	152%
Milestone revenue	13,334	500	12,834	NM
Interest revenue	366	468	(102)	(22%)
Total revenue	**17,341**	**2,412**	**14,929**	**NM**
Research & development	(65,927)	(58,914)	(7,013)	12%
Manufacturing commercialization	(5,508)	(12,065)	6,557	(54%)
Management and administration	(21,907)	(23,007)	1,100	(5%)
Fair value remeasurement of contingent consideration	10,541	(130)	10,671	NM
Other operating income and expenses	1,312	1,489	(177)	(12%)
Finance costs	(1,829)	—	(1,829)	NM
Loss before income tax	**(65,977)**	**(90,215)**	**24,238**	**(27%)**
Income tax benefit/(expense)	30,687	13,400	17,287	129%
Loss attributable to the owners of Mesoblast Limited	**$ (35,290)**	**$ (76,815)**	**41,525**	**(54%)**
Losses per share from continuing operations attributable to the ordinary equity holders:	**Cents**	**Cents**	**Cents**	**% Change**
Basic - losses per share	(7.58)	(19.25)	11.67	(61%)
Diluted - losses per share	(7.58)	(19.25)	11.67	(61%)

* NM = not meaningful.

Revenue

Revenues were $17.3 million for the year ended June 30, 2018, compared with $2.4 million for the year ended June 30, 2017, an increase of $14.9 million. The following table shows the movement within revenue for the years ended June 30, 2018 and 2017, together with the changes in those items.

(in U.S. dollars, in thousands)	Year ended June 30, 2018	2017	$ Change	% Change
Revenue:				
Milestone revenue	$ 13,334	500	12,834	NM
Commercialization revenue	3,641	1,444	2,197	152%
Interest revenue	366	468	(102)	(22%)
Revenue	**$ 17,341**	**$ 2,412**	**14,929**	**NM**

Milestone revenue was $13.3 million in the year ended June 30, 2018, an increase of $12.8 million as compared with $0.5 million in the year ended June 30, 2017. This $12.8 million increase in the year ended June 30, 2018 is due to increases in milestone revenues for Alofisel®, licensed with Takeda, and TEMCELL, licensed with JCR. There was an $11.8 million increase in milestone revenue recognized in relation to our patent license agreement with Takeda. Within this $11.8 million, $5.9 million was recognized in relation to the non-refundable up-front payment received upon execution of our patent license agreement with Takeda in December 2017 and $5.9 million of milestone revenue was recognized in relation to further payments due within 12 months of the patent license agreement date for product Alofisel®. There was no milestone revenue recognized in relation to the Takeda agreement in the year ended June 30, 2017. We also recognized $1.5 million and $0.5 million in milestone revenue during the years ended June 30, 2018 and 2017, respectively, upon our licensee, JCR, reaching cumulative net sales milestones for sales of TEMCELL in Japan, an increase of $1.0 million.

Commercialization revenue was $3.6 million in the year ended June 30, 2018, an increase of $2.2 million as compared with $1.4 million in the year ended June 30, 2017. This $2.2 million increase in commercialization revenue is from royalty income earned on sales of TEMCELL in Japan by our licensee JCR, with $3.6 million of royalty revenue recognized in the year ended June 30, 2018 compared with $1.4 million of royalty revenue recognized in the year ended June 30, 2017.

The $0.1 million decrease in interest revenue from the year ended June 30, 2018 compared with the year ended June 30, 2017 was primarily driven by us retaining higher cash reserves in the year ended June 30, 2017, when compared with the year ended June 30, 2018.

Research and development

Research and development expenses were $65.9 million for the year ended June 30, 2018, compared with $58.9 million for the year ended June 30, 2017, an increase of $7.0 million. The $7.0 million increase in research and development expenses primarily reflects an increase in expenditures on our clinical program for MPC-150-IM.

(in U.S. dollars, in thousands)	Year ended June 30, 2018	2017	$ Change	% Change
Research and development:				
Third party costs	$ 44,192	$ 37,249	6,943	19%
Product support costs	16,861	17,122	(261)	(2%)
Intellectual property support costs	3,258	3,208	50	2%
Amortization of current marketed products	1,616	1,335	281	21%
Research and development	**$ 65,927**	**$ 58,914**	**7,013**	**12%**

Third party costs, which consist of all external expenditure on our research and development programs, increased by $6.9 million in the year ended June 30, 2018 compared with the year ended June 30, 2017.

Within this $6.9 million increase, there was a $12.4 million increase in third party costs for the advancement of our Tier 1 products due to clinical advancement during the period for the year ended June 30, 2018 compared with the year ended June 30, 2017. In the year ended June 30, 2018 we incurred costs on our MPC-150-IM (CHF), MPC-06-ID (CLBP), MSC-100-IV (aGVHD) and MPC-300-IV (inflammatory conditions) Tier 1 products. The increase in Tier 1 third party costs were offset by a $5.5 million decrease in third party costs for our Tier 2 and pipeline products for the year ended June 30, 2018 compared with the year ended June 30, 2017 as we prioritized our funds towards Tier 1 products.

Product support costs, which consist primarily of salaries and related overhead expenses for personnel in research and development functions, have decreased by $0.2 million for the year ended June 30, 2018 compared with the year ended June 30, 2017. In the year ended June 30, 2018, operational streamlining initiatives from the June 2016 strategic review were maintained resulting in full time equivalents reducing by 4.3 (9%) from 48.4 for the year ended June 30, 2017 to 44.1 for the year ended June 30, 2018. This led to cost savings of $0.9 million across salaries and associated costs and $0.1 million in consulting expenses, for the year ended June 30, 2018 compared with the year ended June 30, 2017. The cost savings of $1.0 million in the year ended June 30, 2018 were offset by an increase of $0.8 million in share based payment expenses in the year ended June 30, 2018 compared with the year ended June 30, 2017.

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 all costs of renewing our granted patents. These costs remained consistent in the year ended June 30, 2018 compared with the year ended June 30, 2017.

Amortization of current marketed products increased by $0.3 million from $1.3 million for the year ended June 30, 2017 to $1.6 million for the year ended June 30, 2018.

Manufacturing commercialization

Manufacturing commercialization expenses, which consist of fees paid to our contract manufacturing organizations and laboratory supplies used in manufacturing commercialization of our MPC and MSC based products, decreased by $6.6 million from the year ended June 30, 2017 compared with the year ended June 30, 2018. The decrease was primarily due to a reduction in the number of production runs completed in the year ended June 30, 2018 compared with the year ended June 30, 2017 due to the clinical supply demands for all ongoing trials being met.

(in U.S. dollars, in thousands)	Year ended June 30, 2018	2017	$ Change	% Change
Manufacturing commercialization:				
MSC platform technology	$ 2,317	$ (285)	2,602	NM
MPC platform technology	745	10,058	(9,313)	(93%)
Manufacturing support costs	2,446	2,292	154	7%
Manufacturing commercialization	**$ 5,508**	**$ 12,065**	**(6,557)**	**(54%)**

The MSC-based manufacturing commercialization expenses increased by $2.6 million in the year ended June 30, 2018 compared with the year ended June 30, 2017 primarily due to a credit of $1.2 million relating to a Goods and Services-Tax (“GST”) received in the year ended June 30, 2017 for MSC-based product expenditure incurred in prior years. There was also an increase of $1.4 million in the year ended June 30, 2018, compared with the year ended June 30, 2017, relating to an increase in process validation activities for MSC-based manufacturing.

The MPC-based manufacturing commercialization expenses decreased by $9.3 million in the year ended June 30, 2018 compared with the year ended June 30, 2017 as there were no production runs required for MPC-based clinical supply in the year ended June 30, 2018, whereas in the year ended June 30, 2017, we incurred costs for materials and completed a number of production runs for our MPC-based products to meet clinical supply.

Manufacturing support costs, which consist primarily of salaries and related overhead expenses for personnel in manufacturing commercialization functions, increased by $0.1 million from $2.3 million for the year ended June 30, 2017 to $2.4 million for the year ended June 30, 2018. In the year ended June 30, 2018, operational streamlining initiatives from the June 2016 strategic review were maintained resulting in full time equivalents decreasing by 0.9 (11%) from 7.9 for the year ended June 30, 2017 to 7.0 for the year ended June 30, 2018 resulting in cost savings of $0.2 million in salaries and associated expenses. The cost savings of $0.2 million in the year ended June 30, 2018 were offset by an increase of $0.1 million in share based payment expenses and an increase of $0.2 million in consultancy fees in the year ended June 30, 2018 compared with the year ended June 30, 2017.

Management and administration

Management and administration expenses were $21.9 million for the year ended June 30, 2018, compared with $23.0 million for the year ended June 30, 2017, a decrease of $1.1 million. This decrease was primarily due to a reduction of corporate overheads and legal and professional fees.

(in U.S. dollars, in thousands)	Year ended June 30, 2018	2017	$ Change	% Change
Management and administration:				
Labor and associated expenses	$ 11,237	$ 10,678	559	5%
Corporate overheads	7,824	8,689	(865)	(10%)
Legal and professional fees	2,846	3,640	(794)	(22%)
Management and administration	**$ 21,907**	**$ 23,007**	**(1,100)**	**(5%)**

Labor and associated expenses increased by $0.6 million from $10.6 million for the year ended June 30, 2017 to $11.2 million for the year ended June 30, 2018. There was an increase in full time equivalents of 0.6 (2%) from 24.9 for the year ended June 30, 2017 to 25.5 for the year ended June 30, 2018, however overall costs of salaries and associated expenses remained consistent in the year ended June 30, 2018 compared with the year ended June 30, 2017. There was an increase of $0.3 million across recruitment and other expenses and an increase of $0.2 million in short term incentives for the year ended June 30, 2018 compared with the year ended June 30, 2017. This increase was offset by a decrease of $0.1 million in consultancy expenses in the year ended June 30, 2018, compared with the year ended June 30, 2017. Labor and associated expenses also experienced unfavorable exchange rate fluctuations of $0.2 million in the year ended June 30, 2018 compared with the year ended June 30, 2017, as the A$ strengthened against the US$ given the majority of management and administration expenses are incurred in A$ by our headquarter office located in Australia.

Corporate overhead expenses decreased by $0.9 million from $8.7 million for the year ended June 30, 2017 to $7.8 million for the year ended June 30, 2018 as operational streamlining from the strategic review in June 2016 enabled us to reduce rent and information technology support services. There was also a reduction in depreciation expenses as a result of certain manufacturing assets being fully depreciated in June 2017.

Legal and professional fees decreased by $0.8 million from $3.6 million for the year ended June 30, 2017 to $2.8 million for the year ended June 30, 2018 as legal activities decreased in the period.

Fair value remeasurement of contingent consideration

Fair value remeasurement of contingent consideration was a $10.5 million gain for the year ended June 30, 2018 compared with a $0.1 million loss for the year ended June 30, 2017, an increase of $10.6 million. The $10.5 million gain for the year ended June 30, 2018 is 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 developmental timelines, product pricing, market penetration, market population and the increase in valuation as the time period shortens between the valuation date and the potential settlement dates of contingent consideration.

The $0.1 million loss for the year ended June 30, 2017 is due to the remeasurement of contingent consideration pertaining to the acquisition of assets from Osiris. This loss is a net result of changes to the key assumptions of the contingent consideration valuation such as developmental timelines, probability of success, market penetration, market population and the increase in valuation as the time period shortens between the valuation date and the potential settlement dates of contingent consideration.

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.

Other operating income and expenses

Other operating income and expenses were $1.3 million for the year ended June 30, 2018, compared with $1.5 million for the year ended June 30, 2017, a decrease of $0.2 million. The following table shows movements within other operating income and expenses for the years ended June 30, 2018 and 2017, together with the changes in those items:

(in U.S. dollars, in thousands)	Year ended June 30, 2018	2017	$ Change	% Change
Other operating income and expenses:				
Research and development tax incentive income	$ 1,807	$ 1,532	275	18%
Foreign withholding tax	(656)	—	(656)	NM
Foreign exchange gains/(losses) (net)	161	(43)	204	NM
Other operating income and expenses	**$ 1,312**	**$ 1,489**	**(177)**	**(12%)**

Research and development tax incentive income increased by $0.3 million from $1.5 million for the year ended June 30, 2017 to $1.8 million for the year ended June 30, 2018. We have recognized incentive income pertaining to the eligible expenditure undertaken in each of these periods. At each period end, management estimates the refundable tax incentive available to us based on available information at the time. We employ independent tax specialists to review, on an annual basis, the quantum of our previous research and development tax claims and our on-going eligibility to claim the research and development tax incentive in Australia.

Of the $1.8 million research and development tax incentive recorded in other income for the year ended June 30, 2018, $0.1 million of income relates to a change in the original estimate of the research and development tax incentive income that we would receive from the Australian Government for the year ended June 30, 2017.

Within the $1.5 million research and development tax incentive recorded in other income for the year ended June 30, 2017, there is a reversal of $0.1 million of income due to a change in the original estimate of the research and development tax incentive income for the year ended June 30, 2016.

In the year ended June 30, 2018, we recognized $0.7 million of foreign withholding tax expenses primarily related to revenue recognized from our patent license agreement with Takeda entered into in December 2017. There were no foreign withholding tax expenses recognized in the year ended June 30, 2017.

We are subject to foreign exchange gains and losses on foreign currency cash balances, creditors and debtors and for the year ended June 30, 2017 these balances were minimal and therefore only minor foreign exchange losses have been recognized. In the year ended June 30, 2018 we recognized a foreign exchange gain of $0.2 million, primarily due to movements in exchange rates on Euro deposits and receivables held in the Swiss and Singapore entities, respectively, as the US$ appreciated against the Euro.

Finance costs

(in U.S. dollars, in thousands)	Year ended June 30, 2018	2017	$ Change	% Change
Finance costs:				
Interest expense	$ 1,829	—	1,829	NM
Finance costs	**$ 1,829**	**—**	**1,829**	**NM**

In the year ended June 30, 2018, we recognized $1.8 million of interest expenses in relation to our loan and security agreement entered into with Hercules Capital Inc. (“Hercules”) on March 6, 2018. Within this $1.8 million, $1.1 million was recognized in relation to interest expense accrued on the loan balance within the year and a further $0.7 million of interest expense was recognized in relation to the amortization of transaction costs incurred on the outstanding loan principal for the year ended June 30, 2018 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, 2017.

Loss after income tax

(in U.S. dollars, in thousands)	Year ended June 30, 2018	2017	$ Change	% Change
Loss before income tax	$ (65,977)	$ (90,215)	24,238	(27%)
Income tax benefit/(expense)	30,687	13,400	17,287	129%
Loss after income tax	**$ (35,290)**	**$ (76,815)**	**41,525**	**(54%)**

Loss before income tax was $66.0 million for the year ended June 30, 2018 compared with $90.2 million for the year ended June 30, 2017, a decrease in the loss of $24.2 million. This decrease is the net effect of the changes in revenues and expenses which have been fully discussed above.

A non-cash income tax benefit of $30.7 million was recognized in the year ended June 30, 2018 in relation to the net change in deferred tax assets and liabilities recognized on the balance sheet during the period, primarily due to a revaluation of our deferred tax assets and liabilities recognized as a result of changes in tax rates. 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. On December 22, 2017, the United States signed into law the Tax Act, which changed many aspects of U.S. corporate income taxation, including a reduction in the corporate income tax rate from 35% to 21%. We recognized the tax effects of the Tax Act in the year ended June 30, 2018, the most significant of which was a tax benefit resulting from the remeasurement of deferred tax balances to 21%.

A non-cash income tax benefit of $13.4 million was recognized in the year ended June 30, 2017 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, 2017 with the Year ended June 30, 2016

The following table summarizes our results of operations for the year ended June 30, 2017 and 2016, together with the changes in those items in dollars and as a percentage.

(in thousands except per share information)	Year ended June 30, 2017	2016	$ Change	% Change
Consolidated Income Statement Data:				
Revenue:				
Commercialization revenue	$ 1,444	$ 37,969	(36,525)	(96%)
Milestone revenue	500	3,500	(3,000)	(86%)
Interest revenue	468	1,079	(611)	(57%)
Total revenue	**2,412**	**42,548**	**(40,136)**	**(94%)**
Research & development	(58,914)	(50,013)	(8,901)	18%
Manufacturing commercialization	(12,065)	(29,763)	17,698	(59%)
Management and administration	(23,007)	(22,500)	(507)	2%
Fair value remeasurement of contingent consideration	(130)	28,112	(28,242)	NM
Other operating income and expenses	1,489	2,714	(1,225)	(45%)
Impairment of intangible assets	—	(61,919)	61,919	NM
Loss before income tax	**(90,215)**	**(90,821)**	**606**	**(1%)**
Income tax benefit/(expense)	13,400	86,694	(73,294)	(85%)
Loss attributable to the owners of Mesoblast Limited	**$ (76,815)**	**$ (4,127)**	**(72,688)**	**NM**
Losses per share from continuing operations attributable to the ordinary equity holders:	**Cents**	**Cents**	**Cents**	**% Change**
Basic - losses per share	(19.25)	(1.13)	(18.12)	NM
Diluted - losses per share	(19.25)	(1.13)	(18.12)	NM

* NM = not meaningful.

Revenue

Revenues were $2.4 million for the year ended June 30, 2017, compared with $42.5 million for the year ended June 30, 2016, a decrease of $40.1 million. The following table shows the movement within revenue for the year ended June 30, 2017 and 2016, together with the changes in those items.

(in thousands)	Year ended June 30, 2017	2016	$ Change	% Change
Revenue:				
Commercialization revenue	$ 1,444	$ 37,969	(36,525)	(96%)
Milestone revenue	500	3,500	(3,000)	(86%)
Interest revenue	468	1,079	(611)	(57%)
Revenue	**$ 2,412**	**$ 42,548**	**(40,136)**	**(94%)**

Commercialization revenues were $1.4 million in the year ended June 30, 2017, a decrease of $36.5 million as compared with $38.0 million in the year ended June 30, 2016. This $36.5 million decrease in the year ended June 30, 2017 is due to the recognition of $37.5 million of revenue for the year ended June 30, 2016, being the recognition of the remaining unamortized portion of the initial up-front payments of $130.0 million received under the development and commercialization agreement (“DCA”) with Teva over our initial estimated development program term, compared with $Nil in the year ended June 30, 2017 as we had fully recognized the remaining deferred revenue amounts relating to the $130 million up-front payment in June 2016, when we regained full world-wide rights from Teva on our product candidate MPC-150-IM. This decrease of commercialization revenue in the year ended June 30, 2017 was offset by an increase of $1.0 million relating to royalty income earned on sales of TEMCELL in Japan since the launch of the product on February 24, 2016 by our licensee JCR, with $1.4 million of royalty revenue recognized in the year ended June 30, 2017, compared with $0.4 million of royalty revenue recognized in the year ended June 30, 2016.

Milestone revenue was $0.5 million in the year ended June 30, 2017, a decrease of $3.0 million as compared with $3.5 million in the year ended June 30, 2016. The difference of $3.0 million is due to the recognition of $3.5 million in milestone revenue in the year ended June 30, 2016 upon our licensee, JCR, receiving full regulatory approval of MSC product TEMCELL in Japan, which is a milestone under our agreement with JCR. In the year ended June 30, 2017, we recognized $0.5 million in milestone revenue upon our licensee, JCR, reaching a cumulative net sales milestone for sales of TEMCELL in Japan.

The $0.6 million decrease in interest revenue from the year ended June 30, 2017 compared with the year ended June 30, 2016 was primarily driven by us retaining higher cash reserves in the year ended June 30, 2016, when compared with the year ended June 30, 2017. The decrease was also driven by us retaining a higher proportion of cash reserves in US$ instead of A$ in the year ended June 30, 2017, when compared with the year ended June 30, 2016. This change in cash reserve holdings decreased revenue as yield on US$ cash deposits are lower than yields on A$ cash deposits. We increased the proportion of cash reserves held in US$ to reduce currency risk. Currency risk is minimized by ensuring the proportion of cash reserves held in each currency matches the expected rate of spend of each currency.

Research and development

Research and development expenses were $58.9 million for the year ended June 30, 2017, compared with $50.0 million for the year ended June 30, 2016, an increase of $8.9 million. The $8.9 million net increase in research and development expenses primarily reflects an increase in expenditures on our clinical program for MPC-150-IM, which were partially offset by a reduction in product support costs as management reduced costs in line with our corporate strategy.

(in thousands)	Year ended June 30, 2017	2016	$ Change	% Change
Research and development:				
Third party costs	$ 37,249	$ 26,189	11,060	42%
Product support costs	17,122	20,643	(3,521)	(17%)
Intellectual property support costs	3,208	2,737	471	17%
Amortization of current marketed products	1,335	444	891	201%
Research and development	**$ 58,914**	**$ 50,013**	**8,901**	**18%**

Third party costs, which consist of all external expenditure on our research and development programs, increased by $11.0 million in the year ended June 30, 2017 compared with the year ended June 30, 2016.

Within this $11.0 million increase, there was a $11.6 million increase in third party costs for the advancement of our Tier 1 products due to clinical advancement during the period for the year ended June 30, 2017, compared with the year ended June 30, 2016, primarily due to the increase in clinical program costs for MPC-150-IM (CHF) as we regained full world-wide rights from Teva on this product candidate in the month of June 2016 and consequently we were responsible for all research and development expenditure incurred on this product candidate in the year ended June 30, 2017 whereas Teva was responsible for the majority of research and development expenses in the year ended June 30, 2016. In the year ended June 30, 2017 we also incurred costs on our MPC-06-ID (CLBP), MSC-100-IV (aGVHD) and MPC-300-IV (inflammatory conditions) Tier 1 products. The increase in Tier 1 third party costs were offset by a $0.6 million decrease in third party costs for our Tier 2 and pipeline products for the year ended June 30, 2017, compared with the year ended June 30, 2016 as we prioritized our funds towards Tier 1 products.

Product support costs, which consist primarily of salaries and related overhead expenses for personnel in research and development functions, have decreased by $3.5 million for the year ended June 30, 2017, compared with the year ended June 30, 2016. In the year ended June 30, 2017, operational streamlining initiatives from the June 2016 strategic review were maintained resulting in full time equivalents reducing by 26.1 (35%) from 74.5 for the year ended June 30, 2016 to 48.4 for the year ended June 30, 2017. This led to cost savings of $4.0 million in salaries and associated costs and $0.5 million in travel expenses, for the year ended June 30, 2017 compared with the year ended June 30, 2016. The cost savings of $4.5 million in the year ended June 30, 2017 were offset by an increase of $0.7 million in share based payment expenses and an increase of $0.3 million in consultancy fees primarily due to an increase in the associated clinical program costs for CHF in the year ended June 30, 2017, compared with the year ended June 30, 2016.

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 all costs of renewing our granted patents. These costs have risen by $0.5 million in the year ended June 30, 2017 compared with the year ended June 30, 2016 due to increased activities across our entire patent portfolio.

Amortization of current marketed products increased by $0.9 million for the year ended June 30, 2017, compared with the year ended June 30, 2016 due to the TEMCELL asset becoming available for use in Japan since the launch of the product in February 2016.

Manufacturing commercialization

Manufacturing commercialization expenses, which consist of fees paid to our contract manufacturing organizations and laboratory supplies used in manufacturing commercialization of our MPC and MSC based products, decreased by $17.7 million from the year ended June 30, 2016 compared with the year ended June 30, 2017. The decrease was primarily due to a reduction in the number of production runs completed in the year ended June 30, 2017 compared with the year ended June 30, 2016 due to the clinical supply demands for all ongoing trials being met and a tax related credit for MSC-based product expenditure incurred in prior years.

(in thousands)	Year ended June 30, 2017	2016	$ Change	% Change
Manufacturing commercialization:				
MPC platform technology	$ 10,058	$ 8,235	1,823	22%
MSC platform technology	(285)	17,993	(18,278)	(102%)
Manufacturing support costs	2,292	3,535	(1,243)	(35%)
Manufacturing commercialization	**$ 12,065**	**$ 29,763**	**(17,698)**	**(59%)**

The MPC-based manufacturing commercialization expenses increased by $1.8 million in the year ended June 30, 2017 compared with the year ended June 30, 2016. There was a $4.1 million increase as a result of purchases of materials and 100% of the production runs being for MPC-based clinical supply in the year ended June 30, 2017 whereas 19% of production was for MPC-based clinical supply in the year ended June 30, 2016. This was offset by a $2.3 million decrease due to a reduction in process development activities in year ended June 30, 2017 compared with the year ended June 30, 2016.

The MSC-based manufacturing commercialization expenses decreased by $18.3 million in the year ended June 30, 2017 compared with the year ended June 30, 2016. $17.1 million of this decrease was a result of no MSC-based production being undertaken in the year ended June 30, 2017 whereas 81% of production runs in the year ended June 30, 2016 were for MSC-based clinical supply. The remaining decrease of $1.2 million relates to a GST credit received in the year ended June 30, 2017 for MSC-based product expenditure incurred in prior years.

Manufacturing support expenses, which consist primarily of salaries and related overhead expenses for personnel in manufacturing commercialization functions, decreased by $1.2 million from $3.5 million for the year ended June 30, 2016 to $2.3 million for the year ended June 30, 2017 as a result of operational streamlining and management's cost containment efforts. Full time equivalents decreased by 2.9 (27%) from 10.8 for the year ended June 30, 2016 to 7.9 for the year ended June 30, 2017 resulting in cost savings of $0.4 million in salaries and $0.3 million in share based payments. Management's cost reduction efforts also resulted in a decrease of $0.5 million across consulting and travel expenditure.

Management and administration

Management and administration expenses were $23.0 million for the year ended June 30, 2017, compared with $22.5 million for the year ended June 30, 2016, an increase of $0.5 million. This increase was primarily due to an increase in labor and associated expenses and legal and professional fees offset by a reduction in corporate overheads.

(in thousands)	Year ended June 30, 2017	2016	$ Change	% Change
Management and administration:				
Labor and associated expenses	$ 10,678	$ 9,295	1,383	15%
Corporate overheads	8,689	10,274	(1,585)	(15%)
Legal and professional fees	3,640	2,931	709	24%
Management and administration	**$ 23,007**	**$ 22,500**	**507**	**2%**

Labor and associated expenses increased by $1.4 million from $9.3 million for the year ended June 30, 2016 to $10.7 million for the year ended June 30, 2017. In the year ended June 30, 2017, operational streamlining initiatives from the June 2016 strategic review were maintained resulting in full time equivalents reducing by 2.3 (8%) from 27.2 for the year ended June 30, 2016 to 24.9 for the year ended June 30, 2017. This led to cost savings of $0.4 million in salaries and associated benefits, $0.2 million in consultancy expenses and $0.1 million in directors' fees for the year ended June 30, 2017 compared with the year ended June 30, 2016. This decrease was offset by an increase of $0.5 million in short term incentives and an increase of $1.4 million in share based payments in the year ended June 30, 2017, compared with the year ended June 30, 2016. Labor and associated expenses also experienced unfavorable exchange rate fluctuations of $0.2 million in the year ended June 30, 2017 compared with the year ended June 30, 2016, as the A$ strengthened against the US$ given the majority of management and administration expenses are incurred in A$ by our headquarter office located in Australia.

Corporate overhead expenses decreased by $1.6 million from $10.3 million for the year ended June 30, 2016 to $8.7 million for the year ended June 30, 2017 as operational streamlining from the strategic review in June 2016 enabled us to reduce rent, accommodation costs, travel expenses and other staff associated costs.

Legal and professional fees increased by $0.7 million from $2.9 million for the year ended June 30, 2016 to $3.6 million for the year ended June 30, 2017 primarily due to Sarbanes Oxley Act implementation activities.

Fair value remeasurement of contingent consideration

Fair value remeasurement of contingent consideration was a $0.1 million loss for the year ended June 30, 2017 compared with a $28.1 million gain for the year ended June 30, 2016, a decrease of $28.2 million. The $0.1 million loss for the year ended June 30, 2017 is due to the remeasurement of contingent consideration pertaining to the acquisition of assets from Osiris. This loss is a net result of changes to the key assumptions of the contingent consideration valuation such as developmental timelines, probability of success, market penetration, market population and the increase in valuation as the time period shortens between the valuation date and the potential settlement dates of contingent consideration.

Within the $28.1 million gain for the year ended June 30, 2016, we recognized a gain of $34.5 million due to a reduction in contingent consideration expected to be paid to Osiris on the MSC-assets due to a greater certainty over the commencement of the earn out period. This change in assumption results in a reduction in the valuation of contingent consideration as an earlier earn out period results in royalties being applicable to sales in years that are prior to peak year sales. The remaining net loss of $6.4 million was recognized during the year ended June 30, 2016 as a result of changes to the key assumptions of contingent consideration valuation such as developmental timelines, market population, 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.

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.

Impairment of intangible assets

Impairment of intangible assets was $61.9 million for the year ended June 30, 2016, compared with $Nil for the year ended June 30, 2017. As a consequence of the June 2016 strategic review we recognized a $61.9 million non-cash impairment charge in the year ended June 30, 2016 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 of June 30, 2016 we had completed the enrollment of Phase IIa MPC-MICRO-IO clinical trial and we were in a Phase III MPC-CBE clinical trial. We had suspended further patient enrollment of both programs as we prioritized the funding of our Tier 1 product candidates. Existing and future cash resources will be primarily directed to the delivery of Tier 1 product candidates for the foreseeable future and therefore we are unable to ascertain when MPC-MICRO-IO and MPC-CBE patient enrollment will be restarted. Accordingly, impairment losses for the full carrying amounts of the intangible assets relating to product candidates MPC-MICRO-IO and MPC-CBE were recognized in line with our accounting policy.

These product candidates will remain technically viable and available to consider for future resource allocation and we will continue to seek potential partners for them. The decision to impair the assets was required given resources have not been allocated to continue the development and commercialization efforts of these assets for the foreseeable future.

This accounting charge for the year ended June 30, 2016 was non-cash and does not impact our liquidity or cash flows from our operating activities. There were no impairment losses recognized for the year ended June 30, 2017.

Other operating income and expenses

Other operating income and expenses were $1.5 million for the year ended June 30, 2017, compared with $2.7 million for the year ended June 30, 2016, a decrease of $1.2 million. The following table shows movements within other operating income and expenses for the years ended June 30, 2017 and 2016, together with the changes in those items:

(in thousands)	Year ended June 30, 2017	2016	$ Change	% Change
Other operating income and expenses:				
Research and development tax incentive income	$ 1,532	$ 3,840	(2,308)	(60%)
Foreign exchange (losses)/gains (net)	(43)	(1,126)	1,083	(96%)
Other operating income and expenses	**$ 1,489**	**$ 2,714**	**(1,225)**	**(45%)**

Research and development tax incentive income decreased by $2.3 million from $3.8 million for the year ended June 30, 2016 to $1.5 million for the year ended June 30, 2017 due to a reduction in expenditure that is eligible for the Australian tax incentive. We have recognized incentive income pertaining to the eligible expenditure undertaken in each of these periods. At each period end, management estimates the refundable tax incentive available to us based on available information at the time. We employ independent tax specialists to review, on an annual basis, the quantum of our previous research and development tax claim and our on-going eligibility to claim the research and development tax incentive in Australia.

Within the $1.5 million research and development tax incentive recorded in other income for the year ended June 30, 2017, there is a reversal of $0.1 million of income due to a change in the original estimate of the research and development tax incentive income for the year ended June 30, 2016.

Of the $3.8 million research and development tax incentive recorded in other income for the year ended June 30, 2016, $1.1 million relates to a change in the original estimate of the research and development tax incentive income that we would receive from the Australian Government for the year ended June 30, 2015.

We are subject to foreign exchange gains and losses on foreign currency cash balances, creditors and debtors and for the year ended June 30, 2017 these balances were minimal and therefore only minor foreign exchange losses have been recognized. In the year ended June 30, 2016 we recognized a foreign exchange loss of $1.1 million, primarily relating to depreciation recognized on US$ deposits held in Mesoblast Limited.

Loss after income tax

(in thousands)	Year ended June 30, 2017	2016	$ Change	% Change
Loss before income tax	$ (90,215)	$ (90,821)	606	(1%)
Income tax benefit/(expense)	13,400	86,694	(73,294)	(85%)
Loss after income tax	**$ (76,815)**	**$ (4,127)**	**(72,688)**	**NM**

Loss before income tax was $90.2 million for the year ended June 30, 2017 compared with $90.8 million for the year ended June 30, 2016, a decrease in the loss of $0.6 million. This decrease is the net effect of the changes in revenues and expenses which have been fully discussed above.

Non-cash income tax benefits of $13.4 million and $86.7 million were recognized in the years ended June 30, 2017 and 2016, in relation to the net of deferred tax assets and liabilities recognized on the balance sheet during these periods, respectively.

Following our strategic review in June 2016 and the resulting operational streamlining, we recognized deferred tax assets for operating tax losses and deductible temporary differences in the jurisdictions where there are offsetting taxable temporary differences (deferred tax liabilities). Prior to this strategic review, we were in the process of consolidating certain intellectual property assets and consequently taxable temporary differences were not available to offset deferred tax assets in the same jurisdiction.

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.

As of June 30, 2017 and 2016, our cumulative operating losses have a total potential tax benefit of $113.1 million and $84.7 million at local tax rates (excluding other temporary differences), respectively, which may be available for use once we are in a taxable profit position. These losses were incurred in different jurisdictions and can only be offset against profits earned in the relevant jurisdiction. Further, 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.

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 22".

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 primarily in our Australian parent entity, whose functional currency is the A$, relating to clinical, regulatory and overhead activities. We also have foreign currency amounts owing to us in our Switzerland and Singapore entities, whose functional currencies are the US$. These amounts relate to revenue recognized from our patent license agreement with Takeda entered into in December 2017. 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 where possible. We haven't entered into any hedges over our foreign currency investments or receivables held.

Interest rate risk

Our main interest rate risk arises from long-term borrowings with a floating interest rate under our loan facility with Hercules, 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. This interest rate risk can be managed with consideration of interest rate swaps which can be entered into to convert the floating interest rate to a fixed interest rate as required. Additionally, 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 Hercules.

The Group did not enter into any interest rate swaps during the year ended June 30, 2018.

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 spreading the maturity dates of our deposits across various periods. Our strategy of entering into new deposits as old deposits mature and reinvesting surplus funds ensures that we spread the timing of new deposits which assists us to achieve the average interest rates available in the market throughout the year. We also ensure that sufficient funds are available, in at-call accounts, to meet our cash flow 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 Capital Management, L.L.C. ("NovaQuest"), where the timing and amounts of principal and interest payments is dependent on net sales of product candidate MSC-100-IV for the treatment of aGVHD in pediatric patients in the United States and other territories excluding Asia. As net sales of MSC-100-IV for the treatment of 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 financial liability. The adjustment is recognized in the Income Statement as income or expense in the period the revision is made.

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

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which we have prepared in accordance with IFRS. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenues and expenses during the reporting periods. We evaluate these estimates and judgments on an ongoing basis. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Our actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are more fully described in our consolidated financial statements included in the annual report, we believe that the following accounting policies are the most critical for fully understanding and evaluating our financial condition and results of operations.

Revenue Recognition

Revenues comprise the fair value of the consideration received or receivable.

Commercialization and milestone revenue

Commercialization and milestone revenue generally includes non-refundable up-front 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.

Where such arrangements can be divided into separately identifiable components (each component constituting a separate earnings process), the arrangement consideration is allocated to the different components based on their relative fair values and recognized over the respective performance period in accordance with IAS 18 Revenue. Where the components of the arrangement cannot be divided into separate units, the individual deliverables are combined as a single unit of accounting and the total arrangement consideration is recognized over the estimated collaboration period. Such analysis requires considerable estimates and judgments to be made by us, including the relative fair values of the various elements included in such agreements and the estimated length of the respective performance periods.

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

TiGenix arrangement

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 stem 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) as a non-refundable up-front payment. We are entitled to further payments of €5.0 million within 12 months of the patent license agreement date, and up to €10.0 million when Takeda reaches certain product regulatory milestones. Additionally, we will receive single digit royalties on net sales of Alofisel®.

In the year ended June 30, 2018, we recognized $11.8 million in milestone revenue in relation to our patent license agreement with Takeda. Within this $11.8 million, $5.9 million (€5.0 million) was recognized in relation to the non-refundable up-front payment received upon execution of our patent license agreement with Takeda in December 2017 and $5.9 million (€5.0 million) was recognized in relation to further payments due within 12 months of the patent license agreement date for product Alofisel®. These amounts were recorded in revenue as there are no further performance obligations required in regards to these milestones.

On the basis that this agreement was entered into in December 2017, there was no milestone revenue recognized in the year ended June 30, 2017 in relation to this agreement.

JCR arrangement

In October 2013, we acquired all of Osiris' culture-expanded, MSC-based assets. These assets included assumption of a collaboration agreement with JCR, a research and development oriented pharmaceutical company in Japan. Revenue recognized under this model is limited to the amount of cash received or for which we are 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, we 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, we are entitled to a double digit profit share. Royalty revenue is recognized upon the sale of the related products provided we have no remaining performance obligations under the arrangement.

In the year ended June 30, 2018, we recognized $3.6 million in commercialization revenue relating to royalty income earned on sales of TEMCELL in Japan since the launch of the product on February 24, 2016, by our licensee JCR, compared with $1.4 million for the year ended June 30, 2017. These amounts were recorded in revenue as there are no further performance obligations required in regards to these items.

In the year ended June 30, 2018, we recognized $1.5 million in cumulative net sales milestone revenue upon our licensee, JCR, reaching milestones for sales of TEMCELL in Japan compared with $0.5 million in the year ended June 30, 2017. These amounts were recorded in revenue as there are no further performance obligations required in regards to these items.

Government grant income

Revenue from government grants is recognized in the consolidated income statement on a systematic basis over the periods in which the entity recognizes as expense the related costs for which the grants are intended to compensate in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance.

The Australian government allows a refundable tax offset to eligible companies with an annual aggregate turnover of less than A$20.0 million. Eligible companies can receive a refundable tax offset for a percentage of their research and development spending at the rate of 43.5% for periods from July 1, 2016. We have assessed our research and development activities and expenditure to determine which of these costs are likely to be eligible under the incentive scheme. At each period end, we estimate and recognize the refundable tax offset available to us based on available information at the time.

The receivable for reimbursable amounts that have not been collected is reflected in trade and other receivables on our consolidated balance sheets.

Goodwill

We have 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 assets from Osiris 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. We have a single operating unit and all goodwill has been allocated to that unit.

The goodwill resulting from these acquisitions 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. We test for impairment annually in the fourth quarter. 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. See Note 6 of our consolidated financial statements and the related note thereto included in our annual report for more information regarding the assumptions used in determining the fair value less costs to sell.

In-process research and development

IFRS requires that acquired in-process research and development be initially measured at fair value and carried as an indefinite life intangible asset subject to impairment reviews. We 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, we 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 we suspended further patient enrollment of the Phase IIa MPC-MICRO-IO clinical trial and the Phase III MPC-CBE clinical trial as we prioritized the funding of our Tier 1 product candidates. We 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, 2018 and June 30, 2017 was $427.8 million.

All in-process research and development recognized on our balance sheet is a result of a business acquisition and 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 fourth quarter of each year in accordance with IAS 36 Impairment of Assets which requires testing annually, or whenever there is an indication that an asset may be impaired. There was no impairment charge recognized during the year ended June 30, 2018.

In-process research and development will continue to be tested for impairment until the related research and development efforts are either completed or abandoned. 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.

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 has 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.

We reclassified $24.0 million from in-process research and development to current marketed products upon the TEMCELL asset becoming available for use in Japan.

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.

We impair assets in accordance with IAS 36 Impairment of Assets. IAS 36 Impairment of Assets outlines that an impairment loss must be recognized if an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its 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). 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. See Note 6 of our consolidated financial statements and the related note thereto included in our annual report for more information regarding the assumptions used in determining the fair value less costs to sell.

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 June 30, 2017 with the recoverable amount of each asset exceeding its carrying amount. No impairment charge was recognized during the year ended June 30, 2018.

The recoverable amount of our cash generating unit, including goodwill and in-process research and development, exceeded the carrying amounts in the annual impairment testing completed in June 2018 and therefore no impairment charges were recorded.

Investments and other financial assets

We invest our cash in term deposits and other similar low risk products. We classify investments as either a cash equivalent or a short-term investment in accordance with IAS 7 Statement of Cash Flows. For a deposit to be classified as a cash equivalent it should be held for the purpose of meeting short-term cash commitments rather than for investment or other purposes and IAS 7 outlines that:

- it must be readily convertible to a known amount of cash (qualifies when it has a short maturity, of say, 3 months or less from the date of acquisition); and
- it must be subject to insignificant risk of change of value.

We review the terms and conditions of each deposit to determine if it is a cash equivalent in accordance with IAS 7.

Deposits with maturity dates between 3 months and 12 months are classified as short term investments. The carrying amount of short-term investments approximates fair value due to the short maturities of these instruments, and there are no unrealized gains or losses associated with these instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset and liability.

As at June 30, 2018 and June 30, 2017, we did not hold any deposits with maturity dates between 3 months and 12 months and therefore we did not hold any deposits classified as short term investments.

Fair Value Measurements

For financial instruments that are measured on the balance sheet at fair value, IFRS 7 requires disclosure of the fair value measurements by level of the following fair value measurement hierarchy.

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by us 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) and equity securities (unlisted).

Our level 3 asset 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, 2018 and June 30, 2017.

Our level 3 liabilities consist of a contingent consideration provision related to the acquisition of Osiris' MSC business. Level 3 liabilities were 100% of total liabilities measured at fair value as at June 30, 2018 and June 30, 2017. There were no transfers between any of the levels for recurring fair value measurements during the year.

The following table summarizes the assumptions, techniques, and 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, 2018	Fair value as of June 30, 2017	Valuation technique	Unobservable inputs[1]	Range of inputs (weighted average) Year Ended June 30, 2018	Range of inputs (weighted average) Year Ended June 30, 2017	Relationship of unobservable inputs to fair value
Contingent consideration provision	42,070	63,595	Discounted cash flows	Risk adjusted discount rate	11%-13% (12.5%)	11%-13% (12.5%)	Year ended June 30, 2018: A change in the discount rate by 0.5% would increase/decrease the fair value by 1%. Year ended June 30, 2017: A change in the discount rate by 0.5% would increase/decrease the fair value by 1%.
				Expected unit revenues	n/a	n/a	Year ended June 30, 2018: A 10% increase/decrease in the price assumptions adopted would increase/decrease the fair value by 4%. Year ended June 30, 2017: A 10% increase/decrease in the price assumptions adopted would increase/decrease the fair value by 5%.
				Expected sales volumes	n/a	n/a	Year ended June 30, 2018: A 10% increase/decrease in sales volume assumptions adopted would increase/decrease the fair value by 4%. Year ended June 30, 2017: A 10% increase/decrease in sales volume assumptions adopted would increase/decrease the fair value by 5%.

(1) There were no significant inter-relationships between unobservable inputs that materially affect fair values.

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. Fees paid on the establishment of loan facilities are treated as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. If it is not probable, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

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 we have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Net deferred tax assets

We record deferred tax assets if, based upon the available evidence, it is more likely than not that we will recognize some or all of the deferred tax assets. Deferred tax assets were recognized for unused tax losses based on the scheduling of reversals of deferred tax liabilities and to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. We have recorded deferred tax assets that relate to operating tax losses and deductible temporary differences to offset taxable temporary differences (deferred tax liabilities) following our conclusion in the year ended June 30, 2016 to retain existing intellectual property assets in their relative jurisdictions as we are no longer planning to consolidate intellectual property assets. There have been no significant developments on this conclusion during the year ended June 30, 2018.

Accrued research and development and manufacturing commercialization expenses

As part of the process of preparing our financial statements, we are required to estimate our accrued expenses. This process involves reviewing open contracts and purchase orders, communicating with our personnel to identify services that have been performed on our behalf and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of the actual cost. The majority of our service providers invoice us monthly in arrears for services performed or when contractual milestones are met. We make estimates of our accrued expenses as of each balance sheet date in our financial statements based on facts and circumstances known to us at that time. We periodically confirm the accuracy of our estimates with the service providers and make adjustments if necessary.

Examples of estimated accrued expenses include fees paid to:

- CROs in connection with clinical studies;
- investigative sites in connection with clinical studies;
- vendors in connection with preclinical development activities; and
- vendors related to product manufacturing, process development and distribution of clinical supplies.

We base our expenses related to clinical studies on our estimates of the services received and efforts expended pursuant to contracts with multiple CROs that conduct and manage clinical studies on our behalf. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows. There may be instances in which payments made to our vendors will exceed the level of services provided and result in a prepayment of the clinical expense. Payments under some of these contracts depend on factors such as the successful enrollment of subjects and the completion of clinical study milestones.

In accruing service fees, we estimate the time period over which services will be performed and the level of effort to be expended in each period. If the actual timing of the performance of services or the level of effort varies from our estimate, we adjust the accrual or prepaid accordingly. To date, there have been no material differences from our estimates to the amount actually incurred.

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, 2018 except as noted in the "Important Corporate Developments" section included in Item 4.A.

Likely Developments and Expected Results of Operations

Our continued progress in clinical development brings our leading products closer to approval and commercial reality. Based on interactions with the FDA, Mesoblast believes that successful results from the completed Phase 3 trial in aGVHD, together with Day 180 safety, survival and quality of life parameters in these patients, may provide sufficient clinical evidence to support a BLA filing in the United States, where there are currently no approved products for steroid-refractory aGVHD. We are currently undertaking pre-BLA and pre-launch activities in regards to this product candidate and intend to pursue a pediatric approval. 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

We have incurred losses from operations since our inception in 2004 and as of June 30, 2018, we had an accumulated deficit of $380.2 million. We had cash and cash equivalents of $37.8 million as of June 30, 2018 and incurred net cash outflows from operations of $75.0 million for the year ended June 30, 2018. As at June 30, 2018, we recognized funds receivable from debt financing and unissued capital of $39.0 million pursuant to a financing facility with NovaQuest. On July 10, 2018 the net proceeds from the financing facility of $39.0 million were received and recognized in cash and cash equivalents. We will also receive $40.0 million from Tasly Pharmaceutical Group ("Tasly") on closing of the strategic alliance that the two companies announced in July 2018 for cardiovascular therapies in China. This receipt is subject to filing with the State Administration of Foreign Exchange.

In addition to the strategic alliance with Tasly, we have committed to entering into non-dilutive commercial partnering transactions to fund operations. We also continue to work on various cost containment and deferment strategies. A fully discretionary equity facility remains for up to A$120.0 million / US$90.0 million for the next 12 months to provide additional funds as required. We may also consider equity-based financing or drawing further debt funding on current debt arrangements to fund future operational requirements.

There is uncertainty related to our ability to partner programs, raise capital or debt at terms to meet our requirements. Additionally, there is uncertainty related to our ability to sustainably maintain implemented cost reductions and further defer programs on a timely basis while achieving expected outcomes.

The continuing viability of us and our ability to continue as a going concern and meet our debts and commitments as they fall due are dependent upon the strategic alliance with Tasly, non-dilutive funding in the form of commercial partnering transactions or equity-based financing to fund future operations, together with maintaining implemented cost containment and deferment strategies.

Management and the directors believe that we will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis, notwithstanding that there is a material uncertainty that may cast significant doubt on our ability to continue as a going concern and that we may be unable to realize our assets and liabilities in the normal course of business.

References to matters that may cast significant doubt about our ability to continue as a going concern also raise substantial doubt as contemplated by the Public Company Accounting Oversight Board ("PCAOB") standards. For our audited financial statements, see "Item 18 Financial Statements" included in our Form 20-F.

Audit Report

Our auditor has included an "emphasis of matter" paragraph in the audit report relating to our ability to continue as a going concern (refer Note 1(i)).

Cash flows

(in thousands)	Year ended June 30, 2018	2017	2016
Cash Flow Data:			
Net cash (outflows) in operating activities	(75,012)	(95,471)	(87,996)
Net cash (outflows)/ inflows in investing activities	(1,153)	142	(1,727)
Net cash inflows in financing activities	68,613	60,005	62,066
Net (decrease) in cash and cash equivalents	**(7,552)**	**(35,324)**	**(27,657)**

Comparison of cash flows for the Year ended June 30, 2018 with the Year ended June 30, 2017

Net cash outflows in operating activities

Net cash outflows for operating activities were $75.0 million for the year ended June 30, 2018, compared with $95.5 million for the year ended June 30, 2017, a decrease of $20.5 million. The decrease of $20.5 million is due to a decrease in cash outflows of $15.1 million and an increase in cash inflows of $5.4 million in the year ended June 30, 2018 compared with the year ended June 30, 2017.

Outflows decreased by $15.1 million due to a reduction in payments to suppliers and employees primarily in relation to a decrease in manufacturing commercialization costs in the year ended June 30, 2018, compared with the year ended June 30, 2017, as the clinical supply demands for all ongoing trials have been met and a reduction in payments in relation to research and development primarily on MPC-150-IM (CHF) and Tier 2 products in the year ended June 30, 2018, compared with the year ended June 30, 2017.

The $5.4 million increase of inflows comprised: inflows from milestone revenue increased by $5.6 million in relation to the non-refundable up-front payment received upon execution of our patent license agreement with Takeda in December 2017; inflows from milestone payments received on achievement of cumulative net sales milestones for TEMCELL in Japan increased by $1.0 million during the year ended June 30, 2018, compared with the year ended June 30, 2017; inflows from royalty income earned on sales of TEMCELL in Japan increased by $1.7 million during the year ended June 30, 2018, compared with the year ended June 30, 2017; these increases in inflows were offset by a $2.8 million decrease in receipts for the research and development tax incentive during the year ended June 30, 2018, compared with the year ended June 30, 2017 due to a $1.6 million receipt being delayed until July 2018 that would have otherwise been receipted in the year ended June 30, 2018; and reduced interest receipts by $0.1 million as our cash reserves have decreased in year ended June 30, 2018 when compared with the year ended June 30, 2017.

Net cash inflows in investing activities

Net cash outflows for investing activities were $1.2 million for the year ended June 30, 2018, compared with net cash inflows for investing activities of $0.1 million for the year ended June 30, 2017, an increase of $1.3 million. The increase of $1.3 million is due to an increase in cash outflows of $0.9 million and a decrease in cash inflows of $0.4 million.

The $0.9 million increase in outflows comprised: a $1.0 million increase in outflows for payments for contingent consideration in the year ended June 30, 2018, compared with $Nil for the year ended June 30, 2017; this increase in outflows was offset by a reduction of $0.1 million in payments for fixed assets, such as plant and equipment, in the year ended June 30, 2018 when compared with the year ended June 30, 2017.

The inflows decreased by $0.4 million due to proceeds from rental deposits of $0.4 million which were returned to us in the year ended June 30, 2017 on completion of part of the sublease agreement of our New York office space.

Net cash inflows in financing activities

Net cash inflows for financing activities were $68.6 million for the year ended June 30, 2018, compared with $60.0 million for the year ended June 30, 2017, an increase of $8.6 million. The net cash inflows in the year ended June 30, 2018 include a $40.4 million receipt of gross proceeds from an institutional and retail entitlement offer to eligible existing shareholders in September 2017 and a $31.7 million receipt of net proceeds drawn at closing in March 2018 from a non-dilutive, four-year credit facility with Hercules. In the year ended June 30, 2017, we received gross proceeds of $21.7 million from Mallinckrodt Pharmaceuticals on January 6, 2017, in a private placement, and a $40.1 million receipt of gross proceeds from an institutional private placement on March 31, 2017. We also received $0.1 million in receipts from employee share option exercises during the years ended June 30, 2018 and 2017. Additionally, there was $3.2 million of payments for associated capital raising costs in the year ended June 30, 2018, compared with $1.9 million of share issue costs in the year ended June 30, 2017 and $0.4 million of payments for other associated borrowings costs in the year ended June 30, 2018, an increase in outflows of $1.7 million.

Comparison of cash flows for the Year ended June 30, 2017 with the Year ended June 30, 2016

Net cash outflows in operating activities

Net cash outflows for operating activities were $95.5 million for the year ended June 30, 2017, compared with $88.0 million for the year ended June 30, 2016, an increase of $7.5 million. The increase of $7.5 million is due to a reduction in cash inflows of $4.1 million and an increase in cash outflows of $3.4 million in the year ended June 30, 2017 compared with the year ended June 30, 2016.

The $4.1 million reduction of inflows comprised: inflows from milestone payments received decreased by $3.0 million after our licensee, JCR, reached a cumulative net sales milestone for sales of TEMCELL in Japan, during the year ended June 30, 2017 where our licensee, JCR, reached a milestone for receiving full regulatory approval of MSC product TEMCELL in Japan during the year ended June 30, 2016; interest receipts reduced by $0.6 million as our cash reserves in the year ended June 30, 2017 have decreased when compared with the year ended June 30, 2016; inflows decreased by $1.7 million as receipts for the research and development tax incentive were lower during the year ended June 30, 2017 when compared with the year ended June 30, 2016; these decreases in inflows were offset by an increase of $1.2 million in receipts from royalty income earned on sales of TEMCELL in Japan during the year ended June 30, 2017.

Outflows increased by $3.4 million due to fully absorbing the incremental clinical program costs for MPC-150-IM (CHF) during the year ended June 30, 2017 as we were responsible for all research and development expenditure incurred on this product candidate in the year ended June 30, 2017 whereas Teva was responsible for the majority of research and development expenses in the year ended June 30, 2016. These increases in outflows were offset by cost savings due to operational streamlining efforts that reduced full time equivalents and associated labor costs as well as a decrease in payments to suppliers in relation to manufacturing and commercialization costs.

Net cash inflows in investing activities

Net cash inflows for investing activities were $0.2 million for the year ended June 30, 2017, compared with cash outflows of $1.7 million for the year ended June 30, 2016, a decrease of $1.9 million. The $1.9 million decrease in cash outflows was comprised of: a $0.8 million reduction in payments for investments in the year ended June 30, 2017; a decrease of $0.2 million for payments for licenses in the year ended June 30, 2017; a decrease of $0.4 million related to lower payments for fixed assets, such as plant and equipment, in the year ended June 30, 2017; and cash outflows were further decreased with an increase in cash inflows of $0.5 million for rental deposits received as proceeds were returned to us in the year ended June 30, 2017 on completion of part of the sublease agreement of our New York office space.

Net cash inflows in financing activities

Net cash inflows for financing activities were $60.0 million for the year ended June 30, 2017, compared with cash inflows for financing activities of $62.1 million for the year ended June 30, 2016, a decrease of $2.1 million. The net cash inflows in the year ended June 30, 2017 include a $21.6 million receipt of net proceeds from Mallinckrodt Pharmaceuticals on January 6, 2017, in a private placement, and a $38.5 million receipt of net proceeds from an institutional private placement on March 27, 2017. In the year ended June 30, 2016, we received net proceeds of $61.8 million from our initial public offering (“IPO”) of the Company’s ordinary shares on Nasdaq. Additionally, there was $0.1 million in receipts from employee share option exercises and $0.2 million of payments for other associated capital raising costs in the year ended June 30, 2017.

Operating Capital Requirements

To date, revenues have not been significant. 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 our research and development expenditure to decrease over the next 12 to 24 months if we are able to successfully partner one or more of our products. We expect management and administration expenses to remain relatively consistent. Subject to us achieving successful regulatory approval we expect an increase in our total expenses driven by an increase in our 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 debt or additional equity securities, it could result in dilution to our existing shareholders, increased payment obligations and the existence of securities with rights that may be senior to those of our ordinary shares. If we incur additional 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

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. An additional $40.0 million may be drawn as certain milestones are met. The loan matures in March 2022 with principal repayments commencing in October 2019 with the ability to defer the commencement of principal repayments to October 2020 if certain milestones are met. Interest on the loan is payable monthly in arrears on the 1st day of the month. At closing date, the interest rate was 9.45%. On March 22, 2018 and June 14, 2018, in line with the increases in the U.S. prime rate, the interest rate on the loan increased to 9.70% and 9.95%, respectively.

NovaQuest

In June 2018, we drew the first tranche of $30.0 million of the principal amount from a $40.0 million secured loan with NovaQuest. There is a four-year interest only period, until July 2022, with the principal repayable in equal quarterly instalments over the remaining period of the loan. The loan matures in July 2026. Interest on the loan will accrue at a fixed rate of 15% per annum.

All interest and principal payments will be deferred until after the first commercial sale of our allogeneic product candidate MSC-100-IV in pediatric patients with steroid refractory aGVHD, in the United States and other geographies excluding Asia (“pediatric aGVHD”). 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.

If there are no net sales of pediatric aGVHD, the loan is only repayable on maturity in 2026. If in any annual period 25% of net sales of pediatric aGVHD exceed the amount of accrued interest owing and from 2022, principal and accrued interest owing (“the payment cap”), Mesoblast will pay the payment cap and an additional portion of excess sales which may be used for early prepayment of the loan. If in any annual period 25% of net sales of pediatric aGVHD is less than the payment cap, then the payment is limited to 25% of net sales of pediatric 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 in the period the revision is made.

The carrying amount of the loan is subordinated to the senior creditor, Hercules.

5.C Research and Development, Patents and Licenses

For a description of the amount spent during each of the last three 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 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 operating leases as mentioned below, as defined under SEC rules.

5.F Contractual Obligations and Commitments

Borrowing commitments:

As of June 30, 2018, the maturity profile of the anticipated future contractual cash flows including interest in relation to our borrowings, on an undiscounted basis 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)	(3,928)	(15,495)	(54,826)	(49,228)	(123,477)	(59,397)
	(3,928)	**(15,495)**	**(54,826)**	**(49,228)**	**(123,477)**	**(59,397)**

(1) Contractual cash flows include payments of principal, interest and other charges. Interest is calculated based on debt held at June 30, 2018 without taking account drawdowns of further tranches.

(2) 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 pediatric aGVHD.

Lease commitment – as lessee:

We lease various offices under non-cancellable operating leases expiring within 1 to 4 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Excess office space is sub-let to a third party also under a non-cancellable operating lease. As of June 20, 2018, our lease commitments are as follows:

(in thousands)	Total	Within one year	Later than one year but no later than three years	Later than three years but no later than five years	Later than five years
Operating leases	3,926	1,651	2,240	35	—
Total commitments	3,926	1,651	2,240	35	—

Lease commitments include amounts in A$ and Singapore dollars which have been translated to US$ as of June 30, 2018 using foreign exchange rates published by the Reserve Bank of Australia.

Lease commitment – as lessor:

Future minimum lease payments expected to be received in relation to a non-cancellable sub-lease of operating leases are set out below:

(in thousands)	Total	Within one year	Later than one year but no later than three years	Later than three years but no later than five years	Later than five years
Operating leases	220	155	65	—	—
Total commitment	220	155	65	—	—

Sub-lease commitment includes amounts in A$ which have been translated to US$ as of June 30, 2018 using foreign exchange rate published by the Reserve Bank of Australia.

In addition to the obligations in the table above, as of June 30, 2018 we also had the following significant contractual obligations described below.

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. As of June 30, 2018 we have assessed these contingent liabilities to be remote.

Capital commitments

We did not have any commitments for future capital expenditure outstanding as of June 30, 2018.

Item 6. Directors, Senior Management and Employees

(Start of the Remuneration Report for **Australian Disclosure Requirements**)

Our board of directors ("the Board") presents the 2017/18 Remuneration Report, which has been prepared in accordance with the relevant *Corporations Act 2001* ("Corporations Act") and accounting standard requirements. The remuneration report has been audited as required by s308 (3C) of the Corporations Act. The remuneration report sets out remuneration information for our company's key management personnel ("KMP") for the financial year ended June 30, 2018.

6.A Key Management Personnel

Key management personnel, as defined in the International Accounting Standards 24 'Related Party Disclosures' and the Australian *Corporations Act 2001*, have authority and responsibility for planning, directing and controlling the activities of our company, directly or indirectly, and include any director (whether executive or otherwise). With this definition in mind, the Board has determined that in addition to themselves and Silviu Itescu (CEO), Paul Hodgkinson (CFO) should be designated as key management personnel for the financial year ended June 30, 2018.

Our key management personnel are listed in table below:

Name	Position	Change from last year
Non-executive directors		
Brian Jamieson	Chair, Board of Directors Member, Nomination and Remuneration Committee Member, Audit and Risk Committee	No change
William Burns	Vice Chair, Board of Directors	No change
Donal O'Dwyer	Non-executive Director Chair, Nomination and Remuneration Committee Member, Audit and Risk Committee	No change
Eric Rose	Non-executive Director	No change
Michael Spooner	Non-executive Director Chair, Audit and Risk Committee Member, Nomination and Remuneration Committee	No change
Ben-Zion Weiner	Non-executive Director	Resigned Effective Date June 18, 2018
Joseph Swedish	Non-executive Director	Joined Effective Date June 18, 2018
Executive director		
Silviu Itescu	Chief Executive Officer Executive Director	No change
Other executive KMP		
Paul Hodgkinson	Chief Financial Officer	Resigned Effective Date May 31, 2018

Notes

1. Mr Paul Hodgkinson resigned as Chief Financial Officer effective May 31, 2018. At this time Mr Josh Muntner was appointed as Chief Financial Officer. Mr Hodgkinson served as KMP up to the point of his resignation. We anticipate that for FY19, Mr Muntner will be a KMP.
2. Ms Shawn Cline Tomasello was appointed to the board as a Non-executive Director on July 11, 2018 and will be considered key management personnel for FY19.

Details of Directors and Senior Management

Board of Directors

Brian Jamieson, FCA

Non-executive Chairman of the Board of Directors

Experience and expertise

Mr. Jamieson has served on our board of directors as Chairman since 2007 after retiring as Chief Executive of Minter Ellison Melbourne. Previously he was Chief Executive Officer at KPMG Australia, a KPMG Board Member in Australia, and a member of the USA Management Committee. Mr. Jamieson is Chairman of Sigma Healthcare Limited and a Non-Executive Director of Highfield Resources Ltd, and Director and Treasurer of the Bionics Institute. He is a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors. With his over 40 years of experience in providing advice and audit services to a diverse range of public and large private companies, together with his service as a chairman and director at other companies, Mr. Jamieson provides leadership, global management, accounting and regulatory expertise.

Other current directorships of listed public companies
Chairman, Sigma Healthcare Ltd (since 2005)
Non-executive Director, Highfield Resources Ltd (since 2018)

Former directorships of listed public companies within the last 3 years
Non-executive Director, Tatts Group Ltd (2005 – 2017)

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. He was Chief Executive Officer of Roche Pharmaceuticals from 2001 to 2009, when he joined the board of directors of F. Hoffmann-La Roche Ltd. until he retired in 2014. He 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. His extensive experience in the pharmaceutical industry, specifically as a member of the board of directors of other pharmaceutical companies, provides pharmaceutical, healthcare, industry, leadership and management expertise.

Other current directorships of listed public companies
Chair of Molecular Partners (since 2018)

Former directorships of listed public companies within the last 3 years
Chairman, Biotie Therapies Corp. (2014 – 2016)
Non-executive Director, Shire (UK) (2010 – 2018)

Donal O'Dwyer, BE, MBA

Non-Executive Member of the Board of Directors

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 a number of life sciences companies including Cochlear Limited, CardieX Ltd (formerly called Atcor Medical Holdings Ltd), Fisher & Paykel Healthcare Ltd and NIB Health Funds Ltd. 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, Cochlear Ltd (since 2005)
Non-executive Director, CardieX Ltd (formerly called Atcor Medical Holdings Ltd) (since 2004)
Non-executive Director, Fisher & Paykel Healthcare (since 2013)
Non-executive Director, NIB Holding Ltd (since 2016)

Former directorships of listed public companies within the last 3 years
None

Eric Rose, MD

Non-Executive Member of the Board of Directors

Experience and expertise

Dr. Rose has served on our board of directors since 2013. He is currently Executive Chairman of SIGA Technologies. 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
Executive Chairman, SIGA Technologies, Inc. (since 2007)
Non-executive Director, ABIOMED, Inc. (2007 – 2012, 2014 – present)

Former directorships of listed public companies within the last 3 years
None

Michael Spooner, BCom, ACA, MAICD

Non-Executive Member of the Board of Directors

Experience and expertise

Mr. Spooner has served on our board of directors since 2004. During this period he has filled various roles including as Executive Chairman from the date of our Australian IPO 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 is the chairman of Simavita Limited since May 2016 and Chairman of MicrofuidX 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
Chairman, Simavita Ltd (since 2016)

Former directorships of listed public companies within the last 3 years
None

Ben-Zion Weiner, BSc, MSc, PhD

Non-Executive Member of the Board of Directors – Resigned effective date June 18, 2018

Experience and expertise

Dr. Weiner has served on our board of directors from 2012 to 2018. In a 37-year career at Teva Pharmaceutical Industries Ltd, he held various senior research and development positions, including Senior Vice President of Global Research and Development. Dr. Weiner twice received the Rothschild Prize for industrial innovation - for the development of Copaxone for the treatment of multiple sclerosis, and alpha D3 for kidney and bone disorders. He is on the Board of Directors at Novaremed Ltd., the scientific advisory board at E-QURE Corp. and Breed IT, Corp. and has served on the Board of Directors at Geffen Biomed Investments Ltd (2010-2013), XTL Biopharmaceuticals Limited (2012-2013) and Breed IT, Corp (2014). His extensive experience in the pharmaceutical industry and pharmaceutical companies provided pharmaceutical development, industry, scientific and management expertise through to his resignation date.

Other current directorships of listed public companies
None

Former directorships of listed public companies within the last 3 years
None

Joseph Swedish, MHA

Appointed to the Board as Non-Executive Member of the Board of Directors on June 18, 2018.

Experience and expertise

Joseph. R. Swedish has more than two decades of healthcare leadership experience as the CEO for major United States healthcare enterprises. Most recently, he has served as Executive Chairman, President and CEO of Anthem Inc from 2013 to 2018. America's leading health benefits provider. Prior to joining Anthem, Mr Swedish was CEO for several major integrated healthcare delivery systems, including Trinity Health and Colorado's Centura Health. Currently, he sits on the Board of Directors of IBM Corporation, CDW Corporation, and Proteus Digital Health. Mr Swedish is Chairman 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
Executive Chairman, Anthem Inc. (2013 - 2018)

Shawn Cline Tomasello, BS, MBA

Appointed to the Board as a Non-Executive Director on July 11, 2018.

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 has been Chief Commercial Officer at leading immuno-oncology cell therapy company Kite Pharma, where she played a pivotal role in the company's acquisition in 2017 by Gilead Sciences for $11.9 billion. Prior to this she served as Chief Commercial Officer at Pharmacyclics, Inc., which was acquired in 2015 by AbbVie, Inc. for $21.0 billion. Ms Tomasello previously was President of the Americas, Hematology and Oncology at Celgene Corporation where she managed over $4.0 billion in product revenues, and was instrumental in various global expansion and acquisition strategies. She has also held senior positions at Genentech, Pfizer Laboratories, Miles Pharmaceuticals and Procter & Gamble. Ms Tomasello currently serves on the Board of Directors of Centrexion Therapeutics, Oxford BioTherapeutics and Diplomat Rx. She received a MBA from Murray State University and a B.S. in Marketing from the University of Cincinnati.

Other current directorships of listed public companies
Non-Executive Director, Diplomat Rx (since 2015)

Former directorships of listed public companies within the last 3 years
None

Charlie Harrison, BA, LLB (Hons)

Company Secretary

Experience and expertise

Mr Harrison joined Mesoblast as a legal counsel in 2013. He was previously a senior associate at the international law firm Allens, working in their Hong Kong and Melbourne offices for nine years as a corporate lawyer. Mr Harrison has an Arts/Law degree from the University of Melbourne. He was appointed Company Secretary in 2014.

Other current directorships of listed public companies
None

Former directorships of listed public companies within the last 3 years
None

Senior Management

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

Chief Executive Officer

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

Paul Hodgkinson, MA (Hons) FCA

Chief Financial Officer – Resigned effective date May 31, 2018

Mr. Hodgkinson served as our Chief Financial Officer ("CFO") from June 2014 to May 2018. He has 16 years of international pharmaceutical experience in the areas of finance, strategic planning, business development and licensing, manufacturing and supply chain, and procurement. From 2011 through 2014, Mr. Hodgkinson served as the Country Chief Financial Officer for the Novartis Australia and New Zealand group of companies and divisions, which was comprised of Alcon, Sandoz, and the Novartis Vaccines and Diagnostics, Consumer Health, Animal Health, and Pharmaceuticals divisions. From 1998 to 2006, Mr. Hodgkinson held a number of leadership roles with AstraZeneca in the United Kingdom, including Global Licensing Finance Director, before serving as CFO for AstraZeneca Australia from 2006 through 2011. Mr. Hodgkinson is a member of the Institute of Chartered Accountants in Australia, is a Fellow of the Institute of Chartered Accountants of England and Wales and holds a Master's degree in engineering from Cambridge University. He has also undertaken executive leadership programs at the Harvard Business School and INSEAD.

Josh Muntner, BFA, MBA

Chief Financial Officer – Appointed effective date May 31, 2018

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.

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.

Donna Skerrett, MD

Chief Medical Officer

Dr. Skerrett has served as our Chief Medical Officer since 2011, and she previously held roles at Mesoblast in Clinical and Regulatory Affairs since 2004. Dr. Skerrett has 20 years of combined experience in transfusion medicine, cellular therapy, and transplantation. Prior to joining Mesoblast, Dr. Skerrett was Director of Transfusion Medicine and Cellular Therapy at Weill Cornell Medical Center in New York from 2004 to 2011, and she served as Associate Director of Transfusion Medicine and Director of Stem Cell Facilities at Columbia University's New York-Presbyterian Hospital from 1999 to 2004. She has been an advisor to the New York State Department of Health on the Progenitor Cell Committee since 1989 and has been Chair of the Governor's Council on Blood and Transfusion Services since 2007, and serves on the Executive Committee of the Alliance for Regenerative Medicine.

Paul Simmons, PhD

Head of Research and New Product Development

Dr. Simmons has served as our Head of Research and New Product Development since 2011. 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*.

John McMannis, PhD

Head of Manufacturing

Dr. McMannis has served as our Head of Manufacturing since 2011. He has 27 years of experience in clinical cellular therapy trials in both academic and commercial environments. Before joining Mesoblast, Dr. McMannis served at the University of Texas MD Anderson Cancer Center as a Professor of Medicine from 1999 to 2011, and as the Director of the Cell Therapy Laboratory from 1999 to 2011, and as the Technical Director of the Cord Blood Bank from 2008 to 2011. Before his tenure at the University of Texas MD Anderson Cancer Center, Dr. McMannis was a Senior Director Technical Affairs at the Immunotherapy Division of Baxter and Therapy Scientist at COBE BCT (now Terumo BCT). Dr. McMannis has served on the scientific advisory boards at BioSafe SA, Biolife Solutions, Inc., and General Electric and on the board of directors for the American Association of Blood Banks, or AABB, and the National Marrow Donor Program, or NMDP, which operates the "Be the Match" donor program.

Geraldine Storton, BSc, MMS, MBA

Head of Regulatory Affairs and Quality Management

Ms. Storton is a seasoned pharmaceutical executive with more than 24 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.

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.

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.

Directors' Interests

The relevant interest of each director, 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:

Director	Mesoblast Limited ordinary shares	Options over Mesoblast Limited Ordinary Shares
William Burns	30,330	80,000
Silviu Itescu	68,958,928	—
Brian Jamieson	645,000	—
Donal O'Dwyer	1,149,142	—
Eric Rose	—	80,000
Michael Spooner	1,060,000	—
Ben-Zion Weiner Resigned Effective Date June 18, 2018	40,000	80,000
Joseph Swedish Joined Effective Date June 18, 2018	—	—
Shawn Cline Tomasello Joined Effective Date July 11, 2018	—	—

Meeting of Directors

The number of meetings our board of directors (including committee meetings of directors) held during the year ended June 30, 2018 and the number of meetings attended by each director were:

	Board of Directors		Audit and Risk Committee		Nomination and Remuneration Committee	
Director	**A***	**B***	**A**	**B**	**A**	**B**
William Burns	15	13	—	—	—	—
Silviu Itescu	15	15	—	—	—	—
Brian Jamieson	15	15	4	4	8	8
Donal O'Dwyer	15	13	4	4	8	8
Eric Rose	15	13	—	—	—	—
Michael Spooner	15	15	4	4	8	8
Ben-Zion Weiner	14	13	—	—	—	—
Joseph Swedish	1	1	—	—	—	—

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 in-person scheduled meetings as well teleconference meetings organized on an ad-hoc basis. Each director attended every in-person, scheduled meeting.

— = Not a member of the relevant committee

NB: Certain directors attended various committee meetings by invitation in addition to those shown above.

6.B Compensation

Executive summary

Mesoblast is a biopharmaceutical company with three programs in active phase 3 clinical studies with headquarters and operations in Australia and significant clinical trial and manufacturing operations in the United States and Singapore. Our principal activity is the research and development of our mesenchymal lineage adult stem cell (MLC) technology platform characterized by distinct properties which enable allogeneic or “off-the-shelf” use. Given our business activity and current development stage, as we drive towards our goal of the successful commercialization of our technology, we generate losses each year and are net users of cash as we invest to progress both our clinical programs and manufacturing processes.

We operate at the forefront of a highly specialized industry in which our people are the key to developing our proprietary adult stem cell technologies. As we seek to attract established leaders and emerging experts in an innovative field, our remuneration framework is designed to be competitive worldwide and in particular within the United States life sciences industry – where the majority of our employees are based. This remuneration framework also allows us to meet both the expectations of our global shareholder base and the Australian regulatory framework by which Mesoblast is governed. Our approach must also be sufficiently flexible to allow us to attract, retain and motivate high performing executives in the various locations in which we operate.

In addition, the Board believes, given the nature and stage of our Company, that the most appropriate measures to assess company performance are the achievement of key, well-defined milestones that are critical to progressing the company technology with the ultimate outcome being to bring our product candidates to market in order to improve patient outcomes and enhance value for our shareholders.

As detailed in this report, our remuneration framework is designed to encourage the achievement of these key milestones set by the Board in a timely manner. In particular, in the 2016-7 financial year, a substantial change was made to the Company's remuneration framework with the introduction of a milestone vesting framework for executive LTI grants whereby options vest upon the achievement of key specified outcomes which are tailored to each executive’s role (as opposed to the Company’s traditional approach of time-based vesting). This approach was adopted to further strengthen the link between our executive LTI rewards and achievements which we expect to generate shareholder returns.

Further, the Nomination & Remuneration Committee and Board of Mesoblast continues to review its remuneration framework on an annual basis to ensure it remains ‘fit-for-purpose’ going forward and supports the Company’s strategy and the delivery of long term value creation for Mesoblast’s shareholders. In the 2017-8 financial year, the Board has considered and agreed to implement

further changes to the remuneration structure to apply from FY19, taking into account feedback received from key stakeholders. While the outcomes of this review will be disclosed in further detail in the FY19 Remuneration Report, in summary, the Board has determined to make the following changes to further facilitate the alignment between executives' rewards and the shareholder experience:

- the introduction of STI deferral for the CEO, with a portion of the CEO's STI payment deferred for one year; and
- the introduction of an additional two-year minimum holding requirement for executive milestone LTI grants i.e. the individual needs to meet the relevant milestone and remain employed for 2 years before the options vest.

The Board believes both of these changes will assist to further incentivize in the medium-term while facilitating long-term retention for key management. In addition, the Company has provided greater transparency in relation to the specific KPIs which form the basis of the Company's STI payouts (see "Remuneration outcomes for FY18" below). We welcome any feedback you might have on our remuneration framework as we continue to ensure it remains fair and balanced, provides the appropriate incentives for the executives to deliver on achieving the key milestones that will ultimately drive long term shareholder returns and meets the needs and expectations of our shareholders, employees and other stakeholders.

Overview of FY18 performance and remuneration outcomes

Mesoblast's FY18 performance

Mesoblast has achieved numerous key clinical, regulatory and corporate objectives during the 2017/8 financial year which have been reflected in remuneration outcomes.

The Company's first Phase 3 trial reported the successful achievement of its primary endpoint of Day 28 overall response for remestemcel-L (MSC-100-IV) in steroid-refractory acute Graft Versus Host Disease (aGVHD). This cell therapy is now well positioned to be Mesoblast's first approved product in the United States. Based on interactions with the FDA, Mesoblast believes that successful results from the completed Phase 3 trial, together with Day 180 safety, survival and quality of life parameters in these patients, may provide sufficient clinical evidence to support a BLA filing in the United States.

In addition to the above, the Company achieved the following key clinical and regulatory outcomes:

- The FDA granted a Regenerative Medicine Advanced Therapy (RMAT) designation for the use of MPC-150-IM in end-stage heart failure patients with left ventricular assist devices (LVADs). This trial has completed enrollment of 159 patients.
- Key Day 100 survival outcomes of its Phase 3 trial for remestemcel-L in children with steroid refractory aGVHD.
- Completed enrollment of 404 patients in Phase 3 trial evaluating its proprietary allogeneic mesenchymal precursor cell product candidate for chronic low back pain.
- Full 52-week results in Phase 2 trial of MPC-300-IV in biologic refractory rheumatoid arthritis showed an early and durable effect from a single infusion.

The Company also achieved key corporate and financial outcomes in or shortly after the financial year:

- The strength of Mesoblast's intellectual property portfolio was highlighted with the license to TiGenix NV, now a wholly owned subsidiary of Takeda Pharmaceutical Company Limited ("Takeda"), of certain of our patents. This license supports the global commercialization of their adipose-derived mesenchymal stem cell product for the local treatment of fistulae. Mesoblast will receive up to €20.0 million (approximately US$24.0 million) in payments, as well as single digit royalties on net sales.
- Shortly after the end of the financial year, Mesoblast entered into a strategic alliance with one of China's largest pharmaceutical companies, Tasly Pharmaceutical Group, for the development, manufacture and commercialization in China of Mesoblast's allogeneic mesenchymal precursor cell product candidates 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. Mesoblast will receive $40.0 million on closing, up to $25.0 million on product regulatory approvals in China, and double-digit escalating royalties on net product sales. This transaction is subject to filing with the State Administration of Foreign Exchange.

- The Company executed on non-dilutional funding, with credit facilities with Hercules Capital Inc and NovaQuest Capital Management, LLC finalized in the financial year.
- Two leading United States healthcare executives joined the Mesoblast Board of Directors. Mr Joseph R. Swedish has more than two decades of healthcare leadership experience as the CEO for major U.S. healthcare organizations, including most recently as Executive Chairman, President and CEO of Anthem Inc., a Fortune 33 company and the leading U.S. health benefits provider. Ms Shawn Cline Tomasello brings more than 30 years' experience in the pharmaceutical and biotech industries, with substantial commercial and transactional experience at Kite Pharma and Pharmacyclics, Inc.
- Revenues were $17.3 million for the year ended June 30, 2018, compared with $2.4 million for the year ended June 30, 2017, an increase of $14.9 million. This increase of $14.9 million in the year ended June 30, 2018 was due to a 152% increase in commercialization revenue ($2.2 million) from royalty income on sales of TEMCELL® Hs. Inj., an upfront payment of $5.9 million (€5.0 million) received upon execution of our patent license agreement with Takeda in December 2017, a future payment from Takeda of $5.9 million (€5.0 million), due by December 2018, was recognized, and an increase of $1.0 million in sales milestones recognized on sales of TEMCELL® Hs. Inj.
- Net cash outflows from operating activities in the year ended June 30, 2018 were reduced by $20.5 million (21%) compared with the year ended June 30, 2017. The $20.5 million decrease comprised: a decrease in cash outflows of $15.1 million due to a reduction in payments to suppliers and employees primarily in relation to a decrease in manufacturing commercialization costs; and an increase in cash inflows of $5.4 million primarily in relation to the non-refundable up-front payment received upon execution of our patent license agreement with Takeda in December 2017 and increased receipts from sales milestones and royalty income on sales of TEMCELL® Hs. Inj. in Japan.

As a result of these strong achievements, which the Board believes are key drivers for long term success, incentives were paid to the CEO and the Senior Executive team. Further details of this year's remuneration outcomes are provided in the following section and throughout this report.

Remuneration outcomes for FY18

When assessing company performance in light of remuneration, traditional financial metrics, such as profitability, total shareholder return (TSR), short-term share price movements, and earnings per share (EPS) are not meaningful, nor can they be effectively used to accurately reflect the performance of our company. Our long term value creation occurs through progressive achievement of well-defined milestones that are critical for achieving product approval and commercialization, in a timely fashion and within budget (see Remuneration Strategy and Framework for further detail on our framework). Annually the Board prioritizes the key Company milestones for the coming year. These milestones form the CEO's KPIs, the overall priorities for the company and establish the basis for all STI payments. At the end of the financial year, the Board assesses the overall Company performance, and the CEO's individual performance against these KPIs. The achievement of these KPIs is assessed in the context of total corporate performance against budget which ensures cost control is always a key part of the performance framework and is regularly measured and reported.

The Board, utilizing all information available to it on specific achievements has assessed the overall Company's performance at 85% of target and the CEO's performance at 90% of target.

In the table below we outline the Board's assessment of performance against the Company KPI's for the year ended June 30, 2018.

Key Objectives	Key Objectives Category	Key Specified Achievements	Weighting	Rating	Assessed Performance
Execute on specified key objectives within our Tier 1 clinical programs	Graft vs Host Disease (GvHD)	• Completed enrollment in GvHD Phase 3 Trial • Primary endpoint successfully achieved • Successful Day 100 survival	55%	90%	49.5%
	Chronic Heart Failure (CHF)	• Completed enrollment in end stage CHF trial • Received RMAT status for LVAD patients • End stage CHF trial results to be presented late 2018 • CHF Ph3 study enrollment continuing as planned			
	Chronic Lower Back Pain	• Phase 3 Study – Enrollment completed			
	Rheumatoid Arthritis	• Reported on positive Phase 2 trial results			
Execute on financing and partnering strategy	Financing	• Funding via successful capital raise A$51 Million • Executed on a US$75 Million non-dilutive credit facility • Executed on a US$50 Million financing announced July 2, 2018, including US$40 Million non-dilutive credit facility.	35%	80%	28.0%
	Partnering	• Entered into licensing agreement with Takeda • Entered into a commercial agreement for China for treatment of Heart Disease with China pharmaceutical company -Tasly shortly after completion of financial year			
Manufacturing process development		Significant advances achieved in process development for fully scalable manufacture of MPC - bioreactors	5%	70%	3.5%
Organization Structure and Development		• Minimal change in headcount despite continuing increase in activity • Continued to strengthen employee base with critical new hires • Significant progress on Board renewal – with the retirement of one NED and the recruitment of 2 new US based NED Directors with outstanding industry experience	5%	80%	4.0%
Assessed Total Company Performance			**100%**	**N/A**	**85.0%**

Executive KMP remuneration received in FY18

The table below represents remuneration paid to each executive KMP during the year.

Fixed remuneration and cash bonus (STI) relates to amounts received during the year and share based option payments and vested LTI represent equity from prior years.

2018		Short-term benefits					Post-employment benefits	Long-term benefits			
Name	Currency	Salary & fees $	Cash Bonus(1) $	Annual Leave(3) $	Non-monetary benefits $	Other $	Super-annuation $	Long service leave(3) $	Share-based payments Options(4) $	Other Termi-nation benefits $	Total $
Silviu Itescu (CEO)	A$	1,010,000	909,000	77,694	—	—	20,049	16,880	—	—	2,033,623
Paul Hodgkinson (CFO)	A$	389,583	—	(17,399)	—	—	20,049	(9,605)	(92,281)	—	290,347
Total executive KMP	**A$**	**1,399,583**	**909,000**	**60,295**	**—**	**—**	**40,098**	**7,275**	**(92,281)**	**—**	**2,323,970**
Total executive KMP(2)	**US$**	**1,086,637**	**705,748**	**46,813**	**—**	**—**	**31,132**	**5,648**	**(71,647)**	**—**	**1,804,330**

(1) STI bonus payable for performance in the year ended June 30, 2018, not paid as at June 30, 2018.
(2) The US$ results has been translated at the average weighted exchange rate of 0.7764 for the year ended June 30, 2018.
(3) Annual leave compensation for Paul Hodgkinson presents as negative compensation because on his resignation on May 31, 2018, annual leave provision balance as at June 30, 2017 were reversed and recognized in annual leave compensation. On Paul Hodgkinson's resignation on May 31, 2018, long service leave provision balances as at this date were reversed and recognized in long service leave compensation.
(4) On Paul Hodgkinson's resignation, in accordance with the plan rules, non-vested options were forfeited which has reversed previously recognized share based payment compensation.

2017		Short-term benefits					Post-employment benefits	Long-term benefits			
Name	Currency	Salary & fees $	Cash Bonus(1) $	Annual Leave $	Non-monetary benefits $	Other $	Super-annuation $	Long service leave $	Share-based payments Options $	Other Termi-nation benefits $	Total $
Silviu Itescu (CEO)	A$	1,010,000	757,500	46,610	—	—	19,616	16,880	—	—	1,850,606
Paul Hodgkinson (CFO)	A$	439,143	148,750	5,721	—	—	30,416	6,641	676,692	—	1,307,363
Total executive KMP	**A$**	**1,449,143**	**906,250**	**52,331**	**—**	**—**	**50,032**	**23,521**	**676,692**	**—**	**3,157,969**
Total executive KMP(2)	**US$**	**1,093,089**	**683,584**	**39,473**	**—**	**—**	**37,739**	**17,742**	**510,428**	**—**	**2,382,055**

(1) STI bonus payable for performance in the year ended June 30, 2017, not paid as at June 30, 2017.
(2) The US$ results has been translated at the average weighted exchange rate of 0.7543 for the year ended June 30, 2017.

Remuneration Strategy and Framework

Executive Remuneration – Framework

Mesoblast's executive remuneration framework is designed to attract, reward and retain a highly specialized group of individuals working at the top of their respective fields in varied geographic locations. Key elements of the Mesoblast remuneration framework are as follows:

Remuneration Framework Summary

		Performance-based Remuneration	
	Fixed Pay	**Short-term Incentives**	**Long-term Incentives**
Strategic Rationale	Assessed on market relativities based on roles and responsibilities.	The performance conditions which attach to the STI are based on key corporate / budgetary milestones and the achievement of strategic goals which are designed to generate long-term value creation in the interests of shareholders. Refer to '*Short-Term Incentives (STIs) Program*' within the 'Remuneration Strategy and Framework' section.	This incentive drives the achievement of objectives relevant to each executive's role, strengthening the link between the incentive rewards and the generation of shareholder returns. Refer to '*Long-Term Incentives (LTIs) Program*' within the 'Remuneration Strategy and Framework' section.
Description	Set according to each role's responsibilities, the incumbent's experience and qualifications, their performance in the role and regional market relativities.	Set at a target relative to fixed pay and paid for individual performance against annual corporate and individual key performance indicators (KPIs). Executive KPIs are typically milestone related as befitting a pre-revenue company.	Set at a target relative to fixed pay based on value at the time of grant with consideration to internal relativities. Delivers value to the participant through share price growth. Only available to select roles.
Considerations	Supplemented by statutory and customary benefits relevant to each region (e.g., superannuation in Australia; medical insurance in the US.)	STIs are typically set at a smaller proportion of our total target remuneration than LTIs to conserve cash outflow.	The Board exercises discretion to adjust LTI grants from the target remuneration mix as needed. For instance, if a decline in share price would produce an incongruous LTI quantum (i.e., number of options).
Review	Reviewed annually for changes in market relativities and the individual's performance and growth in the role.	Annual outcomes are assessed by the CEO (for his direct reports) and the Board (for the CEO) based on Group performance against KPIs.	Grants are reviewed annually based on the nature of the role, its contribution to long term objectives and individual performance.
Oversight	Individual outcomes are reviewed and approved first by the Nomination & Remuneration Committee and then the Board.	Individual outcomes are reviewed and approved first by the Nomination & Remuneration Committee and then the Board.	
Delivered as	Cash.	Cash.	Mesoblast equity with vesting conditions that vary according to role.

A pay mix for performance

The KMP's target remuneration mix is as follows:

	Fixed Remuneration %		At-Risk STI %		At-Risk LTI %	
Name	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Silviu Itescu	50	50	50	50	—	—
Paul Hodgkinson	40	40	20	20	40	40

The Board has customized the CEO's remuneration mix in comparison with that of other Company executive KMP in recognition that he continues to be a substantial shareholder of Mesoblast. The Board believes the CEO has sufficient exposure to our company's share performance to align his interests in value creation, and he therefore does not currently participate in the LTI. The Board reviews the CEO's remuneration package annually, including the remuneration mix.

The Nomination and Remuneration Committee retained KPMG to conduct a benchmarking study on CEO remuneration in July 2015. The findings of this exercise show the CEO's total remuneration package was positioned below the 25th percentile of the comparator group based on the exchange rate at that time. The comparator group included other pre-revenue biopharmaceutical companies in the US with comparable expenditure levels with regard to market capitalization. This comparator group was selected as reflective of the group of companies with which Mesoblast competes for its senior executive talent. In the opinion of the Board, and having regard to this market data, the CEO's fixed pay and total remuneration is set at a market competitive level and reflects the skills, expertise and depth of experience of the incumbent.

The CFO's remuneration mix is a more typical executive remuneration package, reflecting a significant emphasis on LTI as befitting a company in the development stage.

Short-Term Incentives (STIs) Program

The following table outlines a summary of the 2018 Short-Term Incentive Plan:

What is the 2018 STI?	An incentive plan under which eligible employees are (subject to satisfaction of specified performance measures) granted a cash amount, which is based on a percentage range of each participant's fixed remuneration (determined according to role and ability to influence our performance). Performance is assessed against a combination of company and individual measures.
When is the 2018 STI grant paid to eligible employees?	The STI amount will be paid, in the three month period ended September 30, 2018, to each participant who satisfies applicable performance measures, following assessment of performance against the applicable measures for the financial year ended June 30, 2018.

Who participates in the 2018 STI?	All employees hired on or before March 31, 2018 are eligible for consideration. Employees hired during the year are recognized on a pro-rata basis.
Why does our board of directors consider the 2018 STI an appropriate incentive?	The STI is a globally recognized form of reward for management, aimed at ensuring focus and alignment our goals and strategy. Based on both company and individual measures, and in conjunction with other factors, our board of directors believes that it helps encourage and reward high performance.
What are the performance conditions under the 2018 STI?	Individual performance is measured against the achievement of individual KPIs, key corporate and budgetary milestones and achievement of strategic goals all of which lead to long-term shareholder value creation.
What is the relationship between our performance and allocation of STIs?	At the end of the financial year our board of directors assesses our overall company performance based on the achievement of Company and CEO's KPIs. This assessment will adjust how much of our bonus pool is eligible for allocation. For the financial year ended June 30, 2018, the Board assessed our overall Company performance as meeting 85% of objectives. People Leaders evaluate employees and make recommendations of the bonus amount each employee should receive based on the bonus pool they have available for allocation and with reference to individual target bonus opportunities and individual performance against objectives.
What is the period over which our performance is assessed?	The assessment period is the financial year preceding the payment date of the STI (July 1 through June 30).

Long-Term Incentives (LTIs) Program

In designing a LTI mechanism that is appropriate to our global team where 59% of our employees are based in the United States, we seek to balance:

- Australian practice and governance expectations, where LTI are expected to have performance hurdles other than price and employment milestones alone;
- United States practices, where options are a widely distributed remuneration component, typically issued without a price premium, performance hurdles or milestones, and which vest on a more regular basis (e.g. rolling monthly basis);
- a strong preference for a single reward mechanism to maintain executive cohesion and teamwork; and
- alignment with driving shareholder value.

Since July 1, 2015 Mesoblast has used a single LTI plan, our Employee Share Option Plan ("ESOP"). The ESOP was approved by shareholders at the AGM held in November 2016. LTIs consist of options over ordinary shares of our company under the rules of the ESOP. Recognizing that option grants in the US where the majority of our LTI participants reside typically have a ten year term, grants made since July 10, 2015 have had a seven year term. The Board considers the appropriate term at the time each grant is approved.

During this development phase, the achievement of significant milestones are key drivers in helping us get to major objectives such as product approval.

For the financial year ended June 30, 2017, the Board introduced a milestone vesting framework for executive LTI grants whereby options vest upon the achievement of specified outcomes (as opposed to the Company's traditional approach of time-based vesting). In this structure, we tailor individual LTI grants to vest with the achievement of objectives relevant to each executive's role at an exercise price per share that is equal to the fair market value at grant date. Upon the Board's determination that the milestone has been achieved, the options are designated as vested. We have adopted this approach to strengthen the link between our executive LTI rewards and achievements which we expect to generate shareholder returns. This approach was applied to executive option grants within the year ended June 30, 2018 and we expect it to be utilized for most future executive option grants.

LTI allocations are determined with consideration to the nature of the role within our organization, market value of LTI allocations for comparable roles, previous grants made and the remuneration mix described above where a modified Black-Scholes calculation is used to determine the value of the option. If LTI valuations decline due to a decline in our share price the Board has taken a view that this should not automatically drive an increase in LTI grants to maintain the desired remuneration mix. In recent years LTI grants have remained stable in terms of number of options granted reflecting the Board's assessment that this grant size will deliver the desired value to the participant's over time.

Outside this executive milestone framework we issue traditional LTIs to select other participants at a price per share that is typically 10% higher than the five day volume weighted average share price calculated at grant date. The options generally vest in three equal tranches over three years. This is an important remuneration component in the biotechnology sector which allows us to be competitive in the market place. We believe this approach is appropriate at this stage and that applying additional performance hurdles to our traditional LTI grants would make it problematic for us to attract and retain the people we need, particularly in the US, and would ultimately be negative for our company. This is an area we continue to review and assess.

The following is a summary of the key features of the LTI instrument, our ESOP:

What is the ESOP?	An incentive plan under which eligible participants are granted options over our ordinary shares.
Why does our board of directors consider the ESOP an appropriate long-term incentive?	The ESOP is designed to reward participants for out-performance and to align long-term interests of shareholders and participants, by linking a significant proportion of at-risk remuneration to our future performance.
Who participates in the ESOP?	All eligible participants, who are in positions to influence achievement of our long- term outcomes and where warranted by market practice for attraction and retention. The CEO does not participate in the LTI due to his substantial shareholding in Mesoblast. The Board believes the CEO has sufficient exposure to our company's share performance to align his interests in value creation.
What are the key features of the ESOP?	Pricing and vesting conditions are determined by a participant's designation as either an: • executive participant • other participant
In what circumstances are ESOP entitlements forfeited?	The ESOP will be forfeited upon cessation of employment prior to the conclusion of the performance period in circumstances where a participant is a "bad leaver". Bad leaver is defined as part of the ESOP rules and includes serious misconduct. If the Board designate a former employee as a bad leaver they forfeit all rights, entitlements and interests in any unexercised options, both vested and unvested. Otherwise a leaver may retain vested options subject to exercising the option within 60 days of cessation of employment or within a longer period if so determined by the Board. Unvested options lapse immediately upon cessation of employment.
What are the performance conditions under the ESOP?	Executive LTI grants are issued with an exercise price per share that is equal to the fair market value at grant date and vest with the achievement of objectives relevant to each executive's role. Typically each executive has two or three objectives, each of which is assigned to a tranche of options. Milestones from our initial grant under this framework relate to achievements such as: progress with patient enrollment for a specific program, signing a partnering agreement, completing an interim analysis, submitting a regulatory filing. Traditional options granted to other participants are issued with an exercise price per share that is typically 10% higher than the five day volume weighted average share price calculated at grant date and vest over three years. In addition participants have to remain in employment with the Company for the LTIs to vest.
Why did our board of directors choose the above performance conditions/hurdles?	A participant's designation as an executive participant or other participant is determined according to their seniority and the nature of their responsibilities. The objectives selected as vesting milestones for our executives are expected to generate positive shareholder returns, thereby creating direct alignment between executive and shareholder rewards.

What is the relationship between our performance and allocation of options?	Equity-based remuneration is an integral part of remuneration in the biotechnology industry as they reward share price growth and seek to conserve cash. With the executive milestone vesting framework, executives must achieve their objectives, to the satisfaction of the Board, for the Options to vest. Once vested, the value of the remuneration fluctuates with our share price with a floor price of that of which the option was issued. The Board believes that share price growth is an appropriate measure of success as it is the prime driver of investment in the biotechnology sector, and is simply and clearly rewarded using equity-based remuneration. In the financial year ended June 30, 2018, executive LTI grants were awarded to maintain performance-based remuneration.
What is the maximum number of options that may be granted to a participant in the ESOP?	The maximum number of options that may be granted to each participant is determined by the Board, subject to applicable legal thresholds.
When do the options vest?	For executive participants with milestone vesting grants, the Board designs the relevant performance criteria with reference to objectives which can be reasonably forecast and set given the dynamic nature of Mesoblast's business and which will result in shareholder value creation. The Board has authority to designate that options have vested when the related milestone has been met. For other participants, options typically vest in three equal tranches, one year, two years and three years after the date of grant, provided performance conditions are met.
How are the shares provided to participants under the ESOP?	Shares are issued to the participant upon the holder exercising their option and paying the exercise price to us (once all vesting conditions are satisfied).
Is the benefit of participation in the ESOP affected by changes in the share prices?	Yes, the value participants receive through participation in the ESOP will be reduced if the share price falls during the performance period and will increase if the share price rises over the performance period.

Non-Executive Director ("NED") Remuneration

Our aim is to establish a board of directors comprised of global expertise in the biopharmaceutical industry and capital markets. At the commencement of the year we had six NEDs, three based in Australia, one in the United States, one in Switzerland and one in Israel. During the year Mr Ben-Zion Weiner resigned from the Board. Mr Weiner is based in Israel. Effective from June 18, 2018, Mr Joseph Swedish based in the United States joined the Board as a NED. Subsequent to the year-end Ms Shawn Cline Tomasello also joined our Board as a NED.

Our NED fees are based on the 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.

NED Fees and Other Benefits

NEDs receive fixed fees for their services, as approved by shareholders at the 2013 Annual General Meeting, not to exceed a maximum fee pool of A$1,250,000. A board and committee fee structure was adopted on November 1, 2013 based on advice provided by Towers Watson in October 2012 with reference to companies of comparable size and complexity.

In consideration of our lower market capitalization at June 30, 2016, and with a goal of conserving cash, NEDs proposed that a reduced fee structure take effect from July 1, 2016. Under this revised fee structure the Board Chair fee was reduced to AUD $250,000 per annum and committee fees were suspended for all other NEDs. This fee structure remains in place with the exception that fees for the chair of both the Audit and Risk and the Nomination and Remuneration Committees were reinstated as of January 1, 2018. The fees were reinstated to reflect the time commitment and workloads of these respective positions. We also note that the fees were reinstated at 50% of their FY16 levels.

	From July 1, 2017 to June 30, 2018		
Position	**Board of Directors**	**Audit and Risk Committee**	**Nomination and Remuneration Committee**
Chair	A$250,000	A$12,500	A$12,500
Vice Chair	A$175,000	—	—
Member	A$128,250	—	—

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.

Remuneration Details - NEDs

Details of the remuneration of our NEDs for the year ended June 30, 2018 are set out below:

2018		Short-term benefits					Post-employment benefits	Long-term benefits	Share-based payments	Other	
Name	Currency	Salary & fees $	Cash Bonus $	Annual Leave $	Non-monetary benefits $	Other $	Super-annuation $	Long service leave $	Options $	Termination benefits $	Total $
William Burns	A$	175,000	—	—	—	—	—	—	4,632	—	179,632
Brian Jamieson	A$	250,000	—	—	—	—	20,049	—	—	—	270,049
Donal O'Dwyer	A$	134,500	—	—	—	—	12,777	—	—	—	147,277
Michael Spooner	A$	134,500	—	—	—	—	12,777	—	—	—	147,277
Ben-Zion Weiner	A$	128,250	—	—	—	—	—	—	4,632	—	132,882
Eric Rose	A$	128,250	—	—	—	—	—	—	4,632	—	132,882
Joseph Swedish(1)	A$	—	—	—	—	—	—	—	—	—	—
Total non-executive directors	**A$**	**950,500**	—	—	—	—	**45,603**	—	**13,896**	—	**1,009,999**
Total non-executive directors(2)	**US$**	**737,968**	**—**	**—**	**—**	**—**	**35,406**	**—**	**10,789**	**—**	**784,163**

(1) Joseph Swedish was appointed on June 18, 2018. Mr Swedish did not incur any compensation expenses for the year ended June 30, 2018.
(2) The US$ results has been translated at the average weighted exchange rate of 0.7764 for the year ended June 30, 2018.

Details of the remuneration of our NEDs for the year ended June 30, 2017 are set out below:

2017		Short-term benefits					Post-employment benefits	Long-term benefits	Share-based payments	Other	
Name	Currency	Salary & fees $	Cash Bonus(1) $	Annual Leave $	Non-monetary benefits $	Other $	Super-annuation $	Long service leave $	Options $	Termination benefits $	Total $
William Burns	A$	167,208	—	—	—	—	—	—	18,448	—	185,656
Brian Jamieson	A$	250,000	—	—	—	—	19,616	—	—	—	269,616
Donal O'Dwyer	A$	128,250	—	—	—	—	12,184	—	—	—	140,434
Michael Spooner	A$	128,250	—	—	—	—	12,184	—	—	—	140,434
Ben-Zion Weiner	A$	128,250	—	—	—	—	—	—	18,448	—	146,698
Eric Rose	A$	227,222	—	—	—	—	—	—	18,448	—	245,670
Total non-executive directors	**A$**	**1,029,180**	—	—	—	—	**43,984**	—	**55,344**	—	**1,128,508**
Total non-executive directors(2)	**US$**	**776,311**	**—**	**—**	**—**	**—**	**33,176**	**—**	**41,745**	**—**	**851,232**

(1) STI bonus payable for performance in the year ended June 30, 2017, not paid as at June 30, 2017.
(2) The US$ results has been translated at the average weighted exchange rate of 0.7543 for the year ended June 30, 2017.

Remuneration Governance

Role of the Board of Directors and the Nomination and Remuneration Committee

The Board is responsible for Mesoblast's remuneration strategy and approach. The Board established the Nomination and Remuneration Committee as a committee of the Board. It 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 Nomination and Remuneration Committee seeks independent advice from remuneration consultants as and when it deems necessary.

Performance Review

The Board conducts periodic performance reviews of the Board and its operations as a whole. A review was conducted during this financial year ended June 30, 2018. This review encompassed feedback on the Chairman and individual NEDs as well as consideration of Board succession planning, diversity and the breadth and sufficiency of skills represented on the Board.

Use of Remuneration Consultants

During the financial year ended June 30, 2018, the Nomination and Remuneration Committee engaged KPMG to provide remuneration advice to assist the Board in decision making, specifically a review of the Remuneration Report to the financial year ended June 30, 2018 and advice in relation to specific changes to be made to Mesoblast's remuneration framework to apply from FY19 (see "Executive Summary").

The advice provided by KPMG does not constitute a 'remuneration recommendation' as a defined in section 9B of the Corporations Act as it relates to the provision of information and/or advice on the taxation, legal or accounting implications of specific elements of the remuneration framework.

Employment Agreements

The employment of our CEO and CFO are formalized in employment agreements, the key terms of which are as follows:

Name	Term	Notice period	Termination benefit
CEO (Silviu Itescu)	Initial term of 3 years commencing April 1, 2014, and continuing subject to a 12 months' notice period.	12 months	12 months base salary
CFO (Paul Hodgkinson)(1)	An ongoing employment agreement until notice is given by either party.	6 months	6 months base salary

(1) Paul Hodgkinson resigned effective May 31, 2018 and did not receive any payments outside of the standard entitlement and forfeited all non-vested options upon termination in accordance with the plan rules.

On termination of employment, key management personnel are entitled to receive their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

There is no entitlement to a termination payment in the event of resignation or removal for misconduct.

The employment of the executive team is also formalized in employment contracts. Three members of the executive team have employment contracts with initial terms ranging from 15 to 25 months, all of which have been fulfilled, and with notice periods ranging from six to twelve months. The remaining members have continuous employment contracts with no fixed term and notice periods ranging from one to six months.

Additional remuneration disclosures

The table and chart below detail Company performance on a market capitalization basis, against executive key management personnel short-term at-risk compensation:

	2018	2017	2016	2015	2014
Share price (ASX:MSB)					
– closing at June 30	A$1.48	A$2.08	A$1.08	A$3.76	A$4.47
– high for the year	A$2.36	A$3.44	A$4.06	A$5.88	A$6.8
– low for the year	A$1.19	A$1.03	A$1.01	A$3.17	A$4.18
– share price volatility (annual)	53%	52%	60%	46%	36%
Market capitalization at June 30 (in millions)	A$714	A$891	A$412	A$1,267	A$1,438
– increase/(decrease) – in $ millions	(A$177)	A$479	(A$855)	(A$170)	(A$240)
– increase/(decrease) – as %	20%	116%	(67%)	(12%)	(14%)
Short-term incentives – % of target paid to CEO	90%	75%	—	90%	87.5%
Short-term incentives – as % of base salary paid to CEO	90%	75%	—	90%	87.5%
Short-term incentives – % of target paid to CFO	—	70%	—	100%	n/a
Short-term incentives – as % of base salary paid to CFO	—	35%	—	50%	n/a

Relative proportions of fixed versus variable remuneration expenses

For the years ended June 30, 2018 and 2017, the following table shows the relative proportions of remuneration for our executive KMPs that are linked to performance and those that are fixed based on the amounts disclosed as statutory expense above:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2018 %	2017 %	2018 %	2017 %	2018(1) %	2017 %
Silviu Itescu (CEO)	55	59	45	41	—	—
Paul Hodgkinson (CFO)	59	37	—	11	41	52

(1) Paul Hodgkinson's LTI has been adjusted for the impact of the reversal of previously recognized share based payment compensation of non-vested options forfeited upon his resignation.

Performance-Based Remuneration

The proportion of at-risk performance remuneration for our executive KMPs that was awarded and forfeited during the periods presented was as follows:

		At-Risk STI %	
Name	Total Opportunity A$	Awarded %	Forfeited %
For the year ended June 30, 2018			
Silviu Itescu	1,010,000	90	10
Paul Hodgkinson	212,500	—	100
For the year ended June 30, 2017			
Silviu Itescu	1,010,000	75	25
Paul Hodgkinson	212,500	70	30

Share Based Compensation

Share options granted to key management personnel (our directors, including Silviu Itescu, and Paul Hodgkinson) in the year ended June 30, 2018 were 200,000 share options granted to Mr. Hodgkinson. In accordance with the plan rules, Mr. Hodgkinson forfeited all non-vested options upon termination. There were no other grants made to key management personnel, including to our

directors, in the year ended June 30, 2018. During the year ended June 30, 2018, as a result of a fully underwritten institutional and retail entitlement offer to existing eligible shareholders (on a 1 for 12 basis) in September 2017, the exercise price of all outstanding options at the time was reduced by A$0.02 per option subject to the ESOP plan under clause 7.3. At the date of alteration, September 13, 2017, the market price of the shares was A$1.38. The difference between the total fair value of the options affected by the alteration immediately before and after the modification was a reduction of A$138,975. There have been no other modifications to any terms and conditions of share-based payment transactions during the year ended June 30, 2018.

Share options granted to key management personnel (our directors, including Silviu Itescu, and Paul Hodgkinson) in the year ended June 30, 2017 were 450,000 share options granted to Mr. Hodgkinson. There were no other grants made to key management personnel, including to our directors, in the year ended June 30, 2017. There was no modification to any terms and conditions of share-based payment transactions during the year ended June 30, 2017.

Details of options over our ordinary shares provided as remuneration to each director and member of key management personnel for the years ended June 30, 2018 and June 30, 2017 are set out in the tables below:

Remuneration Values

The following table provides the remuneration values:

	Remuneration consisting of options(1)	Values of options granted(2)	Value of options exercised(3)	Value of options lapsed(4)
For the year ended June 30, 2018				
William Burns	2.6%	—	—	—
Eric Rose	3.5%	—	—	—
Ben-Zion Weiner	3.5%	—	—	—
Donal O'Dwyer	—	—	A$255,861	—
Paul Hodgkinson	41.3%	A$117,520	—	—
For the year ended June 30, 2017				
William Burns	9.9%	—	—	—
Eric Rose	7.5%	—	—	—
Ben-Zion Weiner	12.6%	—	—	—
Donal O'Dwyer	—	—	A$689,028	—
Paul Hodgkinson	51.8%	A$605,025	—	—

(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*.

(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 presented because a performance condition was not met, but valued as if the performance condition had been met.

Reconciliation of Options held by KMP

The following table shows a reconciliation of options held by each KMP from the beginning to the year ended June 30, 2018:

Name	Year granted	Balance at the start of the year	Granted during the year	Vested		Exercised	Forfeited		Balance at the end of the year		
		Number	Number	Number	%	Number	Number	%	Vested and exercisable	Vested and unexercisable	Unvested
Silviu Itescu	—	—	—	—	—	—	—	—	—	—	—
William Burns	2015	80,000	—	80,000	100	—	—	—	80,000	—	—
Brian Jamieson	—	—	—	—	—	—	—	—	—	—	—
Donal O'Dwyer	2011	255,912	—	—	—	(255,912)	—	—	—	—	—
Michael Spooner	—	—	—	—	—	—	—	—	—	—	—
Ben-Zion Weiner	2015	80,000	—	80,000	100	—	—	—	80,000	—	—
Eric Rose	2015	80,000	—	80,000	100	—	—	—	80,000	—	—
Paul Hodgkinson	2018	—	200,000	100,000	50	—	(100,000)	—	100,000	—	—
Paul Hodgkinson	2017	450,000	—	300,000	67	—	(150,000)	—	300,000	—	—
Paul Hodgkinson	2016	400,000	—	266,668	67	—	(133,332)	—	266,668	—	—
Paul Hodgkinson	2015	450,000	—	—	—	—	(450,000)	—	—	—	—
Joseph Swedish	—	—	—	—	—	—	—	—	—	—	—

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:

Grant date	Vesting date	Expiry date	Exercise price	Value per option at acceptance date	Vested %
13/10/2017(1)	one half - 30/04/2018 one half - 31/12/2018(2)	12/10/2024	A$1.76	A$0.59	50
13/01/2017(1)	one third - 31/03/2017 one third - 31/08/2017 one third - 30/11/2018(2)	12/01/2024	A$1.65	A$1.34	67
27/04/2016	one third - 07/03/2017 one third - 07/03/2018 one third - 07/03/2019(2)	06/03/2023	A$2.80	A$1.05	67
10/07/2015	one third - 02/07/2016 one third - 02/07/2017 one third - 02/07/2018(2)	30/06/2022	A$4.20	A$1.40	67
25/03/2015	25/03/2015(2)	23/07/2019	A$4.69	A$0.92	100
25/11/2014	one third - 25/11/2015 one third - 25/11/2016 one third - 25/11/2017	24/11/2019	A$4.00	A$1.30	100

(1) These options vest on the achievement of milestones relevant to the KMPs role. The milestones of this grant relate to capital raising, compliance and partnering. The Board has authority to designate that options have vested when the related milestones are met.

(2) These options were forfeited on Paul Hodgkinson’s resignation on May 31, 2018.

Shares provided on 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 (closing price)	Exercise price per option
For the year ended June 30, 2018					
Donal O'Dwyer (for the year ended June 30, 2018)	255,912	255,912	December 15, 2017	A$1.42	US$0.323
For the year ended June 30, 2017					
Donal O'Dwyer (for the year ended June 30, 2017)	255,912	255,912	April 26, 2017	A$3.28	US$0.444

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, 2018, to our Directors and our next 5 most highly remunerated officers.

Name	Issue Date	Exercise Price	Number of shares, under option
Directors			
Silviu Itescu	—	—	—
Non-Directors			
Daniel Devine	October 13, 2017	A$1.76	200,000
Donna Skerrett	October 13, 2017	A$1.76	200,000
Kenneth Borow	October 13, 2017	A$1.76	200,000
Michael Schuster	October 13, 2017	A$1.76	200,000
Roger Brown	October 13, 2017	A$1.76	200,000

Shareholdings

The table below shows a reconciliation of ordinary shares held by each KMP from the beginning to the end of the 2018 financial year in accordance with the Corporations Regulations (section 18).

Name	Balance at the start of the year	Received during the year upon exercise of options	Other changes during the year	Balance at the end of the year
Silviu Itescu	68,244,642	—	714,286	68,958,928
William Burns	28,000	—	2,330	30,330
Brian Jamieson	625,000	—	20,000	645,000
Donal O'Dwyer	875,730	255,912	17,500	1,149,142
Michael Spooner(1)	1,081,335	—	10,000	1,091,335
Ben-Zion Weiner	40,000	—	—	40,000
Eric Rose	—	—	—	—
Paul Hodgkinson	—	—	—	—
Joseph Swedish	—	—	—	—

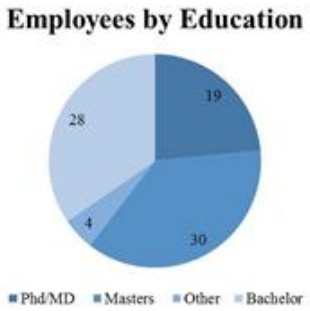
(1) Of this balance, Mr. Spooner has a relevant interest of 1,060,000 ordinary shares.

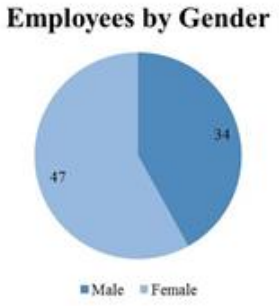
Voting and comments made at our company's 2017 Annual General Meeting ("AGM")

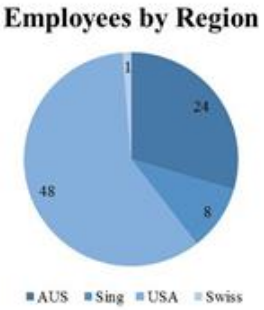
We received 81.0% of the votes cast in person or by proxy on a poll in favor of adopting the 2016/2017 remuneration report.

Employee Profile

As of June 30, 2018, we had 81 (2017: 75) employees globally:







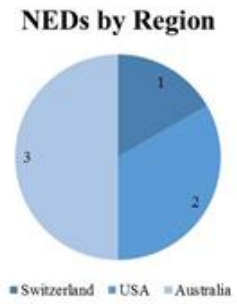
59% of our employees are based in the United States where the Mesoblast operational activities are concentrated.

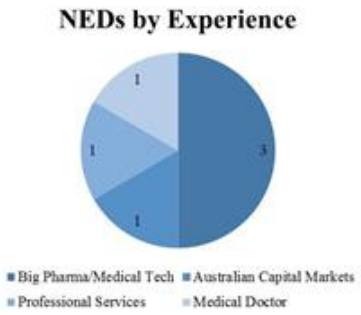
Australia is corporate headquarters with 30% of the employees work. This includes the CEO and the majority of the Executive team.

The remaining 11% of employees are located in Singapore (10%) and 1% in Switzerland where research and technology transfer activities are conducted.

Non-Executive Director Profile

As at June 30, 2018, we have six non-executive Directors (“NED”) with diverse industry and regional experience, as the charts below illustrate:





(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:

Issue date	Exercise price of options	Expiry date of options	Number of shares under option
9/07/2012	A$6.67	8/07/2018	100,000
4/09/2013	A$6.26	27/08/2018	125,000
24/02/2014	A$6.36	31/12/2018	650,000
5/09/2014	A$4.69	30/06/2019	1,520,000
9/10/2014	A$4.52	8/10/2019	50,000
25/11/2014	A$4.00	24/11/2019	240,000
12/12/2014	A$4.49	31/10/2019	50,000
25/03/2015	A$4.98	20/01/2019	135,000
25/03/2015	A$4.98	25/01/2019	300,000
25/03/2015	A$4.98	25/01/2019	200,000
25/03/2015	A$4.69	30/06/2019	400,000
25/03/2015	A$4.44	30/06/2019	600,000
12/05/2015	A$4.28	16/02/2020	400,000
10/07/2015	A$4.20	30/06/2022	2,458,334
26/08/2015	A$4.05	16/08/2022	75,000
27/04/2016	A$2.80	6/03/2023	3,380,000
27/04/2016	A$2.74	17/04/2023	200,000
30/06/2016	A$2.20	18/01/2021	1,500,000
31/10/2016	A$2.80	6/03/2023	200,000
06/12/2016	A$1.31	5/12/2023	1,885,000
06/12/2016	A$1.19	5/12/2023	4,400,000
13/01/2017	A$1.65	12/01/2024	300,000
28/06/2017	A$2.23	27/06/2024	300,000
16/09/2017	A$1.54	15/09/2024	100,000
16/09/2017	A$1.40	15/09/2024	150,000
13/10/2017	A$1.94	12/10/2024	2,215,000
13/10/2017	A$1.76	12/10/2024	1,900,000
24/11/2017	A$1.41	23/11/2024	750,000
24/11/2017	A$1.28	23/11/2024	750,000
Sub-total			**25,333,334**
07/07/2010	US$0.305	26/10/2018	26,108
07/07/2010	US$0.340	26/10/2019	319,892
Sub-total			**346,000**
Grand Total			**25,679,334**

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	Number of shares issued	Issue Price	Amount unpaid per share
6/12/2016	8,333	A$1.31	—
6/12/2016	25,000	A$1.31	
07/07/2010	255,912	US$0.323	—
Total	**289,245**		—

Indemnification of Officers

During the financial year, we paid premiums in respect of a contract insuring our directors and company secretary, 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 has considered the position and in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of the non-audit services as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* because the services are not deemed to undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

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, 2018 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/ Brian Jamieson	/s/ Silviu Itescu
Brian Jamieson	Silviu Itescu
Chairman	Chief Executive Officer

Dated: August 30, 2018

6.C Board Practices

Our board of directors currently consists of eight members, including seven non-executive directors and one executive director, our Chief Executive Officer.

Our directors are generally elected to serve three-year terms in a manner similar to a "staggered" board of directors under Delaware law. At every annual general meeting, one-third of the previously elected directors or, if their number is not a multiple of three then the number nearest to but not exceeding one-third, must retire from office and are eligible for re-election. The directors who retire in this manner are required to be the directors or director longest in office since last being elected. Additionally, 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 terms of Messrs. Jamieson and Spooner will expire at the annual shareholders' meeting in 2018.

Name	First election at AGM	Last election at AGM	End of current term
Brian Jamieson	2007	2015	2018
William Burns	2014	2016	2019
Donal O'Dwyer	2004	2017	2020
Eric Rose	2013	2016	2019
Michael Spooner	2004	2015	2018
Joseph Swedish	Upcoming AGM		
Shawn Cline Tomasello	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:
  - organizational performance and the achievement of our strategic goals and objectives;
  - financial performance including approval of the annual and half-year financial reports and liaison with our auditors;

- progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments;
- compliance with our code of conduct;
- 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 employment.

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. The Company previously had a separate Science and Technology Committee, but it has been determined that it is appropriate that the function of this Committee (reviewing the Company's strategic direction and investment with regard to research and development and technology) be retained within the board as a whole.

Nomination and Remuneration Committee. The members of our Nomination and Remuneration Committee are Messrs. Jamieson, O'Dwyer (Chairman) and Spooner, all of whom are independent, non-executive directors. 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 are Messrs. Jamieson, O'Dwyer and Spooner (Chairman), 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, 2018, we had 81 employees, 48 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 75 and 108 employees as of June 30, 2017 and 2016, respectively. We have no collective bargaining agreements with our employees. We have not experienced any work stoppages to date and consider our relations with our employees to be good.

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, 2018	Research & Development	Commercial	Manufacturing	Corporate	Total
USA	31	1	4	12	48
Australia	8	—	—	16	24
Singapore	5	—	2	1	8
Switzerland	—	—	—	1	1
Total	**44**	**1**	**6**	**30**	**81**

As of June 30, 2017	Research & Development	Commercial	Manufacturing	Corporate	Total
USA	29	1	5	9	44
Australia	8	—	—	14	22
Singapore	5	—	2	1	8
Switzerland	—	—	—	1	1
Total	**42**	**1**	**7**	**25**	**75**

As of June 30, 2016	Research & Development	Commercial	Manufacturing	Corporate	Total
USA	49	1	9	12	71
Australia	11	1	—	15	27
Singapore	6	—	2	1	9
Switzerland	—	—	—	1	1
Total	**66**	**2**	**11**	**29**	**108**

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.

See “Item 6.A Directors and Senior Management – Employee Profile”.

6.E Share Ownership

The table below sets forth information regarding the beneficial ownership of our ordinary shares based on 482,639,654 (including 8,474,576 shares subscribed by NovaQuest in June 2018 and that were issued in July 2018) ordinary shares outstanding at June 30, 2018 by each of our directors and key management personnel.

We have determined beneficial ownership in accordance with the rules of the SEC - it generally means that 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, 2018. Ordinary shares subject to options currently exercisable or exercisable within 60 days of June 30, 2018 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, but are not deemed outstanding for computing the percentage of any other person.

Based upon information known to us, as of June 30, 2018 we had 30 shareholders in the United States. These shareholders held an aggregate of 89,453,643 of our ordinary shares, or approximately 18% of our outstanding ordinary shares.

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.

	Ordinary Shares beneficially owned	
Name	**Number**	**%**
Directors and key management personnel:		
Silviu Itescu(1)	68,958,928	14.3%
William Burns(2)	110,330	*
Brian Jamieson(3)	645,000	*
Paul Hodgkinson(4)	666,668	*
Eric Rose(5)	80,000	*
Donal O'Dwyer(6)	1,149,142	*
Ben-Zion Weiner(7)	120,000	*
Michael Spooner	1,060,000	*
Joseph Swedish(8)	—	—
All directors and key management personnel as a group (9 persons)	**72,790,068**	**15.1%**

* 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 and (c) 714,286 ordinary shares owned by Tamit Nominees Pty Ltd, an Australian corporation owned by Dr. Itescu.

(2) Includes (a) 30,330 ordinary shares owned by Mr. Burns and (b) 80,000 ordinary shares subject to options exercisable at a price of A$4.00 per share until November 24, 2019.

(3) Includes (a) 150,000 ordinary shares owned by Mr. Jamieson and (b) 495,000 ordinary shares owned by Mr. Jamieson through Timaru Close Pty Ltd.

(4) Includes 666,668 ordinary shares subject to options of which; 133,334 are exercisable at a price of A$4.20 per share until June 30, 2022; 133,334 are exercisable at a price of A$2.80 per share until March 6, 2023; 300,000 are exercisable at a price of A$1.65 per share until January 12, 2024; and 100,000 are exercisable at a price of A$1.76 per share until October 12, 2024. On May 31, 2018, Mr. Hodgkinson resigned as Chief Financial Officer of the Company.

(5) Includes 80,000 ordinary shares subject to options exercisable at a price of A$4.00 per share until November 24, 2019.

(6) Includes (a) 811,824 ordinary shares owned by Mr. O’Dwyer, (b) 337,318 ordinary shares owned by Dundrum Investments Ltd. as trustee for The O’Dwyer Family Trust. Mr. O’Dwyer and his spouse are the sole shareholders of Dundrum Investments Ltd.

(7) Includes (a) 40,000 ordinary shares owned by Dr. Weiner, (b) 80,000 ordinary shares subject to options exercisable at a price of A$4.00 per share until November 24, 2019. On June 18, 2018, Mr. Weiner resigned as director of the Company.

(8) Mr. Swedish was appointed as Director of the Company on June 18, 2018.

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 482,639,654(1) ordinary shares outstanding at June 30, 2018 by each person known by us to be the beneficial owner of more than 5% of our ordinary shares. None of our shareholders has different voting rights from other shareholders.

(1) The ordinary shares outstanding as at June 30, 2018 include unissued ordinary shares of 8,474,576 during the period. These shares were issued to NovaQuest on July 10, 2018, under a placement agreement entered into prior to June 30, 2018.

	Ordinary Shares beneficially owned	
Name	**Number**	**%**
5% or Greater Shareholders:		
M&G Investment Group(1)	69,297,896	14.4%
Silviu Itescu(2)	68,958,928	14.3%
Capital Research Global Investors(3)	42,591,080	8.8%
Thorney Holdings(4)	24,696,000	5.1%

(1) Includes ordinary shares owned indirectly through custodial accounts, over which shares M&G Investment Group retains voting and dispositive power. The address for M&G Investment Group is 5 Laurence Pountney Hill, London EC4R 0HH, United Kingdom.

(2) 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.

(3) Includes ordinary shares owned indirectly through custodial accounts, over which shares Capital Research Global Investors retains voting and dispositive power. The address for Capital Research Global Investors is 333 South Hope Street, 55th Floor, Los Angeles, CA 90071, USA.

(4) Includes ordinary shares owned indirectly through custodial accounts, over which shares Thorney Holdings retains voting and dispositive power. The address for Thorney Holdings is 55 Collins Street, Level 39, Melbourne, Victoria 3000, Australia.

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).

- The Capital Group Companies, Inc. reported on February 16, 2016 that since March 24, 2015 it had acquired 3,461,051 ordinary shares. It reported on February 13, 2017 that since February 16, 2016 it had acquired 1,414,762 ordinary shares, and it held 30,364,000 ordinary shares (including 452,000 ADSs, each representing 5 ordinary shares), or 7.9% of the total voting power as of that date. It reported on December 29, 2017 that since February 14, 2017 it had acquired 7,271,080 ordinary shares, and it held 37,365,080 ordinary shares (including 452,000 ADSs, each representing 5 ordinary shares), or 7.9% of the total voting power as of that date. It reported on March 8, 2018 that since December 30, 2017 it had acquired 5,226,000 ordinary shares, and it held 42,591,080 ordinary shares (including 452,800 ADSs, each representing 5 ordinary shares), or 9.0% of the total voting power as of that date.
- Thorney Opportunities Ltd reported on March 31, 2017 that, between April 17, 2015 to March 31, 2017, it acquired 5,845,000 ordinary shares, and in total it held 24,696,000 ordinary shares, or 5.8% of the total voting power as of that date.
- M&G Investment Group reported on November 25, 2015 that, after acquiring 14,625,593 ordinary shares (including 1,497,235 ADSs, each representing 5 ordinary shares acquired in the November 13, 2015 Nasdaq IPO) between February

21, 2012 and November 25, 2015, in total it held 46,643,788 ordinary shares, or 12.3% of the total voting power as of that date. It reported on March 30, 2017 that it acquired 7,196,982 ordinary shares between November 26, 2015 and March 30, 2017, and that in total it held 54,026,630 ordinary shares (including 1,543,700 ADSs, each representing 5 ordinary shares), or 13.4% of the total voting power as of that date. It reported on July 13, 2017 that it disposed of 368,590 ordinary shares between March 31, 2017 and July 13, 2017, and that in total it held 53,658,040 ordinary shares (including 1,539,053 ADSs, each representing 5 ordinary shares), or 12.35% of the total voting power as of that date. It reported on September 6, 2017 that it acquired 11, 7943,313 ordinary shares between July 12, 2017 and September 6, 2017, and that in total it held 65,452,353 ordinary shares (including 1,537,794 each representing 5 ordinary shares), or 14.19% of the total voting power as of that date. It reported on December 31, 2017 that it acquired 3,845,543 ordinary shares between September 7, 2017 and December 31, 2017, and that in total it held 69,297,896 ordinary shares (including 1,532,843 ADSs, each representing 5 ordinary shares), or 14.73% 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 years ended June 30, 2018 and 2017 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

From time to time, we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently party to any legal proceedings that, in the opinion of our management, would reasonably be expected to have a material adverse effect on our business, financial condition, operating results or cash flows if determined adversely to us. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

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

On July 17, 2018, the Group announced that it had entered into a strategic alliance with Tasly Pharmaceutical Group (“Tasly”), for the development, manufacture and commercialization in China of the Group’s allogeneic mesenchymal precursor cell (MPC) product candidates 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. The Group will receive $40.0 million from Tasly on closing of the strategic alliance, comprising a $20.0 million up-front technology access fee and $20.0 million in an equity purchase in Mesoblast Limited at A$1.86 per

share, representing a 20% premium to a blended volume weighted average price calculated over three months, one month and one day. This receipt is subject to filing with the State Administration of Foreign Exchange. 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 is eligible to receive up to six escalating milestone payments upon the product candidates reaching certain sales thresholds in China.

There were no other events that have arisen subsequent to June 30, 2018 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 shares have been listed in Australia on the Australian Securities Exchange (ASX) since December 2004.

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 JPMorgan 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".

The NASDAQ Global Select Market

Since November 2015, our ordinary shares in the form of ADSs have been trading on the Nasdaq Global Select Market under the symbol "MESO." The following table sets forth the high and low market prices for our ADSs reported on Nasdaq for the periods indicated in U.S. dollars.

Period	US$ High	US$ Low
Annual:		
Fiscal year ended		
June 30, 2016	15.56	3.50
June 30, 2017	12.50	3.90
June 30, 2018	8.55	4.74
Quarterly:		
Fiscal year ended June 30, 2017		
First quarter ended September 30, 2016	6.57	3.90
Second quarter ended December 31, 2016	5.90	4.01
Third quarter ended March 31, 2017	9.78	5.28
Fourth quarter ended June 30, 2017	12.50	7.55
Fiscal year ended June 30, 2018		
First quarter ended September 30, 2017	8.55	5.29
Second quarter ended December 31, 2017	7.45	4.80
Third quarter ended March 31, 2018	7.79	4.74
Fourth quarter ended June 30, 2018	6.66	5.24
Most recent six months:		
Month ended February 28, 2018	7.76	4.74
Month ended March 31, 2018	7.79	5.63
Month ended April 30, 2018	6.34	5.37
Month ended May 31, 2018	6.30	5.24
Month ended June 30, 2018	6.66	5.37
Month ended July 31, 2018	7.27	5.62

The Australian Securities Exchange

Since December 2004, our ordinary shares have been listed in Australia on the ASX trading under the symbol "MSB". The following table sets forth the high and low market prices for our ordinary shares reported on the ASX for the periods indicated in Australian dollars.

Period	A$ High	A$ Low
Annual:		
Fiscal year ended		
June 30, 2014	6.80	4.18
June 30, 2015	5.88	3.17
June 30, 2016	4.06	1.01
June 30, 2017	3.44	1.03
June 30, 2018	2.36	1.19
Quarterly:		
Fiscal year ended June 30, 2017		
First quarter ended September 30, 2016	1.93	1.03
Second quarter ended December 31, 2016	1.55	1.07
Third quarter ended March 31, 2017	2.50	1.43
Fourth quarter ended June 30, 2017	3.44	1.93
Fiscal year ended June 30, 2018		
First quarter ended September 30, 2017	2.36	1.31
Second quarter ended December 31, 2018	1.95	1.21
Third quarter ended March 31, 2018	2.06	1.19
Fourth quarter ended June 30, 2018	1.66	1.39
Most recent six months:		
Month ended February 28, 2018	1.84	1.19
Month ended March 31, 2018	2.06	1.46
Month ended April 30, 2018	1.66	1.40
Month ended May 31, 2018	1.64	1.39
Month ended June 30, 2018	1.59	1.46
Month ended July 31, 2018	1.91	1.50

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 any contract or arrangement in which the director has any direct or indirect material personal interest or any lesser 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, a director is liable to us for any profits derived with regard to any matter in which the director has a material interest unless the director:

- declares the director’s interest in the matter as soon as practicable after the relevant facts come to the director’s knowledge; and
- does not contravene our Constitution or the Corporations Act in relation to the matter.

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 incur liens on or grant a security interest in any of our property or business or any uncalled portion of any partly paid shares, and may issue debentures or give any other security for any of our debts, liabilities or obligations or of any other person, in each case, in the manner and on terms it deems fit.

Election, Removal and Retirement of Directors

We may appoint or remove any director by resolution passed in the 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. At every annual general meeting, one-third of the previously elected directors or, if their number is not a multiple of three then the number nearest to but not exceeding one-third, must retire from office and are eligible for re-election. Additionally, 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, no person is eligible to be elected as a director unless a notice of the director's candidature is given to us at least 35 business days (30 business days for a meeting shareholders have requested directors to call) before the meeting. This restriction does not apply to a retiring director or to the election of a director previously appointed by the directors during the year.

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 preferred, deferred or other special rights, whether in relation to dividends, voting, return of share capital, payment of calls 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. All unclaimed dividends may be invested or otherwise made use of by our board of directors for our benefit until claimed or otherwise disposed of in accordance with our Constitution.

Voting Rights

Under 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. 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; any shareholder or shareholders representing at least 5% of the votes that may be cast on the resolution on a poll; or any shareholder or shareholders holding our shares conferring a right to vote at the meeting on which an aggregate sum has been paid up equal to not less than 5% of the total sum paid up on all the shares conferring that right. 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 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) at the meeting.

Pursuant to our Constitution, each shareholder entitled to attend and vote at a meeting may attend and vote in person or by proxy or attorney and by representative. Shareholders may not vote electronically. Under Australian law, shareholders of a public listed company are not permitted to approve corporate matters by written consent. Our Constitution does not 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, prior to our liquidation, our shareholders are entitled to participate in our profits only by payment of dividends. Our board of directors may from time to time determine to pay dividends to the shareholders; however, no dividend is payable except in accordance with the thresholds set out in the Corporations Act.

Rights to Share in the Surplus in the Event of Liquidation

Our Constitution provides for the right of shareholders to participate in a surplus in the event of our liquidation.

Redemption Provisions

There are no redemption provisions in our Constitution in relation to ordinary shares. Under our Constitution and subject to the Corporations Act, any preference shares may be issued on the terms that they are, or may at our option or at the option of the holder be, liable to be redeemed.

Sinking Fund Provisions

Our Constitution allows our directors to, at their discretion, set aside any sums they think proper out of our profits as reserves, which may be applied for any proper purpose.

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 five shareholders constitutes a quorum, or if we have less than five shareholders, then the shareholders present at a meeting constitute a quorum. If a quorum is not present within 15 minutes after the time appointed for the meeting, the meeting must be either dissolved if it was summoned 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 15 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%, 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;
- 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 entered or enters into an agreement with another person with respect to the securities;
- has 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
- has 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 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 under a takeover bid and the acquisition occurs during the bid period;
- when shareholders of Mesoblast approve an acquisition that would otherwise breach the prohibition, by resolution passed at general meeting;
- 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;
- as a result of a rights issue;
- as a result of dividend reinvestment schemes;
- as a result of certain underwriting arrangements;

- through operation of law;
- an acquisition that arises through the acquisition of a relevant interest in another company listed on the ASX, certain other Australian financial markets or a foreign stock exchange approved in writing by ASIC;
- arising from an auction of forfeited shares; or
- 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 canceling 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. 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 issue shares and grant options or warrants on any terms, with preferred, deferred or other special rights and restrictions 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 consolidate or divide our share capital into a smaller or larger number by resolution, 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.

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

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 with an initial interest rate of 9.45%. An additional $40.0 million may be drawn as certain milestones are met. The loan matures in March 2022 with principal repayments commencing in October 2019 with the ability to defer the commencement of principal repayments to October 2020 if certain milestones are met. Interest on the loan is payable monthly in arrears on the 1st day of the month. The interest rate is floating. It is 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.

Loan Agreement with NovaQuest

In June 2018, we entered into a non-dilutive secured loan with NovaQuest for $40.0 million. There is a four-year interest only period, until July 2022, with the principal repayable in equal quarterly instalments over the remaining period of the loan. The loan matures in July 2026. Interest on the loan will accrue at a fixed rate of 15% per annum.

All interest and principal payments will be deferred until after the first commercial sale of our allogeneic product candidate MSC-100-IV in pediatric patients with steroid refractory aGVHD, in the United States and other geographies excluding Asia ("pediatric aGVHD"). 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.

If there are no net sales of pediatric aGVHD, the loan is only repayable on maturity in 2026. If in any annual period 25% of net sales of pediatric aGVHD exceed the amount of accrued interest owing and from 2022, principal and accrued interest owing ("the payment cap"), Mesoblast will pay the payment cap and an additional portion of excess sales which may be used for early prepayment of the loan. If in any annual period 25% of net sales of pediatric aGVHD is less than the payment cap, then the payment is limited to 25% of net sales of pediatric 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.

Agreements with Tasly Pharmaceutical Group

In July 2018, we entered into a Development and Commercialization Agreement as well as an Investment 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 will receive 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 in not cured within the specified cure period or if certain events related to bankruptcy of the other party occurs.

The Investment Agreement provides for a $20.0 million equity purchase in Mesoblast Limited by Tasly at A$1.86 per share.

The closing of both the Development and Commercialization Agreement and the Investment Agreement with Tasly is subject to filing with the State Administration of Foreign Exchange.

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 stem 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) as a non-refundable up-front payment. We are entitled to further payments of €5.0 million within 12 months of the patent license agreement date, and up to €10.0 million when Takeda reaches certain product regulatory milestones. Additionally, we will 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 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 total assets of A$252 million or more (or A$1,134 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 and acquiring a direct interest in land owning entities Australia (generally 10%). 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 holding 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, government entities of that government.

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 total assets of A$252 million or more (or A$1,134 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 exceeds 40% at any time, we would be considered a foreign person under the 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 with assets totalling over A$252 million; 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 would also be included determining the foreign ownership of any Australian company or business in which it 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 a non-resident's right to hold or vote our securities.

Australian law requires the transfer of shares in our company to be made in writing or electronically through the Clearing House Electronic Subregister System. No stamp duty will be payable in Australia on the transfer of ADSs.

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, or 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;
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- 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 depositary shares are released before shares are delivered to the depositary, or intermediaries in the chain of ownership between holders of American depositary shares and the issuer of the security underlying the American depositary shares, may be taking actions that are inconsistent with claiming foreign tax credits by holders of American depositary 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 depositary, 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, 2018. 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 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 or tax exempt organizations). In addition, this summary does not discuss any foreign or state tax considerations, other than stamp duty and goods and services tax. 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 taxation 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 and capital gains tax 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. Therefore, in the following analysis we discuss the tax consequences to non-Australian resident holders of ordinary shares which, for Australian taxation purposes, will be the same as to U.S. holders of ADSs.

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 are not subject to dividend withholding tax. Dividends payable to non-Australian resident shareholders that are not operating from an Australian permanent establishment, or Foreign Shareholders, will be subject to dividend withholding tax, to the extent the dividends are not foreign (i.e., non-Australian) sourced and declared to be conduit foreign income, or CFI, and are unfranked. Dividend withholding tax will be imposed at 30%, unless a shareholder is a resident of a country with which Australia has a double taxation agreement and qualifies for the benefits of the treaty. Under the provisions of the current Double Taxation Convention between Australia and the United States, the Australian tax withheld on unfranked dividends that are not CFI paid by us to which a resident of the United States is beneficially entitled is limited to 15%.

If a company that is a non-Australian resident shareholder directly owns a 10% or more interest, the Australian tax withheld on unfranked dividends (that are not CFI) paid by us to which a resident of the United States is beneficially entitled is limited to 5%. In limited circumstances the rate of withholding can be reduced to zero.

Tax on Sales or Other Dispositions of Shares—Capital Gains Tax

Foreign Shareholders will not be subject to Australian capital gains tax on the gain made on a sale or other disposal of our ordinary shares, unless they, together with associates, hold 10% or more of our issued capital, at the time of disposal or for 12 months of the last 2 years prior to disposal.

Foreign Shareholders who own a 10% or more interest would be subject to Australian capital gains tax if more than 50% of our assets held directly or indirectly, determined by reference to market value, consists of Australian real property (which includes land and leasehold interests) or Australian mining, quarrying or prospecting rights. The Double Taxation Convention between the United States and Australia is unlikely to limit the amount of this taxable gain. Australian capital gains tax 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%. Net capital gains are calculated after reduction for capital losses, which may only be offset against capital gains.

The 50% capital gains tax discount is not available to non-Australian residents on gains accrued after May 8, 2012. Companies are not entitled to a capital gains tax discount.

Broadly, where there is a disposal of certain taxable Australian property, 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 taxable Australian property is less than A$750,000, the transaction is an on-market transaction conducted on an approved stock exchange, a securities lending, 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 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%. Some relief from Australian income tax may be available to such non-Australian resident shareholders under the Double Taxation Convention between the United States and Australia.

To the extent an amount would be included in a Foreign Shareholder's assessable income under both the capital gains tax provisions and the ordinary income provisions, the capital gain amount would generally be reduced, so that the shareholder would not be subject to double tax on any part of the income gain or capital gain.

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 certain taxable Australian property 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.

Dual Residency

If a shareholder were a resident of both Australia and the United States under those countries' domestic taxation laws, that shareholder may be subject to tax as an Australian resident. If, however, the shareholder is determined to be a U.S. resident for the purposes of the Double Taxation Convention between the United States and Australia, the Australian tax may be subject to limitation by the Double Taxation Convention. Shareholders should obtain specialist taxation advice in these circumstances.

Australian Death Duty

Australia does not have estate or death duties. As a general rule, no capital gains tax 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 capital gains tax liability if the gain falls within the scope of Australia's jurisdiction to tax (as discussed above).

Stamp Duty

No Australian stamp duty is payable by Australian residents or non-Australian residents on the issue, transfer and/or surrender of the ADSs or the ordinary shares in Mesoblast, provided that the shares issued, transferred and/or surrendered do not represent 90% or more of the issued shares in Mesoblast.

Goods and Services Tax

The supply of ADSs and/or ordinary shares in Mesoblast will not be subject to Australian goods and services tax.

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 depositary, JPMorgan Chase Bank N.A. (JPMorgan), fees or charges up to the amounts described in the following table:

Persons depositing or withdrawing ordinary shares or ADS holders must pay:	Description of service
$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	• 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
$0.05 (or less) per ADS	• Cash distribution to ADS holders
$1.50 per ADR	• Transfers of ADRs
$0.04 (or less) per ADS per calendar year	• Administrative services performed by the depositary

Fees Payable by the Depositary to the Issuer

From time to time, the depositary 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 depositary may use brokers, dealers or other service providers that are affiliates of the depositary and that may earn or share fees or commissions.

PART II

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 Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2018. “Disclosure controls and procedures,” as defined in Rules 13a-15(e) 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 Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2018.

Management’s Report on Internal Controls 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, 2018 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, 2018. 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 Controls

Our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving the desired control objectives. Our management recognizes that any control system, no matter how well designed and operated, is based upon certain judgments and assumptions and cannot provide absolute assurance that its objectives will be met. Similarly, an evaluation of controls cannot provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected.

Item 16A. Audit Committee Financial Expert

The Board of Directors of Mesoblast Ltd has determined that Brian Jamieson and Michael Spooner each possess specific accounting and financial management expertise and that each is an Audit Committee Financial Expert as defined by the SEC. The Board of Directors has also determined that Donal O’Dwyer, a member of the Audit and Risk Management Committee, has sufficient experience and ability in finance and compliance matters to enable him to adequately discharge his 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.

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 during the year ended June 30, 2018 and 2017.

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 five 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.

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

The financial statements cover Mesoblast Limited and its subsidiaries. The financial statements were authorized for issue by the board of directors on August 30, 2018. The directors have the power to amend and reissue the financial statements.

All press releases, financial reports and other information are available on our website: www.mesoblast.com

Report of Independent Registered Public Accounting Firm

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 sheets of Mesoblast Limited and its subsidiaries as of June 30, 2018 and 2017, and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for each of the three years in the period ended June 30, 2018, 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, 2018, 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, 2018 and 2017, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2018, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2018, 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 suffered recurring losses from operations 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 of the Form 20-F. 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.

/s/ PricewaterhouseCoopers
Melbourne, Australia
August 30, 2018

We have served as the Company's auditor since 2008.

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Mesoblast Limited
Consolidated Income Statement

(in U.S. dollars, in thousands, except per share amount)	Note	Year Ended June 30, 2018	2017	2016
Revenue	3	17,341	2,412	42,548
Research & development		(65,927)	(58,914)	(50,013)
Manufacturing commercialization		(5,508)	(12,065)	(29,763)
Management and administration		(21,907)	(23,007)	(22,500)
Fair value remeasurement of contingent consideration	3	10,541	(130)	28,112
Other operating income and expenses	3	1,312	1,489	2,714
Finance costs	3	(1,829)	—	—
Impairment of intangible assets	3	—	—	(61,919)
Loss before income tax	3	**(65,977)**	**(90,215)**	**(90,821)**
Income tax benefit/(expense)	4	30,687	13,400	86,694
Loss attributable to the owners of Mesoblast Limited		**(35,290)**	**(76,815)**	**(4,127)**
Losses per share from continuing operations attributable to the ordinary equity holders of the Group:		**Cents**	**Cents**	**Cents**
Basic - losses per share		(7.58)	(19.25)	(1.13)
Diluted - losses per share		(7.58)	(19.25)	(1.13)

The above consolidated income statement should be read in conjunction with the accompanying Notes.

Mesoblast Limited
Consolidated Statement of Comprehensive Income

(in U.S. dollars, in thousands)	Note	Year Ended June 30, 2018	2017	2016
Loss for the year		**(35,290)**	**(76,815)**	**(4,127)**
Other comprehensive (loss)/income				
Items that may be reclassified to profit and loss				
Changes in the fair value of available-for-sale financial assets	7(b)	324	31	(334)
Exchange differences on translation of foreign operations	7(b)	(903)	316	(705)
Other comprehensive (loss)/income for the period, net of tax		**(579)**	**347**	**(1,039)**
Total comprehensive losses attributable to the owners of Mesoblast Limited		**(35,869)**	**(76,468)**	**(5,166)**

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying Notes.

Mesoblast Limited
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	Retained Earnings	Total
Balance as of July 1, 2015		**709,191**	**60,740**	**—**	**(37,984)**	**(263,960)**	**467,987**
Loss for the period		—	—	—	—	(4,127)	(4,127)
Other comprehensive loss		—	—	(334)	(705)	—	(1,039)
Total comprehensive loss for the period		**—**	**—**	**(334)**	**(705)**	**(4,127)**	**(5,166)**
Transactions with owners in their capacity as owners:							
Contributions of equity net of transaction costs		60,947	—	—	—	—	60,947
	7(a)	**60,947**	**—**	**—**	**—**	**—**	**60,947**
Transfer exercised options		134	(134)	—	—	—	—
Fair value of share-based payments	17	—	3,149	—	—	—	3,149
Reclassification of modified options to liability		—	1,244	—	—	—	1,244
		134	**4,259**	**—**	**—**	**—**	**4,393**
Balance as of June 30, 2016		**770,272**	**64,999**	**(334)**	**(38,689)**	**(268,087)**	**528,161**
Balance as of 1 July 2016		**770,272**	**64,999**	**(334)**	**(38,689)**	**(268,087)**	**528,161**
Loss for the period		—	—		—	(76,815)	(76,815)
Other comprehensive income		—	—	31	316	—	347
Total comprehensive profit/(loss) for the period		**—**	**—**	**31**	**316**	**(76,815)**	**(76,468)**
Transactions with owners in their capacity as owners:							
Contributions of equity net of transaction costs		60,140	—		—	—	60,140
	7(a)	**60,140**	**—**		**—**	**—**	**60,140**
Transfer exercised options		13	(13)		—	—	—
Fair value of share-based payments	17	—	5,036		—	—	5,036
Reclassification of modified options from liability		—	(103)		—	—	(103)
		13	**4,920**	**—**	**—**	**—**	**4,933**
Balance as of 30 June 2017		**830,425**	**69,919**	**(303)**	**(38,373)**	**(344,902)**	**516,766**
Balance as of July 1, 2017		**830,425**	**69,919**	**(303)**	**(38,373)**	**(344,902)**	**516,766**
Loss for the period		—	—	—	—	(35,290)	(35,290)
Other comprehensive income/(loss)		—	—	324	(903)	—	(579)
Total comprehensive profit/(loss) for the period		**—**	**—**	**324**	**(903)**	**(35,290)**	**(35,869)**
Transactions with owners in their capacity as owners:							
Contributions of equity net of transaction costs		49,358	—	—	—	—	49,358
Contributions of equity for unissued ordinary shares, net of transaction costs		9,660	—	—	—	—	9,660
	7(a)	**59,018**	**—**	**—**	**—**	**—**	**59,018**
Transfer of exercised options		38	(38)	—	—	—	—
Fair value of share-based payments	17	—	5,959	—	—	—	5,959
Reclassification of modified options to liability		—	134	—	—	—	134
		38	**6,055**	**—**	**—**	**—**	**6,093**
Balance as of June 30, 2018		**889,481**	**75,974**	**21**	**(39,276)**	**(380,192)**	**546,008**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying Notes.

Mesoblast Limited
Consolidated Balance Sheet

(in U.S. dollars, in thousands)	Note	As of June 30, 2018	2017
Assets			
Current Assets			
Cash & cash equivalents	5(a)	37,763	45,761
Trade & other receivables	5(b)	50,366	3,743
Prepayments	5(b)	12,942	14,105
Total Current Assets		**101,071**	**63,609**
Non-Current Assets			
Property, plant and equipment	6(a)	1,084	1,814
Available-for-sale financial assets	5(c)	2,321	1,997
Other non-current assets	5(d)	3,361	1,916
Intangible assets	6(b)	584,606	586,350
Total Non-Current Assets		**591,372**	**592,077**
Total Assets		**692,443**	**655,686**
Liabilities			
Current Liabilities			
Trade and other payables	5(e)	18,921	21,805
Provisions	6(c)	5,082	14,865
Total Current Liabilities		**24,003**	**36,670**
Non-Current Liabilities			
Deferred tax liability	6(d)	20,079	49,293
Provisions	6(c)	42,956	52,957
Borrowings	5(f)	59,397	—
Total Non-Current Liabilities		**122,432**	**102,250**
Total Liabilities		**146,435**	**138,920**
Net Assets		**546,008**	**516,766**
Equity			
Issued Capital	7(a)	889,481	830,425
Reserves	7(b)	36,719	31,243
(Accumulated losses)/retained earnings		(380,192)	(344,902)
Total Equity		**546,008**	**516,766**

The above consolidated balance sheet should be read in conjunction with the accompanying Notes.

Mesoblast Limited
Consolidated Statement of Cash Flows

(in U.S. dollars, in thousands)	Note	Year ended June 30, 2018	2017	2016
Cash flows from operating activities				
Commercialization revenue received		3,019	1,332	99
Milestone payment received		7,125	500	3,500
Research and development tax incentive received		—	2,813	4,466
Payments to suppliers and employees (inclusive of goods and services tax)		(84,682)	(100,598)	(97,190)
Interest received		367	483	1,129
Interest paid		(816)	—	—
Income taxes (paid)/refunded		(25)	(1)	—
Net cash (outflows) in operating activities	8(b)	**(75,012)**	**(95,471)**	**(87,996)**
Cash flows from investing activities				
Payments for contingent consideration		(952)	—	—
Investment in fixed assets		(201)	(311)	(722)
Rental deposits received		—	453	—
Payments for investments		—	—	(805)
Payments for licenses		—	—	(200)
Net cash (outflows)/inflows in investing activities		**(1,153)**	**142**	**(1,727)**
Cash flows from financing activities				
Proceeds from borrowings		31,704	—	—
Payments of transaction costs from borrowings		(392)	—	—
Proceeds from issue of shares		40,566	61,932	68,549
Payments for share issue costs		(3,265)	(1,927)	(6,483)
Net cash inflows by financing activities		**68,613**	**60,005**	**62,066**
Net decrease in cash and cash equivalents		(7,552)	(35,324)	(27,657)
Cash and cash equivalents at beginning of period		45,761	80,937	110,701
FX (losses)/gains on the translation of foreign bank accounts		(446)	148	(2,107)
Cash and cash equivalents at end of period	8(a)	**37,763**	**45,761**	**80,937**

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 adult stem 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$").

1. 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.

(i) Going concern

For the fiscal years ended June 30, 2018, 2017 and 2016, the Group incurred a total comprehensive loss after income tax of $35.9 million, $76.5 million and $5.2 million, respectively, and had net cash outflows from operations of $75.0 million, $95.5 million and $88.0 million, respectively. As of June 30, 2018, the Group held total cash and cash equivalents of $37.8 million. As of June 30, 2018, the Group recognized funds receivable from debt financing and unissued capital of $39.0 million pursuant to a financing facility with NovaQuest Capital Management, L.L.C. ("NovaQuest"). On July 10, 2018 the net proceeds from the financing facility of $39.0 million were received and recognized in cash and cash equivalents. The Group will also receive $40.0 million from Tasly Pharmaceutical Group ("Tasly") on closing of the strategic alliance that the two companies announced in July 2018 for cardiovascular therapies in China. This receipt is subject to filing with the State Administration of Foreign Exchange.

In addition to the strategic alliance with Tasly, the Group has committed to entering into non-dilutive commercial partnering transactions to fund operations. The Group also continues to work on various cost containment and deferment strategies. A fully discretionary equity facility remains for up to A$120 million/US$ 90 million over 12 months to provide additional funds as required. The Group may also consider equity-based financing or drawing further debt funding on current debt arrangements to fund future operational requirements.

There is uncertainty related to the Group's ability to partner programs, raise capital or debt at terms to meet the Group's requirements. Additionally, there is uncertainty related to the Group's ability to sustainably maintain implemented cost reductions and further defer programs on a timely basis while achieving expected outcomes.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the strategic alliance with Tasly, non-dilutive funding in the form of commercial partnering transactions or equity-based financing to fund future operations, together with maintaining implemented cost containment and deferment strategies.

Management and the directors believe that the Group will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis, notwithstanding that there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and that it may be unable to realize its assets and liabilities in the normal course of business.

References to matters that may cast significant doubt about the Group's ability to continue as a going concern also raise substantial doubt as contemplated by the Public Company Accounting Oversight Board ("PCAOB") standards.

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(iii) New and amended standards adopted by the Group

There were no new or amended accounting standards that were applicable to the Group for the June 30, 2018 reporting period.

(i*v*) *New accounting standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for the June 30, 2018 reporting period. The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning July 1, 2017.

Initial application of the following Standards is not expected to materially impact the amounts recognized or disclosures made in the current financial report and management do not consider these new accounting standards to have a material impact on future transactions made in relation to the Group. The Group is in the process of assessing the impact of these new standards on its accounting policy.

The following standards applicable to the Group but are not yet adopted are summarized below:

Title of standard	**IFRS 9 *Financial Instruments***
Key requirements	IFRS 9 introduced revisions in the following areas: • Classification and measurement – replacement of the existing complex rule-based requirements with a principle-based approach which is driven by cash flow characteristics and business model. • Impairment – a single impairment model to be applied to all financial instruments where expected credit losses must be accounted for from when the financial instruments are first recognized. This requirement lowers the threshold for recognition of full lifetime expected losses. • Hedge accounting – a reformed model for hedge accounting with enhanced disclosures about risk management activity.
Impact	The Group has reviewed its financial assets and liabilities and expects the following impact from the adoption of the new standard from July 1, 2018: • Accounting for non-trading equity investments – IFRS 9 requires investments in equity instruments to be recorded at fair value with changes recognized through profit or loss (FVTPL). There is an allowance for management to make an irrevocable election on initial recognition for fair value changes in non-trading equity investments to be recorded in other comprehensive income (FVOCI). The Group has an available-for-sale financial asset recorded at $2.3 million as at June 30, 2018, measured at FVOCI. On transition to IFRS 9 on July 1, 2018, the Group expects to make an election to record this investment in an equity instrument at FVOCI. Therefore, no material impact is expected on the measurement of the AFS financial asset on transition. • Accounting for financial liabilities – the Group has financial liabilities arising from contingent consideration of $42.1 million as at June 30, 2018, which is mandatorily carried at FVTPL, and financial liabilities carried at amortized cost of $59.4 million as at June 30, 2018. There is an allowance for management to make an irrevocable election on initial recognition for financial liabilities that are measured at amortized cost to be measured at FVTPL. The Group does not expect to designate any of its financial liabilities carried at amortized cost as FVTPL using the fair value option upon adoption of IFRS 9 on July 1, 2018. Therefore, the Group does not expect any material impact on transition to IFRS 9 from July 1, 2018.
Effective Date	IFRS 9 must be applied for financial years commencing on or after January 1, 2018. The Group has not adopted IFRS 9 before its mandatory date.

Title of standard	**IFRS 15 *Revenue from Contracts with Customers***
Key requirements	IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows: • Identify the contract with the customer • Identify the performance obligations in the contract • Determine the transaction price • Allocate the transaction price to the performance obligations in the contracts • Recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.
Impact	The Group has reviewed all relevant revenue arrangements and expects the following effects of applying the new standard on the Group's financial statements: • Accounting for sales- or usage-based royalties – IFRS 15 contains an exception to the general principles for accounting for variable consideration for sales- or usage-based royalties arising from licenses of IP. Under this exception, royalties are recognized at the later of when underlying sales occur and all royalty-related performance obligations are satisfied. In the year ended June 30, 2018, the Group earned sales-based royalty and milestone income from licensing arrangement with JCR Pharmaceuticals Co., Ltd. ("JCR") of $5.1 million. The Group estimates that the impact of applying the sales- or usage-based royalty exception will not have a material impact on transition to IFRS 15 from July 1, 2018. • Accounting for the licensing of intellectual property ("IP") – IFRS 15 contains specific implementation guidance for the accounting for licenses of IP. In particular, the Group is required to determine whether a license granted to a customer provides a right to use IP or a right to access IP. This determination affects whether revenue is recognized at a point in time or over time, respectively. In the year ended June 30, 2018, the Group recognized milestone revenue relating to the non-refundable up-front payment of $5.9 million (€5.0 million) received upon execution of the Group's patent license arrangement with Takeda Pharmaceutical Company Limited ("Takeda") in December 2017 and $5.9 million (€5.0 million) in relation to further payments due within 12 months of the patent license agreement date for the product Alofisel®. The license of IP to Takeda is a license to use under IFRS 15 and therefore revenue is recognized at a point in time as performance obligations are satisfied. Since the performance obligations have been satisfied for the revenue recognized in the year ended June 30, 2018, the Group does not expect a material impact on transition to IFRS 15 on July 1, 2018. • Accounting for contracts with variable consideration – IFRS 15 contains a constraint that allows variable consideration to be included in the transaction price only to the extent that it is highly probable that a significant reversal of cumulative revenue recognized will not occur. Under the patent license arrangement with Takeda, the Group is entitled to up to €10.0 million in payments from Takeda when Alofisel® reaches certain product regulatory milestones. The product regulatory milestones are subject to the constraint over variable consideration and the Group has not recognized consideration in respect of these payments in the calculation of the transaction price for revenue recognized in the year to June 30, 2018. Therefore, we do not expect there to be a material impact on transition to IFRS 15 on July 1, 2018.
Effective Date	IFRS 15 must be applied for financial years commencing on or after January 1, 2018. The Group has not adopted IFRS 15 before its mandatory date and intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognized in retained earnings as of July 1, 2018, and comparative disclosures will not be restated.

Title of standard	**IFRS 16 *Leases***
Key requirements	IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee; they are recognized on the balance sheet as they are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalized' by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a financial liability is required to be recognized to represent the obligation to make future lease payments. There is little change for the accounting for a lessor.
Impact	Refer to Notes 14 (b) and (c) for the lease commitments the Group holds as a lessee and lessor. The Group is currently evaluating the effect that the updated IFRS 16 will have on the consolidated financial statements and related disclosures.
Effective Date	IFRS 16 must be applied on or after January 1, 2019. The Group does not intend to adopt IFRS 16 before its mandatory date.

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, 2018:

- On December 14, 2017, the Group entered into a patent license agreement with TiGenix NV, now a wholly owned subsidiary of Takeda, which granted Takeda exclusive access to certain of its patents to support global commercialization of the adipose-derived mesenchymal stem cell product Alofisel®, 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. As part of the agreement, the Group received $5.9 million (€5.0 million) as a non-refundable up-front payment. The Group will be entitled to further payments of €5.0 million within 12 months of the patent license agreement date, and 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®.
- On December 22, 2017, the United States signed into law the Tax Cuts and Jobs Act ("the Tax Act"), which changed many aspects of U.S. corporate income taxation, including a reduction in the corporate income tax rate from 35% to 21%. The Group recognized the tax effects of the Tax Act, the most significant of which was a tax benefit resulting from the remeasurement of deferred tax balances to 21%, see Note 4.
- On March 6, 2018, the Group entered into a $75.0 million non-dilutive, four year credit facility with Hercules Capital, Inc. ("Hercules"). The Group drew the first tranche of $35.0 million of the principal amount on closing. An additional $40.0 million may be drawn as certain milestones are met. The loan matures in March 2022 with principal repayments commencing in October 2019 with the ability to defer the commencement of principal repayments to October 2020 if certain milestones are met, see Note 5(f).
- On June 29, 2018, the Group entered into a $40.0 million non-dilutive, eight year credit facility and a $10.0 million equity placement with NovaQuest. The Group drew the first tranche of $30.0 million of the principal amount on closing, with an additional tranche of $10.0 million becoming available on marketing approval of remestemcel-L ("MSC-100-IV") by the United States Food and Drug Administration ("FDA"). The loan matures in July 2026 with principal repayments from net sales of MSC-100-IV and interest payments deferred until after the first commercial sale, see Note 5(f).
- On July 17, 2018, the Group announced that it had entered into a strategic alliance with Tasly Pharmaceuticals Group ("Tasly") for the development, manufacture and commercialization in China of the Group's allogenic mesenchymal precursor cell products, MPC-150-IM for the treatment or prevention of chronic heart failure and MPC-25-IC for the treatment or prevention of acute myocardial infraction. Tasly will receive exclusive rights and will fund all development, manufacturing and commercialization activities in China for MPC-150-IM and MPC-25-IC.

  The Group will receive $40.0 million from Tasly on closing of the strategic alliance, comprising a $20.0 million up-front technology access fee and $20.0 million in an equity purchase in Mesoblast Limited at A$1.86 per share, representing a 20% premium to a blended volume weighted average price calculated over three months, one month and one day. This receipt is subject to filing with the State Administration of Foreign Exchange. 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 is eligible to receive up to six escalating milestone payments upon the product candidates reaching certain sales thresholds in China, see Note 15.

3. Loss before income tax

(in U.S. dollars, in thousands)	Note	Year Ended June 30, 2018	2017	2016
Revenue				
Commercialization Revenue		3,641	1,444	37,969
Milestone Revenue		13,334	500	3,500
Interest Revenue		366	468	1,079
Total Revenue		**17,341**	**2,412**	**42,548**
Clinical trial and research & development		**(42,863)**	**(38,141)**	**(30,270)**
Manufacturing production & development		**(3,640)**	**(8,313)**	**(21,506)**
Employee benefits				
Salaries and employee benefits		(19,343)	(20,039)	(24,350)
Defined contribution superannuation expenses		(374)	(362)	(362)
Equity settled share-based payment transactions[1]		(6,199)	(5,276)	(3,389)
Total Employee benefits		**(25,916)**	**(25,677)**	**(28,101)**
Depreciation and amortization of non-current assets				
Plant and equipment depreciation		(909)	(1,578)	(1,625)
Intellectual property amortization		(1,741)	(1,479)	(567)
Total Depreciation and amortization of non-current assets		**(2,650)**	**(3,057)**	**(2,192)**
Other Management & administration expenses				
Overheads & administration		(8,477)	(8,128)	(10,361)
Consultancy		(3,295)	(3,329)	(3,396)
Legal, patent and other professional fees		(3,436)	(4,452)	(3,888)
Intellectual property expenses (excluding the amount amortized above)		(3,065)	(2,889)	(2,562)
Total Other Management & administration expenses		**(18,273)**	**(18,798)**	**(20,207)**
Fair value remeasurement of contingent consideration				
Remeasurement of contingent consideration	5(g)(iii)	10,541	(130)	28,112
Total Fair value remeasurement of contingent consideration		**10,541**	**(130)**	**28,112**
Impairment of intangible assets				
Impairment of in-process research and development acquired	6(b)	—	—	(61,919)
Total Impairment of intangible assets		—	—	**(61,919)**
Other operating income and expenses				
Research & development tax incentive[2]		1,807	1,532	3,840
Foreign exchange gains/(losses)		161	(43)	(1,126)
Foreign withholding tax paid		(656)	—	—
Total Other operating income and expenses		**1,312**	**1,489**	**2,714**
Finance costs				
Interest expense		(1,829)	—	—
Total Finance costs		**(1,829)**	**—**	**—**
Total loss before income tax		**(65,977)**	**(90,215)**	**(90,821)**

(1) Share-based payment transactions

For the year ended June 30, 2018, 2017 and 2016, share-based payment transactions have been reflected in the Consolidated Statement of Comprehensive Income functional expense categories as follows:

	Year Ended June 30,		
(in U.S. dollars)	**2018**	**2017**	**2016**
Research and development	3,638,311	2,837,231	2,461,110
Manufacturing and commercialization	558,928	420,762	681,355
Management and administration	2,001,349	2,017,172	246,197
	6,198,588	**5,275,165**	**3,388,662**

(2) Research and development tax incentive

The Group's research and development activities are eligible under an Australian Government tax incentive for eligible expenditures from July 1, 2011. Management has assessed these activities and expenditures to determine which are likely to be eligible under the incentive scheme. At each period end management estimates the refundable tax offset available to the Group based on available information at the time. The Group uses the assistance of independent tax specialists to review, on an annual basis, the quantum of our previous research and development tax claim and our on-going eligibility to claim this tax incentive in Australia. For years ended June 30, 2018, 2017 and 2016, the Group has recognized income of $1.8 million, $1.5 million and $3.8 million, respectively.

Of the $1.8 million research and development tax incentive recorded in other income for the year ended June 30, 2018, $0.1 million relates to a change in the original estimate of the research and development tax incentive income the Group estimated it would receive from the Australian Government for the year ended June 30, 2017.

Of the $1.5 million research and development tax incentive recorded in other income for the year ended June 30, 2017, $(0.1) million relates to a change in the original estimate of the research and development tax incentive income the Group estimated it would receive from the Australian Government for the year ended June 30, 2016.

Of the $3.8 million research and development tax incentive recorded in other income for the year ended June 30, 2016, $1.1 million relates to a change in the original estimate of the research and development tax incentive income the Group estimated it would receive from the Australian Government for the year ended June 30, 2015.

4. Income tax benefit/(expense)

	Year Ended June 30,		
(in U.S. dollars, in thousands)	**2018**	**2017**	**2016**
(a) Reconciliation of income tax to prima facie tax payable			
Loss from continuing operations before income tax	(65,977)	(90,215)	(90,821)
Tax benefit at the Australian tax rate of 30% (2017: 30%)	(19,793)	(27,065)	(27,246)
Tax effect of amounts which are not deductible/(exempt) in calculating taxable income:			
Share-based payments expense	1,544	1,488	884
Research and development tax concessions	537	2,442	699
Foreign exchange translation gains/(losses)	(242)	—	—
Contingent consideration	(3,162)	39	(11,221)
Other sundry items	1,011	497	(1,873)
Current year tax expense/(benefit)	**(20,105)**	**(22,599)**	**(38,757)**
Adjustments for current tax of prior periods	(3,616)	(5,870)	(2,224)
Differences in overseas tax rates	5,259	7,797	9,192
Tax benefit not recognized	11,065	7,272	5,851
Change in tax rate on Deferred tax assets	27,471	—	—
Change in tax rate on Deferred tax liability	(50,761)	—	—
Previously unrecognized tax losses now recouped to reduce deferred tax expense/(benefit)	—	—	(60,756)
Income tax expense/(benefit) attributable to loss before income tax	**(30,687)**	**(13,400)**	**(86,694)**

(in U.S. dollars, in thousands)	Year Ended June 30, 2018	2017	2016
(b) Income tax expense/(benefit)			
Current tax			
Current tax	—	—	—
Total current tax expense/(benefit)	—	—	—
Deferred tax			
(Increase)/decrease in deferred tax assets	20,183	(13,204)	(65,022)
Decrease in deferred tax liabilities	(50,870)	(196)	(21,672)
Total deferred tax expense/(benefit)	**(30,687)**	**(13,400)**	**(86,694)**
Income tax expense/(benefit)	**(30,687)**	**(13,400)**	**(86,694)**

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. On December 22, 2017, the United States signed into law the Tax Act, which changed many aspects of U.S. corporate income taxation, including a reduction in the corporate income tax rate from 35% to 21%. The Group recognized the tax effects of the Tax Act in the year ended June 30, 2018, the most significant of which was a tax benefit resulting from the remeasurement of deferred tax balances to 21%.

(in U.S. dollars, in thousands)	Year Ended June 30, 2018	2017	2016
(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)	(1,059)	(764)	(148)
Deferred tax recorded in equity (if brought to account)	877	960	808
	(182)	**196**	**660**

(in U.S. dollars, in thousands)	Year Ended June 30, 2018	2017	2016
(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	—	—	—

(in U.S. dollars, in thousands)	As of June 30, 2018	2017	2016
(e) Deferred tax assets not brought to account			
Unused tax losses			
Potential tax benefit at local tax rates	41,501	34,896	27,060
Other temporary differences			
Potential tax benefit at local tax rates	3,704	3,908	3,432
Other tax credits			
Potential tax benefit at local tax rates	3,220	—	—
	48,425	**38,804**	**30,492**

As of June 30, 2018, 2017 and 2016, the Group has deferred tax assets not brought to account of $48.4 million, $38.8 million and $30.5 million, respectively. Deferred tax assets have been brought to account only to the extent that it is foreseeable that they are recoverable against future tax liabilities.

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, 2018					
Cash & cash equivalents	5(a)	—	—	37,763	37,763
Trade & other receivables	5(b)	—	—	50,366	50,366
Available-for-sale financial asset	5(c)	2,321	—	—	2,321
Other non-current assets	5(d)	—	—	3,361	3,361
		2,321	**—**	**91,490**	**93,811**
As of June 30, 2017					
Cash & cash equivalents	5(a)	—	—	45,761	45,761
Trade & other receivables	5(b)	—	—	3,743	3,743
Available-for-sale financial asset	5(c)	1,997	—	—	1,997
Other non-current assets	5(d)	—	—	1,916	1,916
		1,997	**—**	**51,420**	**53,417**

(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, 2018					
Trade and other payables	5(e)	—	—	18,921	18,921
Borrowings	5(f)	—	—	59,397	59,397
Contingent considerations	5(g)(iii)	—	42,070	—	42,070
		—	**42,070**	**78,318**	**120,388**
As of June 30, 2017					
Trade and other payables	5(e)	—	—	21,805	21,805
Contingent considerations	5(g)(iii)	—	63,595	—	63,595
		—	**63,595**	**21,805**	**85,400**

(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, 2018	2017
Cash at bank	37,221	7,722
Deposits at call(1)	542	38,039
	37,763	**45,761**

(1) As of June 30, 2018 and June 30, 2017, interest-bearing deposits at call include amounts of $0.4 million and $0.5 million, respectively, held as security and are 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 receivables

(in U.S. dollars, in thousands)	As of June 30, 2018	2017
Trade debtors	6,630	474
Funds receivable from debt financing and unissued capital(1)	38,950	—
Income tax and tax incentives recoverable	3,305	1,631
Other receivables	615	698
Foreign withholding tax recoverable	471	471
Security deposit	250	250
Sundry debtors	81	120
Other recoverable taxes (Goods and services tax and value-added tax)	53	87
Interest receivables	11	12
Trade and other receivables	**50,366**	**3,743**

(1) On July 2, 2018, the Group announced that the Group had entered into a financing agreement with NovaQuest on June 29, 2018 to develop and commercialize its allogeneic product candidate MSC-100-IV for pediatric patients with acute Graft versus Host Disease ("aGVHD"). The contractual terms of the agreement pertaining to the receipt of funds were binding and therefore the Group recognized a receivable of $39.0 million at June 30, 2018. On July 10, 2018 the net proceeds from the financing facility of $39.0 million were received and recognized in cash and cash equivalents.

(ii) Prepayments

(in U.S. dollars, in thousands)	As of June 30, 2018	2017
Clinical trial research and development expenditure	12,042	13,571
Other	759	340
Prepaid insurance and subscriptions	141	194
Prepayments	**12,942**	**14,105**

(iii) Classification as trade and other receivables

Interest receivables are amounts due at maturity of term deposits. All trade and other receivable balances are within their due dates and none are considered to be impaired as of June 30, 2018 and June 30, 2017.

(iv) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group.

(v) 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.

(vi) 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. Available-for-sale financial assets

Available-for-sale financial assets include the following classes of financial assets:

(in U.S. dollars, in thousands)	As of June 30, 2018	2017
Unlisted securities:		
Equity securities	2,321	1,997
	2,321	**1,997**

(i) Classification of financial assets as available-for-sale

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVTPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

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 available-for-sale financial assets

A security is considered to be impaired if there has been a significant or prolonged decline in the fair value below its cost. See Note 22(l)(v) 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, 2018, 2017 and 2016, the Group recognized in statement of comprehensive income a gain of $0.3 million, a gain of $Nil and a loss of $0.3 million respectively, for change in fair value of the available-for-sale financial assets.

(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 available-for-sale financial assets are either past due or impaired.

All available-for-sale financial assets are denominated in USD.

d. Other non-current assets

	As of June 30,	
(in U.S. dollars, in thousands)	**2018**	**2017**
Bank Guarantee	710	738
Letter of Credit	1,178	1,178
U.S. Tax credits	1,473	—
	3,361	**1,916**

(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 but will not automatically extend beyond the final expiration of July 31, 2021.

U.S. Tax credits

These funds are receivable from the Internal Revenue Service (“IRS”) as a result of the changes in the U.S. corporate income tax legislation with the Tax Act which was signed into law in December 2017. Tax credits arising from the Alternative Minimum Tax (“AMT”) regime have become refundable in 2021.

(ii) Impairment and risk exposure

No other non-current assets are either past due or impaired.

e. Trade and other payables

	As of June 30,	
(in U.S. dollars, in thousands)	**2018**	**2017**
Trade payables and other payables	18,921	21,805
Trade and other payables	**18,921**	**21,805**

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, 2018	2017
Current		
Secured liabilities:		
Borrowing arrangements	—	—
	—	—
Non-current		
Secured liabilities:		
Borrowing arrangements	65,000	—
Less: transaction costs	(6,328)	—
Amortization of transaction costs	725	—
	59,397	**—**

(i) Borrowing arrangements

Hercules Capital, Inc.

On March 6, 2018, the Group drew the first tranche of $35.0 million of the principal amount from the $75.0 million 9.45% floating rate loan with Hercules. An additional $40.0 million may be drawn as certain milestones are met. The loan matures in March 2022 with principal repayments commencing in October 2019 with the ability to defer the commencement of principal repayments up to October 2020 if certain milestones are met. Interest on the loan is payable monthly in arrears on the 1st day of the month. At closing date, the interest rate was 9.45%. On March 22, 2018 and June 14, 2018, in line with the increases in the U.S. prime rate, the interest rate on the loan increased to 9.70% and 9.95%, respectively.

The carrying amount of the non-current loan is secured by a first charge over the assets of the Group, excluding $0.7 million of bank guarantees and $1.2 million of letters of credit included in other non-current assets (refer to Note 5(d)), $0.5 million of interest-bearing deposits at call included in cash and cash equivalents (refer to Note 5(a)) and $0.2 million of cash held as security included in trade and other receivables (refer to Note 5(b)). These items have been used to secure liabilities other than the non-current loan.

NovaQuest Capital Management, L.L.C.

On June 29, 2018, we drew the first tranche of $30.0 million of the principal amount from the $40.0 million secured loan with NovaQuest. There is a four-year interest only period, until July 2022, with the principal repayable in equal quarterly instalments over the remaining period of the loan. The loan matures in July 2026. Interest on the loan will accrue at a fixed rate of 15% per annum.

All interest and principal payments will be deferred until after the first commercial sale of our allogeneic product candidate MSC-100-IV in pediatric patients with steroid refractory aGVHD, in the United States and other geographies excluding Asia (“pediatric aGVHD”). 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.

If there are no net sales of pediatric aGVHD, the loan is only repayable on maturity in 2026. If in any annual period 25% of net sales of pediatric aGVHD exceed the amount of accrued interest owing and, from 2022, principal and accrued interest owing (“the payment cap”), Mesoblast will pay the payment cap and an additional portion of excess sales which may be used for early prepayment of the loan. If in any annual period 25% of net sales of pediatric aGVHD is less than the payment cap, then the payment is limited to 25% of net sales of pediatric 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 in the period the revision is made.

The carrying amount of the loan is subordinated to the senior creditor, Hercules.

(ii) Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the year ended June 30, 2018. There were no borrowings during the year ended June 30, 2017.

(iii) Net debt reconciliation

(in U.S. dollars, in thousands)	Current borrowings	Non-current borrowings	Total
As of June 30, 2017	**—**	**—**	**—**
Changes from financing cash flows			
Proceeds from debt	—	31,704	31,704
Payment of transaction costs	—	(392)	(392)
Repayment of loans	—	—	—
Movement in short-term borrowings	—	—	—
Total changes in liabilities arising on financing cash flows	**—**	**31,312**	**31,312**
Non-cash changes			
Funds receivable from debt financing	—	28,950	28,950
Accrued transaction costs	—	(1,590)	(1,590)
Amortization of transaction costs	—	725	725
As of June 30, 2018	**—**	**59,397**	**59,397**

(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, 2018 and June 30, 2017 on a recurring basis, categorized by level according to the significance of the inputs used in making the measurements:

As of June 30, 2017 (in U.S. dollars, in thousands)	Notes	Level 1	Level 2	Level 3	Total
Financial Assets					
Available-for-sale financial assets:					
Equity securities - biotech sector	5(c)	—	—	1,997	1,997
Total Financial Assets		**—**	**—**	**1,997**	**1,997**
Financial Liabilities					
Financial liabilities at fair value through profit or loss:					
Contingent consideration	6(d)	—	—	63,595	63,595
Total Financial Liabilities		**—**	**—**	**63,595**	**63,595**

As of June 30, 2018 (in U.S. dollars, in thousands)	Notes	Level 1	Level 2	Level 3	Total
Financial Assets					
Available-for-sale financial assets:					
Equity securities - biotech sector	5(c)	—	—	2,321	2,321
Total Financial Assets		**—**	**—**	**2,321**	**2,321**
Financial Liabilities					
Financial liabilities at fair value through profit or loss:					
Contingent consideration	6(d)	—	—	42,070	42,070
Total Financial Liabilities		**—**	**—**	**42,070**	**42,070**

There were no transfers between any of the levels for recurring fair value measurements during the period.

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 available-for-sale 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) and equity securities (unlisted).

(ii) Valuation techniques used.

The Group used the discounted cash flow analysis to determine the fair value measurements of level 3 instruments.

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the years ended June 30, 2018 and June 30, 2017:

(in U.S. dollars, in thousands)	Contingent consideration provision
Opening balance - July 1, 2016	63,716
Amount used during the year	(251)
Charged/(credited) to consolidated income statement:	
Remeasurement(1)	130
Closing balance - June 30, 2017	**63,595**
Opening balance - July 1, 2017	63,595
Amount used during the year	(10,984)
Charged/(credited) to consolidated income statement:	
Remeasurement(2)	(10,541)
Closing balance - June 30, 2018	**42,070**

(1) In the year ended June 30, 2017 a loss of $0.1 million was recognized on the remeasurement of contingent consideration pertaining to the acquisition of assets from Osiris. This loss is a net result of changes to the key assumptions of the contingent consideration valuation such as developmental timelines, probability of success, market penetration, market population and the increase in valuation as the time period shortens between the valuation date and the potential settlement dates of contingent consideration.

(2) In the year ended June 30, 2018 a gain of $10.5 million was recognized on 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 developmental timelines, product pricing, market population, market penetration 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)	Fair value as of June 30,				Range of inputs (weighted average) Year Ended June 30,		
Description	2018	2017	Valuation technique	Unobservable inputs[1]	2018	2017	Relationship of unobservable inputs to fair value
Contingent consideration provision	42,070	63,595	Discounted cash flows	Risk adjusted discount rate	11%-13% (12.5%)	11%-13% (12.5%)	Year ended June 30, 2018: A change in the discount rate by 0.5% would increase/decrease the fair value by 1%. Year ended June 30, 2017: A change in the discount rate by 0.5% would increase/decrease the fair value by 1%.
				Expected unit revenues	n/a	n/a	Year ended June 30, 2018: A 10% increase/decrease in the price assumptions adopted would increase/decrease the fair value by 4%. Year ended June 30, 2017: A 10% increase/decrease in the price assumptions adopted would increase/decrease the fair value by 5%.
				Expected sales volumes	n/a	n/a	Year ended June 30, 2018: A 10% increase/decrease in sales volume assumptions adopted would increase/decrease the fair value by 4%. Year ended June 30, 2017: A 10% increase/decrease in sales volume assumptions adopted would increase/decrease the fair value by 5%.

(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, 2018 and 2017, 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. The remeasurement charged to the consolidated income statement was a net result of changes to key assumptions such as developmental timelines, product pricing, market population, market penetration, probability of success 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, 2018**	**2017**
Fair value of cash or stock payable, dependent on achievement of future late-stage clinical or regulatory targets	23,674	34,501
Fair value of royalty payments from commercialization of the intellectual property acquired	18,396	29,094
	42,070	**63,595**

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 revenues: 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.

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, 2017				
Opening net book amount	1,752	706	605	3,063
Additions	17	—	296	313
Exchange differences	31	(25)	13	19
Disposals	—	—	(3)	(3)
Depreciation charge	(1,049)	(134)	(395)	(1,578)
Closing net book value	**751**	**547**	**516**	**1,814**
As of June 30, 2017				
Cost	4,139	1,255	3,105	8,499
Accumulated depreciation	(3,388)	(708)	(2,589)	(6,685)
Net book value	**751**	**547**	**516**	**1,814**
Year ended June 30, 2018				
Opening net book amount	751	547	516	1,814
Additions	16	2	176	194
Exchange differences	(1)	(1)	(12)	(14)
Disposals	—	—	(1)	(1)
Depreciation charge	(460)	(134)	(315)	(909)
Closing net book value	**306**	**414**	**364**	**1,084**
As of June 30, 2018				
Cost	4,152	1,249	3,199	8,600
Accumulated depreciation	(3,846)	(835)	(2,835)	(7,516)
Net book value	**306**	**414**	**364**	**1,084**

(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 22(n) for other accounting policies relevant to property, plant and equipment.

b. 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, 2017					
Opening net book value	134,453	2,036	427,779	23,555	587,823
Exchange differences	—	6	—	—	6
Amortization charge	—	(144)	—	(1,335)	(1,479)
Closing net book value	**134,453**	**1,898**	**427,779**	**22,220**	**586,350**
As of June 30, 2017					
Cost	134,453	2,770	489,698	23,999	650,920
Accumulated amortization	—	(872)	—	(1,779)	(2,651)
Accumulated impairment	—	—	(61,919)	—	(61,919)
Net book amount	**134,453**	**1,898**	**427,779**	**22,220**	**586,350**
Year Ended June 30, 2018					
Opening net book value	134,453	1,898	427,779	22,220	586,350
Exchange differences	—	(3)	—	—	(3)
Amortization charge	—	(125)	—	(1,616)	(1,741)
Closing net book value	**134,453**	**1,770**	**427,779**	**20,604**	**584,606**
As of June 30, 2018					
Cost	134,453	2,749	489,698	23,999	650,899
Accumulated amortization	—	(979)	—	(3,395)	(4,374)
Accumulated impairment	—	—	(61,919)	—	(61,919)
Net book amount	**134,453**	**1,770**	**427,779**	**20,604**	**584,606**

(i) Carrying value of in-process research and development acquired by product

	As of June 30,	
(in U.S. dollars, in thousands)	2018	2017
Cardiovascular products	254,351	254,351
Intravenous products for metabolic diseases and inflammatory/immunologic conditions	70,730	70,730
Osiris MSC products	102,698	102,698
	427,779	**427,779**

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 22(o) for the other accounting policies relevant to intangible assets and Note 22(i) 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 22(i). 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.

(iv) Impairment tests for goodwill and intangible assets with and indefinite useful life

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 22(o)(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.

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 adult stem cell technology platform for commercialization. The carrying value of goodwill has been allocated to the appropriate operating segment for the purpose of impairment testing.

The recoverable amount of both goodwill and in-process research and development was assessed as of June 30, 2018 based on the fair value less costs to dispose.

(v) Key assumptions used for fair value less costs to dispose calculations

In determining the fair value less costs to dispose we have 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 valuation of the Group that was applicable to the July 10, 2018 equity placement undertaken with NovaQuest through issuing of the Group's securities on the ASX;
- the valuation of the Group that was applicable to the January 6, 2017 equity placement undertaken with Mallinckrodt Pharmaceuticals (NYSE: MNK) through issuing of the Group's securities on the ASX;
- the valuation of the Group that was applicable to the March 31, 2017 equity placement undertaken with institutional investors through issuing of the Group's securities on the ASX;
- the market capitalization of the Group on the ASX (ASX:MSB) on the impairment testing date of June 30, 2018; and
- the valuation of the Group's assets from an independent valuation as of June 30, 2017.

Costs of disposal were assumed to be immaterial at June 30, 2018.

Discounted cash-flows used a real pre-tax discount rate range of 14.4% to 21.0%, and include estimated real cash inflows and outflows for each program through to patent expiry, at which point a terminal value is assigned to the program.

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.

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 at June 30, 2018 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.

c. Provisions

	As of June 30, 2018			As of June 30, 2017		
(in U.S. dollars, in thousands)	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Contingent consideration	724	41,346	42,070	11,054	52,541	63,595
Employee benefits	4,358	101	4,459	3,811	416	4,227
Provision for license agreements	—	1,509	1,509	—	—	—
	5,082	**42,956**	**48,038**	**14,865**	**52,957**	**67,822**

(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, 2018 and 2017, the entire amount of the accrual was $0.7 million and $0.7 million respectively, and is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group expects all employees to take the full amount of the accrued leave or require payment within the next 12 months.

(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, 2018 and 2017.

d. Deferred tax balances

(i) Deferred tax balances

(in U.S. dollars, in thousands)	As of June 30, 2018	2017
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Tax losses	55,904	74,660
Other temporary differences	669	3,566
Total deferred tax assets	**56,573**	**78,226**
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Intangible assets	76,652	127,519
Total deferred tax liabilities	**76,652**	**127,519**
Net deferred tax liabilities	**20,079**	**49,293**
Deferred tax assets expected to be settled within 12 months	—	—
Deferred tax assets expected to be settled after 12 months	56,573	78,226
Deferred tax liabilities expected to be settled within 12 months	147	147
Deferred tax liabilities expected to be settled after 12 months	76,505	127,372

(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, 2016	**(57,650)**	**(7,372)**	**127,715**	**62,693**
Charged/(credited) to:				
- profit or loss	(17,010)	3,806	(196)	(13,400)
As of June 30, 2017	**(74,660)**	**(3,566)**	**127,519**	**49,293**
Reclassifications	1,473	—	—	1,473
Charged/(credited) to:				
- profit or loss	17,283	2,897	(50,867)	(30,687)
As of June 30, 2018	**(55,904)**	**(669)**	**76,652**	**20,079**

(1) Deferred tax assets are netted against deferred tax liabilities.

7. Equity

a. Contributed equity

(i) Share capital

	As of June 30, 2018	2017	2016	2018	2017	2016
	Shares No.			(U.S. dollars, in thousands)		
Contributed equity						
(i) Share capital						
Ordinary shares(1)	482,639,654	428,221,398	381,373,137	889,481	830,425	770,272
Less: Treasury Shares	(3,500,000)	(3,500,000)	(3,500,000)	—	—	—
Total Contributed Equity	**479,139,654**	**424,721,398**	**377,873,137**	**889,481**	**830,425**	**770,272**

(1) As of June 30, 2018, total ordinary shares include 2,000,000 unpaid shares issued to Kentgrove Capital on January 19, 2018.

(ii) Movements in ordinary share capital

	As of June 30,			As of June 30,		
	2018	2017	2016	2018	2017	2016
	Shares No.			(U.S. dollars, in thousands)		
Opening balance	428,221,398	381,373,137	336,997,729	830,425	770,272	709,191
Issues of ordinary shares during the period						
Exercise of share options(1)	289,245	272,579	422,903	116	149	268
Share issue for Nasdaq IPO	—	—	42,675,295	—	—	68,280
Consideration for available-for-sale financial assets	—	—	1,277,210	—	—	1,495
Share based compensation for services rendered	540,051	280,911	—	662	240	—
Payment for contingent consideration	6,029,545	—	—	10,000	—	—
Entitlement offer to existing eligible shareholders	36,191,982	—	—	40,449	—	—
Placement of shares under an equity facility agreement(2)	2,000,000	—	—	—	—	—
Placement of shares under a share placement agreement	—	46,294,771	—	—	61,710	—
Placement of shares under a license agreement	892,857	—	—	1,000	—	—
Transaction costs arising on share issue				(2,869)	(1,959)	(9,096)
	45,943,680	46,848,261	44,375,408	49,358	60,140	60,947
Unissued ordinary shares during the period						
Placement of shares under a share placement agreement(3)	8,474,576	—	—	10,000	—	—
Transaction costs arising on share issue				(340)	—	—
	8,474,576	—	—	9,660	—	—
Total contributions of equity during the period	54,418,256	46,848,261	44,375,408	59,018	60,140	60,947
Share options reserve transferred to equity on exercise of options				38	13	134
Ending balance	**482,639,654**	**428,221,398**	**381,373,137**	**889,481**	**830,425**	**770,272**

(1) Options are issued to employees, directors and consultants in accordance with the Mesoblast Employee Share Options Plan (“ESOP”). The shares issued and share capital received upon the exercise of options are recorded above.

(2) These shares were issued to Kentgrove Capital on January 19, 2018 in accordance with contractual obligations to maintain Mesoblast’s existing established equity facility.

(3) These shares were issued to NovaQuest on July 10, 2018, under a placement agreement entered into prior to June 30, 2018 pursuant to which NovaQuest purchased US$10.0 million of Mesoblast common shares.

(iii) 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.

(iv) 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, 2018	2017
Share-based payments reserve	75,974	69,919
Investment revaluation reserve	21	(303)
Foreign currency translation reserve	(39,276)	(38,373)
	36,719	**31,243**

(ii) Reconciliation of reserves

(in U.S. dollars, in thousands)	As at June 30,
Share-based payments reserve	**2018**	**2017**
Opening balance	69,919	64,999
Transfer to ordinary shares on exercise of options	(38)	(13)
Share option expense for the year	5,959	5,036
Reclassification of modified options to/(from) liability	134	(103)
Closing Balance	**75,974**	**69,919**
Investment Revaluation Reserve		
Opening balance	(303)	(334)
Changes in the fair value of available-for-sale financial assets	324	31
Closing Balance	**21**	**(303)**
Foreign currency translation reserve		
Opening balance	(38,373)	(38,689)
Currency (loss)/gain on translation of foreign operations net assets	(903)	316
Closing Balance	**(39,276)**	**(38,373)**

(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.

8. Cash flow information

(in U.S. dollars, in thousands) (a) Reconciliation of cash and cash equivalents	As of June 30, 2018	 2017	 2016
Cash at bank	37,221	7,722	21,860
Deposits at call	542	38,039	59,077
	37,763	**45,761**	**80,937**

(in U.S. dollars, in thousands) (b) Reconciliation of net cash flows used in operations with loss after income tax	Year Ended June 30, 2018	 2017	 2016
Loss for the period	(35,290)	(76,815)	(4,127)
Add/(deduct) net loss for non-cash items as follows:			
Depreciation and amortization	2,650	3,057	2,192
Foreign exchange (gains)/losses	(160)	38	1,090
Finance costs	725	—	—
Remeasurement of contingent consideration	(10,541)	130	(28,112)
Payment under a license agreement paid in shares	1,000	—	—
Equity settled share-based payment	6,199	5,276	3,389
Deferred tax benefit	(30,664)	(13,400)	(86,694)
Impairment of intangible assets	—	—	61,919
Commercialization revenue	—	—	(37,509)
Change in operating assets and liabilities:			
(Increase)/decrease in trade and other receivables	(6,093)	(859)	(531)
Decrease/(increase) in prepayments	1,503	(10,201)	495
(Increase)/decrease in tax assets	(1,807)	1,282	626
(Decrease)/increase in trade creditors and accruals	(4,464)	(5,740)	2,425
(Decrease)/increase in provisions	1,930	1,761	(3,159)
Net cash outflows used in operations	**(75,012)**	**(95,471)**	**(87,996)**

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);
- fair value of contingent liabilities and contingent purchase consideration in a business combination (Note 5(g) and 12);
- fair value of goodwill and other intangible assets including in-process research and development (Note 6(b));
- useful life of intangible assets (Note 6(b));
- recognition of deferred tax assets and deferred tax liabilities (Note 4(b));
- accrued research and development and manufacturing commercialization expenses (Note 5(e)); and
- fair value of share-based payments (Note 17).

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

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 facility can be refinanced and/or repaid. Interest rate swaps can 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.
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 primarily in USD in Mesoblast Limited (AUD functional currency) relating to clinical, regulatory and overhead activities as well as Euro deposits and Euro receivables held in the Swiss and Singapore entities, respectively (USD functional currency) primarily relating to revenue recognized from its patent license agreement with Takeda entered into in December 2017. The Group also has foreign currency amounts owing in various other non-USD currencies in USD 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, 2018, the Group held 92% of its cash in USD, and 8% in AUD. As of June 30, 2017 the Group held 95% of its cash in USD, and 5% 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, 2018 and June 30, 2017 would have had on the Group's reported net profits/(losses) and/or equity balance.

(in U.S. dollars, in thousands) As of June 30, 2018	Foreign currency balance held	+20% Profit/(Loss) USD	-20% Profit/(Loss) USD
Bank accounts - USD	USD 81	$ (14)	$ 20
Bank accounts - CHF	CHF 157	$ 31	$ (31)
Bank accounts - SGD	SGD 178	$ 49	$ (49)
Bank accounts - EUR	EUR 2	$ 0	$ (0)
Trade and other receivables - SGD	SGD 29	$ 8	$ (8)
Trade and other receivables - USD	USD 10,000	$ (1,667)	$ 2,500
Trade and other receivables - CHF	CHF 6	$ 1	$ (1)
Trade and other receivables - EUR	EUR 4,750	$ 815	$ (815)
Trade payables and accruals - USD	(USD 1,797)	$ 300	$ (449)
Trade payables and accruals - AUD	(AUD 446)	$ (121)	$ 121
Trade payables and accruals - SGD	(SGD 176)	$ (48)	$ 48
Trade payables and accruals - GBP	(GBP 52)	$ (0)	$ (2)
Trade payables and accruals - EUR	(EUR 1)	$ (0)	$ 0
Trade payables and accruals - CHF	(CHF 50)	$ (10)	$ 10
Trade payables and accruals - SEK	(SEK 118)	$ 2	$ (3)
Provisions - SGD	(SGD 74)	$ (20)	$ 20
Provisions - CHF	(CHF 2)	$ (0)	$ 0
		$ (674)	**$ 1,361**

(in U.S. dollars, in thousands) As of June 30, 2017	Foreign currency balance held	+20% Profit/(Loss) USD	-20% Profit/(Loss) USD
Bank accounts - USD	USD 447	$ (74)	$ 112
Bank accounts - CHF	CHF 183	$ 35	$ (35)
Bank accounts - SGD	SGD 325	$ 90	$ (90)
Trade and other receivables - SGD	SGD 48	$ 13	$ (13)
Trade and other receivables - USD	USD 40	$ (7)	$ 10
Trade and other receivables - CHF	CHF 1	$ 0	$ (0)
Trade payables and accruals - USD	(USD 2,016)	$ 336	$ (504)
Trade payables and accruals - AUD	(AUD 441)	$ (115)	$ 115
Trade payables and accruals - SGD	(SGD 197)	$ (54)	$ 54
Trade payables and accruals - EUR	(EUR 42)	$ (7)	$ 7
Trade payables and accruals - CHF	(CHF 19)	$ (4)	$ 4
Provisions - SGD	(SGD 65)	$ (18)	$ 18
		$ 195	**$ (322)**

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings with a floating interest rate under our loan facility with Hercules, 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. This interest rate risk can be managed by interest rate swaps which can be entered into to convert the floating interest rate to a fixed interest rate as required. Additionally, 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.

The Group did not enter into any interest rate swaps during the year ended June 30, 2018.

The exposure of the Group's borrowing to interest rate changes are as follows:

	As of June 30, 2018		As of June 30, 2017	
(in U.S. dollars, in thousands, except percent data)	**Total**	**% of total loans**	**Total**	**% of total loans**
Financial liabilities				
Non-current borrowings				
Variable rate borrowings - Hercules	31,966	54%	—	—
	31,966	**54%**	—	—

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, 2018 and June 30, 2017. The effect on profit is shown if interest rates change by 5%, in either direction, is as follows:

	As of June 30, 2018			As of June 30, 2017		
(in U.S. dollars, in thousands, except percent data)	**Low**	**High**		**Low**	**High**	
Borrowings - USD	9.95%	9.95%	USD 31,966[2]	—	—	—
Rate increase by 5%	10.45%	10.45%	USD 159	—	—	—
Rate decrease by 5%[1]	9.45%	9.45%	(USD 159)	—	—	—

(1) The interest rate will not decrease to below 9.45% per the terms of the loan agreement.
(2) The effect on profit/loss of interest rate changes is based on the loan carrying value of $32.0 million with principal payments commencing in October 2019.

The Group is also exposed to interest rate movements which impacts interest income earned on its deposits. The interest income derived from these balances can fluctuate due to interest rate changes. This interest rate risk is managed by spreading the maturity date of our deposits across various periods. 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, 2018 and June 30, 2017 The effect on profit is shown if interest rates change by 10%, in either direction, is as follows:

	As of June 30, 2018			As of June 30, 2017		
(in U.S. dollars, in thousands, except percent data)	**Low**	**High**		**Low**	**High**	
Funds invested - USD	0.80%	0.80%	USD 99	0.55%	0.55%	USD 37,577
Rate increase by 10%	0.88%	0.88%	USD 0	0.61%	0.61%	USD 21
Rate decrease by 10%	0.72%	0.72%	(USD 0)	0.50%	0.50%	(USD 21)
AUD	**Low**	**High**		**Low**	**High**	
Funds invested - AUD	2.72%	2.72%	AUD 600	2.42%	2.42%	AUD 600
Rate increase by 10%	2.99%	2.99%	AUD 2	2.66%	2.66%	AUD 1
Rate decrease by 10%	2.45%	2.45%	(AUD 2)	2.18%	2.18%	(AUD 1)

(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 product candidate MSC-100-IV for the treatment of aGVHD in pediatric patients in the United States and other territories excluding Asia. As net sales of MSC-100-IV for the treatment of 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 financial liability. The adjustment is recognized in the Income Statement as income or expense in the period the revision is made.

The exposure of the Group’s borrowing to price rate changes are as follows:

	As of June 30, 2018		As of June 30, 2017	
(in U.S. dollars, in thousands, except percent data)	**Total**	**% of total loans**	**Total**	**% of total loans**
Financial liabilities				
Non-current borrowings				
Borrowings - NovaQuest	27,431	46%	—	—
	27,431	**46%**	—	—

As at June 30, 2018, all other factors held constant, a 20% increase in the forecast net sales of MSC-100-IV for the treatment of aGVHD in pediatric patients in the United States and other territories excluding Asia would increase non-current borrowing and decrease profit by $2.3 million, whereas a 20% decrease in the net sales of MSC-100-IV for the treatment of aGVHD in pediatric patients in the United States and other territories excluding Asia would decrease non-current borrowings and increase profit by $1.3 million.

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 Group does not generally have trade receivables. The Group's receivables are tabled below.

	As of June 30,	
(in U.S. dollars, in thousands)	**2018**	**2017**
Cash and cash equivalents		
Deposits at call (Note 5(a)) - minimum A rated	542	38,039
Cash at bank (Note 5(a)) - minimum A rated	37,221	7,722
Trade and other receivables		
Receivable from other parties (non-rated)	45,745	1,067
Receivable from the Australian Government (Income Tax)	3,305	1,631
Receivable from the Australian Government (Foreign Withholding Tax)	400	—
Receivable from minimum A rated bank deposits (interest)	262	12
Receivable from the Australian Government (Goods and Services Tax)	48	86
Receivable from the United States Government (Income Tax)	24	27
Receivable from the Swiss Government (Value-Added Tax)	6	1
Other non-current assets		
Receivable from the United States Government (U.S. tax credits)	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(*i*).

All financial liabilities, excluding contingent consideration, held by the Group as of June 30, 2018 and June 30, 2017 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, 2018, the maturity profile of the anticipated future contractual cash flows including interest in relation to the Group's borrowings, on an undiscounted basis 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)	(3,928)	(15,495)	(54,826)	(49,228)	(123,477)	(59,397)
	(3,928)	**(15,495)**	**(54,826)**	**(49,228)**	**(123,477)**	**(59,397)**

(1) Contractual cash flows include payments of principal, interest and other charges. Interest is calculated based on debt held at June 30, 2018 without taking account drawdowns of further tranches.

(2) 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 pediatric aGVHD.

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, 2018 and 2017 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.

	Country of incorporation	Class of shares	Equity holding	
			As of June 30,	
			2018	2017
			%	%
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	100

13. Contingent assets and liabilities

a. Contingent assets

The Group did not have any contingent assets outstanding as of June 30, 2018 and June 30, 2017.

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, 2018 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, 2018 and June 30, 2017.

b. Lease commitments: Group as lessee

The Group leases various offices under non-cancellable operating leases expiring within 1 to 4 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Excess office space is sub-let to a third party also under a non-cancellable operating lease.

(in U.S. dollars, in thousands)	Total	Within one year	Later than one year but no later than three years	Later than three years but no later than five years	Later than five years
Operating leases	3,926	1,651	2,240	35	—
Total commitments	**3,926**	**1,651**	**2,240**	**35**	**—**

Lease commitments include amounts in AUD and Singapore dollars which have been translated to USD as of June 30, 2018 foreign exchange rates published by the Reserve Bank of Australia.

c. Lease commitments: Group as lessor

The Group sub-leases under non-cancellable operating leases expiring within 2 years. Future minimum lease payments expected to be received in relation to non-cancellable operating sub-leases are set out below:

(in U.S. dollars, in thousands)	Total	Within one year	Later than one year but no later than three years	Later than three years but no later than five years	Later than five years
Operating leases	220	155	65	—	—
Total commitments	**220**	**155**	**65**	**—**	**—**

d. Purchase commitments

The Group did not have any purchase commitments as of June 30, 2018.

15. Events occurring after the reporting period

In July 2018, the Group entered into a strategic alliance with Tasly Pharmaceuticals Group (“Tasly”) for the development, manufacture and commercialization in China of the Group’s allogenic mesenchymal precursor cell products, MPC-150-IM for the treatment or prevention of chronic heart failure and MPC-25-IC for the treatment or prevention of acute myocardial infraction. Tasly will receive exclusive rights and will fund all development, manufacturing and commercialization activities in China for MPC-150-IM and MPC-25-IC.

The Group will receive $40.0 million from Tasly on closing of the strategic alliance, comprising a $20.0 million up-front technology access fee and $20.0 million in an equity purchase in Mesoblast Limited at A$1.86 per share, representing a 20% premium to a blended volume weight average price calculated over three months, one month and one day. This receipt is subject to filing with the State Administration of Foreign Exchange. 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 is eligible to receive up to six escalating milestone payments upon the product candidates reaching certain sales thresholds in China.

On closing of the strategic alliance, the Group expects to recognize the amount relating to the up-front technology access fee in revenue and the amount relating to the equity purchase in issued capital.

There were no other events that have occurred after June 30, 2018 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, 2018	2017
Short-term employee benefits	2,577,166	2,592,456
Long-term employee benefits	5,648	17,742
Post-employment benefits	66,539	70,915
Share based payments	(60,858)	552,174
	2,588,495	**3,233,287**

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. Due to changes in the Australian taxation regime, the Company no longer issues new LFSP since July 1, 2015.

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 service or time conditions. In the year ended June 30, 2018, senior executives were issued options that vest based on performance conditions. 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 which is generally the volume weighted market price of a share sold on the ASX on the 5 trading days immediately before the Board approval date. In the case of options that have time based vesting conditions, the board of directors adds a 10% premium. Options with performance based vesting conditions are issued with no premium. No new options were issued to the directors during the year. The board of directors’ policy is not to issue options at a discount to the market price. The same approach is used to determine the purchase price to acquire a loan-funded share for the purposes of the LFSP.

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, 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	Expiry Date	Exercise Price	Opening Balance	Granted No. (during the year)	Exercised No. (during the year)	Lapsed/Cancelled No. (during the year)	Closing Balance	Vested and exercisable No (end of year)
INC	7/12/2010	26/10/2018	USD 0.305	154,064	—	(127,956)	—	26,108	26,108
INC	7/12/2010	26/10/2019	USD 0.340	447,848	—	(127,956)	—	319,892	319,892
17/LF3	9/07/2012	8/07/2018	AUD 6.67	150,000	—	—	—	150,000	150,000
19/LF5	25/01/2013-29/01/2013	24/01/2018-28/01/2018	AUD 6.27	50,000	—	—	(50,000)	—	—
20/LF6	24/05/2013	23/05/2018	AUD 6.34	425,000	—	—	(425,000)	—	—
21/LF7	3/09/2013	30/06/2018	AUD 5.90	1,865,000	—	—	(1,865,000)	—	—
22/LF8	4/09/2013	27/08/2018	AUD 6.26	225,000	—	—	—	225,000	225,000
25a (i&ii)	1/01/2014	31/12/2018	AUD 6.36	650,000	—	—	—	650,000	650,000
25b	12/12/2014	31/10/2019	AUD 4.49	50,000	—	—	—	50,000	50,000
27/LF12	5/09/2014	30/06/2019	AUD 4.69	2,070,000	—	—	(25,000)	2,045,000	2,045,000
27(iv)	25/08/2014	24/08/2019	AUD 4.65	75,000	—	—	(75,000)	—	—
28/LF13	9/10/2014	8/10/2019	AUD 4.52	85,000	—	—	(10,000)	75,000	75,000
29	25/11/2014	24/11/2019	AUD 4.00	240,000	—	—	—	240,000	240,000
30a(1)	25/03/2015	30/06/2018	AUD 4.98	650,000	—	—	(650,000)	—	—
30b(1)	25/03/2015	25/01/2018	AUD 4.98	235,000	—	—	(235,000)	—	—
30c(1)	25/03/2015	20/01/2019	AUD 4.98	135,000	—	—	—	135,000	135,000
30d(1)	25/03/2015	25/01/2019	AUD 4.98	300,000	—	—	—	300,000	300,000
30e(1)	25/03/2015	25/01/2018	AUD 4.98	165,000	—	—	(165,000)	—	—
30f(1)	25/03/2015	25/01/2019	AUD 4.98	200,000	—	—	—	200,000	200,000
30g(1)	25/03/2015	23/07/2019	AUD 4.69	300,000	—	—	(300,000)	—	—
30h(1)	25/03/2015	30/06/2019	AUD 4.69	400,000	—	—	—	400,000	400,000
30i(1)	25/03/2015	30/06/2019	AUD 4.44	600,000	—	—	—	600,000	600,000
30j	25/03/2015	23/07/2019	AUD 4.69	150,000	—	—	(150,000)	—	—
LF14	6/01/2015	16/12/2019	AUD 4.66	150,000	—	—	—	150,000	150,000
31b	12/05/2015	16/02/2020	AUD 4.28	200,000	—	—	—	200,000	200,000
32	10/07/2015	30/06/2022	AUD 4.20	2,620,000	—	—	(161,666)	2,458,334	1,683,336
33	26/08/2015	16/08/2022	AUD 4.05	91,667	—	—	(16,667)	75,000	50,000
34	27/04/2016	6/03/2023	AUD 2.80	3,621,667	—	—	(241,667)	3,380,000	2,299,982
34a	27/04/2016	17/04/2023	AUD 2.74	200,000	—	—	—	200,000	133,334
34b	31/10/2016	6/03/2023	AUD 2.80	200,000	—	—	—	200,000	200,000
35	30/06/2016	18/01/2021	AUD 2.20	1,500,000	—	—	—	1,500,000	1,500,000
36	6/12/2016	5/12/2023	AUD 1.31	2,045,000	—	(33,333)	(126,667)	1,885,000	611,666
36a	6/12/2016	5/12/2023	AUD 1.19	4,400,000	—	—	—	4,400,000	1,495,002
36b	13/01/2017	12/01/2024	AUD 1.65	450,000	—	—	(150,000)	300,000	300,000
37	28/06/2017	27/06/2024	AUD 2.23	—	300,000	—	—	300,000	100,000
38	16/09/2017	15/09/2024	AUD 1.54	—	100,000	—	—	100,000	—
38a	16/09/2017	15/09/2024	AUD 1.40	—	150,000	—	—	150,000	—
39	13/10/2017	12/10/2024	AUD 1.94	—	2,310,000	—	(95,000)	2,215,000	—
39a	13/10/2017	12/10/2024	AUD 1.76	—	2,000,000	—	(100,000)	1,900,000	200,000
40	24/11/2017	23/11/2024	AUD 1.41	—	750,000	—	—	750,000	—
40a	24/11/2017	23/11/2024	AUD 1.28	—	750,000	—	—	750,000	—
June 30, 2018				**25,100,246**	**6,360,000**	**(289,245)**	**(4,841,667)**	**26,329,334**	**14,339,320**
Weighted average share purchase price				AUD 3.35	AUD 1.74	AUD 0.52	AUD 4.97	AUD 2.68	AUD 3.39

(1) 30a to 30i were granted as a remuneration for the repurchase and cancellation of 2,985,000 LFSP during the year ended 30 June 2015 (see Note 17(b)).

Series	Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted No. (during the year)	Exercised No. (during the year)	Lapsed/Cancelled No. (during the year)	Closing Balance	Vested and exercisable No (end of year)
INC	7/12/2010	26/10/2018	USD 0.305	154,064	—	—	—	154,064	154,064
INC	7/12/2010	26/10/2019	USD 0.340	447,848	—	—	—	447,848	447,848
INC	7/12/2010	25/04/2017	USD 0.444	127,956	—	(127,956)	—	—	—
INC	7/12/2010	2/05/2017	USD 0.444	127,956	—	(127,956)	—	—	—
16/LF2	24/02/2012	23/02/2017	AUD 8.48	340,000	—	—	(340,000)	—	—
17/LF3	9/07/2012	8/07/2018	AUD 6.69	250,000	—	—	(100,000)	150,000	150,000
18/LF4	21/09/2012-29/10/2012	30/06/2017	AUD 6.70	1,948,333	—	—	(1,948,333)	—	—
19/LF5	25/01/2013-29/01/2013	24/01/2018-28/01/2018	AUD 6.29	100,000	—	—	(50,000)	50,000	50,000
20/LF6	24/05/2013	23/05/2018	AUD 6.36	595,000	—	—	(170,000)	425,000	425,000
21/LF7	3/09/2013	30/06/2018	AUD 5.92	2,430,000	—	—	(565,000)	1,865,000	1,865,000
22/LF8	4/09/2013	27/08/2018	AUD 6.28	225,000	—	—	—	225,000	225,000
23a	26/11/2013	10/10/2018	AUD 6.20	33,333	—	—	(33,333)	—	—
24	17/12/2013	16/12/2018	AUD 6.25	25,000	—	—	(25,000)	—	—
25a (i&ii)	1/01/2014	31/12/2018	AUD 6.38	650,000	—	—	—	650,000	650,000
25b	12/12/2014	31/10/2019	AUD 4.51	50,000	—	—	—	50,000	33,334
25	1/07/2014	6/04/2019	AUD 5.80	10,000	—	—	(10,000)	—	—
26/LF11	24/07/2014	23/07/2019	AUD 4.71	125,000	—	—	(125,000)	—	—
27/LF12	5/09/2014	30/06/2019	AUD 4.71	2,865,000	—	—	(795,000)	2,070,000	1,380,004
27(ii)	4/08/2014	3/08/2019	AUD 4.60	50,000	—	—	(50,000)	—	—
27(iv)	25/08/2014	24/08/2019	AUD 4.67	75,000	—	—	—	75,000	50,000
28/LF13	9/10/2014	8/10/2019	AUD 4.54	235,000	—	—	(150,000)	85,000	56,666
29	25/11/2014	24/11/2019	AUD 4.02	240,000	—	—	—	240,000	160,002
30a(1)	25/03/2015	30/06/2018	AUD 5.00	650,000	—	—	—	650,000	650,000
30b(1)	25/03/2015	25/01/2018	AUD 5.00	235,000	—	—	—	235,000	235,000
30c(1)	25/03/2015	20/01/2019	AUD 5.00	135,000	—	—	—	135,000	135,000
30d(1)	25/03/2015	25/01/2019	AUD 5.00	300,000	—	—	—	300,000	300,000
30e(1)	25/03/2015	25/01/2018	AUD 5.00	165,000	—	—	—	165,000	165,000
30f(1)	25/03/2015	25/01/2019	AUD 5.00	200,000	—	—	—	200,000	200,000
30g(1)	25/03/2015	23/07/2019	AUD 4.71	300,000	—	—	—	300,000	200,000
30h(1)	25/03/2015	30/06/2019	AUD 4.71	400,000	—	—	—	400,000	266,668
30i(1)	25/03/2015	30/06/2019	AUD 4.46	600,000	—	—	—	600,000	600,000
30j	25/03/2015	23/07/2019	AUD 4.71	150,000	—	—	—	150,000	100,000
LF14	6/01/2015	16/12/2019	AUD 4.66	150,000	—	—	—	150,000	100,000
31a	27/04/2015	16/02/2020	AUD 4.73	20,000	—	—	(20,000)	—	—
31b	12/05/2015	16/02/2020	AUD 4.30	200,000	—	—	—	200,000	200,000
32	10/07/2015	30/06/2022	AUD 4.22	3,840,000	—	—	(1,220,000)	2,620,000	873,334
33	26/08/2015	16/08/2022	AUD 4.07	125,000	—	—	(33,333)	91,667	41,667
34	27/04/2016	6/03/2023	AUD 2.82	5,140,000	—	(16,667)	(1,501,666)	3,621,667	1,218,324
34a	27/04/2016	17/04/2023	AUD 2.76	200,000	—	—	—	200,000	66,667
34b	31/10/2016	6/03/2023	AUD 2.82	—	200,000	—	—	200,000	200,000
35	30/06/2016	18/01/2021	AUD 2.22	1,500,000	—	—	—	1,500,000	—
36	6/12/2016	5/12/2023	AUD 1.33	—	2,095,000	—	(50,000)	2,045,000	—
36a	6/12/2016	5/12/2023	AUD 1.21	—	4,400,000	—	—	4,400,000	816,667
36b	13/01/2017	12/01/2024	AUD 1.67	—	450,000	—	—	450,000	150,000
June 30, 2017				**25,414,490**	**7,145,000**	**(272,579)**	**(7,186,665)**	**25,100,246**	**12,165,245**
Weighted average share purchase price				AUD 4.39	AUD 1.32	AUD 0.72	AUD 5.10	AUD 3.35	AUD 4.36

(1) 30a to 30i were granted as a remuneration for the repurchase and cancellation of 2,985,000 LFSP during the year ended 30 June 2015 (see Note 17(b)).

Series	Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted No. (during the year)	Exercised No. (during the year)	Lapsed/Cancelled No. (during the year)	Closing Balance	Vested and exercisable No (end of year)
INC	7/12/2010	7/07/2015	USD 0.046	287,903	—	(287,903)	—	—	—
INC	7/12/2010	26/10/2018	USD 0.305	154,064	—	—	—	154,064	154,064
INC	7/12/2010	26/10/2019	USD 0.340	447,848	—	—	—	447,848	447,848
INC	7/12/2010	25/04/2017	USD 0.444	127,956	—	—	—	127,956	127,956
INC	7/12/2010	2/05/2017	USD 0.444	127,956	—	—	—	127,956	127,956
13	22/09/2010	21/09/2015	AUD 2.64	135,000	—	(135,000)	—	—	—
14	29/11/2010	29/11/2015	AUD 3.48	1,453,350	—	—	(1,453,350)	—	—
15/LF1	22/12/2011	30/06/2016	AUD 7.99	3,413,334	—	—	(3,413,334)	—	—
16/LF2	24/02/2012	23/02/2017	AUD 8.48	340,000	—	—	—	340,000	340,000
17/LF3	9/07/2012	8/07/2018	AUD 6.69	250,000	—	—	—	250,000	250,000
18/LF4	21/09/2012-29/10/2012	30/06/2017	AUD 6.70	2,276,667	—	—	(328,334)	1,948,333	1,948,333
19/LF5	25/01/2013-29/01/2013	24/01/2018-28/01/2018	AUD 6.29	100,000	—	—	—	100,000	100,000
20/LF6	24/05/2013	23/05/2018	AUD 6.36	865,000	—	—	(270,000)	595,000	595,000
21/LF7	3/09/2013	30/06/2018	AUD 5.92	2,741,667	—	—	(311,667)	2,430,000	1,878,336
22/LF8	4/09/2013	27/08/2018	AUD 6.28	275,000	—	—	(50,000)	225,000	150,002
23a	26/11/2013	10/10/2018	AUD 6.20	50,000	—	—	(16,667)	33,333	33,333
24	17/12/2013	16/12/2018	AUD 6.25	148,333	—	—	(123,333)	25,000	16,666
25a (i&ii)	1/01/2014	31/12/2018	AUD 6.38	650,000	—	—	—	650,000	650,000
25b	12/12/2014	31/10/2019	AUD 4.51	50,000	—	—	—	50,000	16,667
25	1/07/2014	6/04/2019	AUD 5.80	15,000	—	—	(5,000)	10,000	10,000
26/LF11	24/07/2014	23/07/2019	AUD 4.71	215,000	—	—	(90,000)	125,000	41,667
27/LF12	5/09/2014	30/06/2019	AUD 4.71	3,380,000	—	—	(515,000)	2,865,000	961,670
27(ii)	4/08/2014	3/08/2019	AUD 4.60	50,000	—	—	—	50,000	16,667
27(iv)	25/08/2014	24/08/2019	AUD 4.67	75,000	—	—	—	75,000	25,000
28/LF13	9/10/2014	8/10/2019	AUD 4.54	235,000	—	—	—	235,000	78,333
29	25/11/2014	24/11/2019	AUD 4.02	240,000	—	—	—	240,000	80,001
30a(1)	25/03/2015	30/06/2018	AUD 5.00	650,000	—	—	—	650,000	650,000
30b(1)	25/03/2015	25/01/2018	AUD 5.00	235,000	—	—	—	235,000	235,000
30c(1)	25/03/2015	20/01/2019	AUD 5.00	135,000	—	—	—	135,000	135,000
30d(1)	25/03/2015	25/01/2019	AUD 5.00	300,000	—	—	—	300,000	200,000
30e(1)	25/03/2015	25/01/2018	AUD 5.00	165,000	—	—	—	165,000	165,000
30f(1)	25/03/2015	25/01/2019	AUD 5.00	200,000	—	—	—	200,000	200,000
30g(1)	25/03/2015	23/07/2019	AUD 4.71	300,000	—	—	—	300,000	100,000
30h(1)	25/03/2015	30/06/2019	AUD 4.71	400,000	—	—	—	400,000	133,334
30i(1)	25/03/2015	30/06/2019	AUD 4.46	600,000	—	—	—	600,000	400,000
30j	25/03/2015	23/07/2019	AUD 4.71	150,000	—	—	—	150,000	50,000
LF14	6/01/2015	16/12/2019	AUD 4.66	150,000	—	—	—	150,000	50,000
31	16/03/2015	16/02/2020	AUD 4.73	60,000	—	—	(60,000)	—	—
31a	27/04/2015	16/02/2020	AUD 4.73	20,000	—	—	—	20,000	6,667
31b	12/05/2015	16/02/2020	AUD 4.30	400,000	—	—	(200,000)	200,000	200,000
32	10/07/2015	30/06/2022	AUD 4.22	—	4,800,000	—	(960,000)	3,840,000	—
33	26/08/2015	16/08/2022	AUD 4.07	—	125,000	—	—	125,000	—
34	27/04/2016	6/03/2023	AUD 2.82	—	5,255,000	—	(115,000)	5,140,000	—
34a	27/04/2016	17/04/2023	AUD 2.76	—	200,000	—	—	200,000	—
35	30/06/2016	18/01/2021	AUD 2.22	—	1,500,000	—	—	1,500,000	—
June 30, 2016				**21,869,078**	**11,880,000**	**(422,903)**	**(7,911,685)**	**25,414,490**	**10,574,500**
Weighted average share purchase price				AUD 5.49	AUD 3.32	AUD 0.88	AUD 5.93	AUD 4.39	AUD 5.38

(1) 30a to 30i were granted as a remuneration for the repurchase and cancellation of 2,985,000 LFSP during the year ended 30 June 2015 (see Note 17(b)).

The weighted average share price at the date of exercise of options exercised during the years ended June 30, 2018, 2017 and 2016 were AUD 1.46, AUD 3.28 and AUD 3.68 respectively.

The weighted average remaining contractual life of share options and loan funded shares outstanding as of June 30, 2018, 2017 and 2016 were 4.24 years, 4.09 years and 3.85 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 and shares pursuant to loan funded share 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 either based on achievement of performance conditions or progressively over the life of the option/share 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:

Series 10	Options granted to the Chairman were approved by shareholders at the Annual General Meeting held on November 30, 2010. The options were granted in four equal tranches vesting on the achievement of certain milestones, being the date on which: • Mesoblast signs a commercial partnering contract, e.g. a commercial license to one of its products (vested December 7, 2010); • Mesoblast receives IND clearance from the FDA for its first clinical trial for Intervertebral Disc Repair (vested March 17, 2011); • Mesoblast completes patient enrollment for its first clinical trial under IND for Intervertebral Disc Repair (vested October 12, 2012); • Mesoblast obtains a license from the Therapeutics Goods Administration (TGA) for the manufacture (vested July 20, 2010). All the remaining options under series 10 were exercised during the years ended June 30, 2015 and 2014.
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.
36 (a&b)	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.
38a & 40a	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.

Modifications to share-based payment arrangements

During the year ended June 30, 2015, the Company repurchased an aggregate amount of $13.9 million (AUD 17.7 million) of loans under LFSP and correspondingly cancelled 2,985,000 of the Company's ordinary shares held in trust for certain employees of the Company. As remuneration for the repurchase of loans and cancellation of these ordinary shares under LFSP, the Company granted options to purchase 2,985,000 of the Company's ordinary shares at exercise prices ranging from AUD 4.44 to AUD 4.98 under ESOP 30a to 30i. As of March 25, 2015 (the "modification date"), the total incremental fair value granted as a result of these modifications was $0.6 million. During the year ended June 30, 2018, as a result of a fully underwritten institutional and retail entitlement offer to existing eligible shareholders (on a 1 for 12 basis) in September 2017, the exercise price of all outstanding options at the time was reduced by A$0.02 per option subject to the ESOP plan under clause 7.3. There were no modifications made to share-based payment arrangements during the year ended June 30, 2017.

c. Fair values of share based payments

The weighted average fair value of share options granted during the years ended June 30, 2018, 2017 and 2016 were AUD 0.61, AUD 1.46 and AUD 1.07, respectively.

The fair value of all shared-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 or loan funded share. Historical volatility data is considered in determining expected future volatility.

Life of the option/share

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, 2018 are as follows:

Series	Financial year of grant	Exercise/Loan price per share AUD	Share price at acceptance date AUD	Expected share price volatility	Life(1)	Dividend yield	Risk-free interest rate
37	2018	2.23	2.02	52.21%	5.8 yrs	0%	2.22%
38	2018	1.54	1.37	52.04%	5.8 yrs	0%	2.41%
38a	2018	1.40	1.37	52.56%	5.8 yrs	0%	2.27%
39	2018	1.94	1.34	52.49%	5.9 yrs	0%	2.16%
39a	2018	1.76	1.34	52.49%	5.9 yrs	0%	2.16%
40	2018	1.41	1.32	52.35%	5.8 yrs	0%	2.43%
40a	2018	1.28	1.32	52.35%	5.8 yrs	0%	2.43%

(1) 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, 2018 was AUD 1.48.

The model inputs for the valuations of options approved and granted during the year ended June 30, 2017 are as follows:

Series	Financial year of grant	Exercise/Loan price per share AUD	Share price at acceptance date AUD	Expected share price volatility	Life(1)	Dividend yield	Risk-free interest rate
34b	2017	2.82	1.24	51.13%	4.6 yrs	0%	2.16%
36	2017	1.33	2.32	51.63%	5.5 yrs	0%	2.15%
36a	2017	1.21	2.32	51.63%	5.5 yrs	0%	2.15%
36b	2017	1.67	2.32	51.63%	5.6 yrs	0%	2.15%

(1) 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, 2017 was AUD 2.08.

The model inputs for the valuations of options approved and granted during the year ended June 30, 2016 are as follows:

Series	Financial year of grant	Exercise/Loan price per share AUD	Share price at acceptance date AUD	Expected share price volatility	Life(1)	Dividend yield	Risk-free interest rate
32	2016	4.22	3.87	40.38%	5.2 yrs	0%	2.22%
33	2016	4.07	3.19	40.38%	5.1 yrs	0%	2.00%
34	2016	2.82	2.41	53.33%	5.0 yrs	0%	2.13%
34a	2016	2.76	2.41	53.33%	5.1 yrs	0%	2.13%
35	2016	2.22	1.05	53.33%	3.0 yrs	0%	1.65%

(1) 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, 2016 was AUD 1.08.

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)	Year Ended June 30, 2018	2017	2016
a. PricewaterhouseCoopers Australia			
Audit and other assurance services			
Audit and review of financial reports	620,837	729,598	437,373
Other audit services[1]	92,403	42,306	345,965
Total remuneration of PricewaterhouseCoopers Australia	**713,240**	**771,904**	**783,338**
b. Network firms of PricewaterhouseCoopers Australia			
Audit and other assurance services			
Audit and review of financial reports	93,839	77,723	95,315
Total remuneration of Network firms of PricewaterhouseCoopers Australia	**93,839**	**77,723**	**95,315**
Total auditors' remuneration[2]	**807,079**	**849,627**	**878,653**

(1) Audit and review of financial reports and registration statements in connection with the United States initial public offering, filing on Form S-8, F-3 and related Australian prospectuses.

(2) All services provided are considered audit services for the purpose of SEC classification.

19. Losses per share

	Year Ended June 30, 2018	2017	2016
Losses per share			
(in cents)			
(a) Basic losses per share			
From continuing operations attributable to the ordinary equity holders of the company	(7.58)	(19.25)	(1.13)
Total basic losses per share attributable to the ordinary equity holders of the company	**(7.58)**	**(19.25)**	**(1.13)**
(b) Diluted losses per share			
From continuing operations attributable to the ordinary equity holders of the company	(7.58)	(19.25)	(1.13)
Total basic losses per share attributable to the ordinary equity holders of the company	**(7.58)**	**(19.25)**	**(1.13)**
(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	(35,290)	(76,815)	(4,127)
Diluted losses per share			
Losses from continuing operations attributable to the ordinary equity holders of the company:			
Used in calculating basic losses per share	(35,290)	(76,815)	(4,127)
Losses attributable to the ordinary equity holders of the company used in calculating diluted losses per share	(35,290)	(76,815)	(4,127)

	2018 Number	2017 Number	2016 Number
Weighted average number of ordinary shares used as the denominator in calculating basic losses per share	465,688,997	399,042,172	364,208,554
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted losses per share	465,688,997	399,042,172	364,208,554

Options granted to employees (see Note 17) are considered to be potential ordinary shares. These securities have been excluded from the determination of basic losses per shares. They have also been excluded from the calculation of diluted losses per share because they are anti-dilutive for the years ended June 30, 2018, 2017 and 2016. Shares that may be paid as contingent consideration (see Note 13(b)) 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, 2018, 2017 and 2016.

The calculations for the years ended June 20, 2018, 2017 and 2016 have been adjusted to reflect the bonus element in the entitlement offer to existing eligible shareholders which occurred during September 2017.

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:

	As of June 30,	
(in U.S. dollars, in thousands)	**2018**	**2017**
Balance Sheet		
Current Assets	19,499	7,276
Total Assets	**676,385**	**666,357**
Current Liabilities	6,086	6,400
Total Liabilities	**6,186**	**6,815**
Shareholders' Equity		
Issued Capital	889,480	830,424
Reserves		
Foreign Currency Translation Reserve	(174,948)	(146,840)
Share Options Reserve	61,320	55,265
(Accumulated losses)	(105,653)	(79,307)
	670,199	**659,542**
Loss for the period	**(26,346)**	**(24,216)**
Total comprehensive loss for the period	**(26,346)**	**(24,216)**

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 adult stem 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. 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. 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, 2018 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.

b. Segment reporting

The Group predominately operates in one segment as set out in Note 21.

c. 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 available for sale financial assets 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.

d. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognized for the major business activities as follows:

(i) Commercialization and milestone revenue

Commercialization and milestone revenue generally includes non-refundable up-front 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.

Where such arrangements can be divided into separately identifiable components (each component constituting a separate earnings process), the arrangement consideration is allocated to the different components based on their relative fair values and recognized over the respective performance period in accordance with IAS 18 Revenue. Where the components of the arrangement cannot be divided into separate units, the individual deliverables are combined as a single unit of accounting and the total arrangement consideration is recognized over the estimated collaboration period. Such analysis requires considerable estimates and judgments to be made by us, including the relative fair values of the various elements included in such agreements and the estimated length of the respective performance periods.

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

TiGenix arrangement

In December 2017, the Group entered into a patent license agreement with TiGenix NV, now a wholly owned subsidiary of Takeda Pharmaceutical Company Limited ("Takeda"), which granted Takeda exclusive access to certain of our patents to support global commercialization of the adipose-derived mesenchymal stem 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, the Group received $5.9 million (€5.0 million) as a non-refundable up-front payment. The Group is entitled to further payments of €5.0 million within 12 months of the patent license agreement date, and 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 year ended June 30, 2018, the Group recognized $11.8 million in milestone revenue in relation to the Group's patent license agreement with Takeda. Within this $11.8 million, $5.9 million (€5.0 million) was recognized in relation to the non-refundable up-front payment received upon execution of the Group's patent license agreement with Takeda in December 2017 and $5.9 million (€5.0 million) was recognized in relation to further payments due within 12 months of the patent license agreement date for product Alofisel®. These amounts were recorded in revenue as there are no further performance obligations required in regards to these milestones.

On the basis that this agreement was entered into in December 2017, there was no milestone revenue recognized in the year ended June 30, 2017 in relation to this agreement.

JCR arrangement

In October 2013, the Group acquired all of Osiris' culture-expanded, MSC-based assets. These assets included assumption of a collaboration agreement with JCR, a research and development oriented pharmaceutical company in Japan. Revenue recognized under this model is limited to the amount of cash received or for which the Group is entitled to, as JCR has the right to terminate the agreement at any time.

JCR is responsible for all development and manufacturing costs including sales and marketing expenses. Under the JCR Agreement, JCR has the right to develop the Group's 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 is entitled to payments when JCR reaches certain development and 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 is entitled to a double digit profit share. Royalty revenue is recognized upon the sale of the related products provided the Group has no remaining performance obligations under the arrangement.

For the years ended June 30, 2018 and 2017, the Group recognized $3.6 million and $1.4 million, respectively, in commercialization revenue relating to royalty income earned on sales of TEMCELL in Japan, by our licensee JCR. These amounts were recorded in revenue as there are no further performance obligations required in regards to these items.

For the year ended June 30, 2018, the Group recognized $1.5 million in cumulative net sales milestone revenue upon licensee, JCR, reaching milestones for sales of TEMCELL in Japan. For the year ended June 30, 2017, the Group recognized $0.5 million of milestone revenue from JCR. These amounts were recorded in revenue as there are no further performance obligations required in regards to these item.

(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 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 our 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. A refundable tax offset is available to eligible companies with an annual aggregate turnover of less than A$20.0 million. Eligible companies can receive a refundable tax offset for a percentage of their research and development spending. For the years ended June 30, 2018 and 2017, the rate of the refundable tax offset is 43.5%. The Group recognized income of $1.8 million and $1.5 million, from the Research and Development Tax Incentive program for the years ended June 30, 2018 and 2017, respectively.

The Group's research and development activities are eligible under an Australian government tax incentive for eligible expenditure from July 1, 2011. Management has assessed 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 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.

e. 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.

f. 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.

g. Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (Note 14). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is sub-leasing to a third party is recognized in income on a straight-line basis over the lease term.

h. 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.

i. 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.

j. 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.

k. Trade and other receivables

Trade receivables and other receivables represent the principal amounts due at balance date less, where applicable, any provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable and there is objective evidence of impairment. Debts which are known to be uncollectible are written off in the statement of comprehensive income. 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.

l. Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- available-for-sale financial assets,
- loans and receivables, and
- held-to-maturity investments.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period. See Note 5 for details about each type of financial asset.

(ii) Reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortized cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(iii) 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.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

(iv) 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, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortized cost using the effective interest method. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognized as follows:

- for ‘financial assets at fair value through profit or loss’ – in profit or loss within other income or other expenses
- for available for sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortized cost of the security are recognized in profit or loss and other changes in the carrying amount are recognized in other comprehensive income
- for other monetary and non-monetary securities classified as available for sale in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognized in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Interest income from financial assets at fair value through profit or loss is included in the net gains/(losses). Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of revenue from continuing operations.

Details on how the fair value of financial instruments is determined are disclosed in Note 5(g).

(v) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortized cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss –measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss.

Impairment losses on equity instruments that were recognized in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss

m. 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.

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.

n. 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.

o. Intangible assets

(i) Goodwill

Goodwill is measured as described in Note 22(h). Goodwill on acquisition of subsidiaries is included in intangible assets (Note 6(b)). 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 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) Trademarks and licenses

Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization and impairment losses.

(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 fourth 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.

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.

p. 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.

q. 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. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. If it is not probable, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

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.

Hercules

On March 6, 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. An additional $40.0 million may be drawn as certain milestones are met. The loan matures in March 2022 with principal repayments commencing in October 2019 with the ability to defer the commencement of principal repayments to October 2020 if certain milestones are met. Interest on the loan is payable monthly in arrears on the 1st day of the month. At closing date, the interest rate was 9.45%. On June 14, 2018, in line with the increase in the U.S. prime rate, the interest rate on the loan increased to 9.95%.

NovaQuest

On June 29, 2018, we drew the first tranche of $30.0 million of the principal amount from the $40.0 million secured loan with NovaQuest. There is a four-year interest only period, until July 2022, with the principal repayable in equal quarterly instalments over the remaining period of the loan. The loan matures in July 2026. Interest on the loan will accrue at a fixed rate of 15% per annum.

All interest and principal payments will be deferred until after the first commercial sale of our allogeneic product candidate MSC-100-IV in pediatric patients with steroid refractory aGVHD, in the United States and other geographies excluding Asia (“pediatric aGVHD”). 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.

If there are no net sales of pediatric aGVHD, the loan is only repayable on maturity in 2026. If in any annual period 25% of net sales of pediatric aGVHD exceed the amount of accrued interest owing and, from 2022, principal and accrued interest owing (“the payment cap”), Mesoblast will pay the payment cap and an additional portion of excess sales which may be used for early prepayment of the loan. If in any annual period 25% of net sales of pediatric aGVHD is less than the payment cap, then the payment is limited to 25% of net sales of pediatric 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 in the period the revision is made.

The carrying amount of the loan is subordinated to the senior creditor, Hercules.

r. 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.

s. 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.

t. 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 shared-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.

u. 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.

v. 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.

w. 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.

x. Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar, unless mentioned otherwise.

In the directors' opinion:

(a) the financial statements and Notes set out on pages 149 to 208 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, 2018 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/ Brian Jamieson	/s/ Silviu Itescu
Brian Jamieson	Silviu Itescu
Chairman	Chief Executive Officer

Melbourne, August 30, 2018

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Item 19. Exhibits

Item	
1.1	Constitution of Mesoblast Limited (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form F-1 filed with the SEC on November 2, 2015).
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	Clinical Trial Agreement by and between The National Heart, Lung, and Blood Institute and Mesoblast, Inc. dated July 28, 2014 (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form F-1 filed with the SEC on November 2, 2015).
4.4†	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).
4.5	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).
4.6	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).
4.7†	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).
4.8†	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).
4.9	Technology Transfer and License Agreement by and between Case Western Reserve University and Osiris Therapeutics, Inc., dated January 1, 1993 (incorporated by reference to Exhibit 10.11 to the Company's Registration Statement on Form F-1 filed with the SEC on November 2, 2015).
4.10	Amendment Number 1 to Technology Transfer and License Agreement by and between Case Western Reserve University and Osiris Therapeutics, Inc., dated November 3, 1993 (incorporated by reference to Exhibit 10.12 to the Company's Registration Statement on Form F-1 filed with the SEC on November 2, 2015).
4.11	Amendment to the Technology Transfer and License Agreement by and between Case Western Reserve University and Osiris Therapeutics, Inc., dated October 18, 1999 (incorporated by reference to Exhibit 10.13 to the Company's Registration Statement on Form F-1 filed with the SEC on November 2, 2015).
4.12	Third Amendment to Technology Transfer and License Agreement by and between Case Western Reserve University and Osiris Therapeutics, Inc., dated October 27, 2003 (incorporated by reference to Exhibit 10.14 to the Company's Registration Statement on Form F-1 filed with the SEC on November 2, 2015).
4.13	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).
4.14#	Loan Funded Share Plan Rules, as amended, and form of loan agreement thereunder (incorporated by reference to Exhibit 10.17 to the Company's Registration Statement on Form F-1 filed with the SEC on November 2, 2015).
4.15#	Employee Share Option Plan Rules, and form of option agreement thereunder (incorporated by reference to Exhibit 10.18 to the Company's Registration Statement on Form F-1 filed with the SEC on November 2, 2015).
4.16#	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).
4.17	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).

4.18	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).
4.19	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).
4.20	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).
4.21†	Patent License and Settlement Agreement with TiGenix S.A.U., dated December 14, 2017.
4.22†	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 March 6, 2018.
4.23†	Loan and Security Agreement by and between Mesoblast Limited, Mesoblast UK Limited, Mesoblast, Inc., Mesoblast International (UK) Limited, Mesoblast International Sàrl and NQP SPV II, L.P., dated June 29, 2018.
4.24†	Development and Commercialization Agreement by and between Mesoblast Inc., Mesoblast International Sàrl and Tasly Pharmaceutical Group Co., Ltd. dated July 17, 2018.
8.1	List of Significant Subsidiaries of Mesoblast Limited.
10	Consent of independent registered public accounting firm.
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
99.1	Appendix 4E preliminary final report for the twelve months to June 30, 2018.
99.2	Auditor's independence declaration, dated August 30, 2018.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

#	Indicates management contract or compensatory plan.
†	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.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Mesoblast Limited

By:	/s/ Brian Jamieson
Name:	Brian Jamieson
Title:	Chairman
By:	/s/ Silviu Itescu
Name:	Silviu Itescu
Title:	Chief Executive Officer

Dated: August 30, 2018

Exhibit 4.21

CONFIDENTIAL
EXECUTION COPY

****** INDICATES CONFIDENTIAL MATERIAL OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND FILED WITH THE SECURITIES AND EXCHANGE COMMISSION SEPARATELY WITH A REQUEST FOR CONFIDENTIAL TREATMENT.**

PATENT LICENSE AND SETTLEMENT AGREEMENT

This PATENT LICENSE AND SETTLEMENT AGREEMENT is entered into as of December 14, 2017 (the "**Effective Date**") by and between, on the one hand, Mesoblast Inc., a Delaware corporation, with a place of business at 505 Fifth Avenue, New York, New York 10017 U.S.A. ("**Mesoblast Inc.**") and Mesoblast International Sàrl, a Swiss societé à responsibilité limitée, with a place of business located at Route de Pre-Bois 20, c/o Accounting & Management Service SA, 1217 Meyrin, Switzerland ("**Mesoblast Sàrl**," and together with Mesoblast Inc., "**MSB**") and, on the other hand, TiGenix S.A.U., a Spanish corporation, with a place of business at Calle Marconi 1, Parque Tecnológico de Madrid, 28760 Tres Cantos (Madrid), Spain ("**TiGenix**"); each of MSB and TiGenix may be hereinafter referred to together as the "**Parties**" and individually as a "**Party**" when convenient.

BACKGROUND

A. MSB owns and/or controls certain Licensed Patents (as defined below in Section 1);

B. TiGenix is a stock-listed innovative company currently focusing on exploiting its stem cell technology, in particular the product called Cx 601. TiGenix owns certain Intellectual Property Rights, including Patents, in relation to Cx 601 (each, as defined below in Section 1).

C. MSB wishes to grant to TiGenix, and TiGenix wishes to receive from MSB an exclusive license under the Licensed Patents with respect to Royalty Product for the Field in the Territory (each, as defined below in Section 1); and

D. The Parties further desire to explore other opportunities and have agreed to establish a joint oversight/cooperation committee (as further described in Section 8), all on the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the terms and provisions contained herein and other good and valuable consideration, the receipt, adequacy, and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. DEFINITIONS; INTERPRETATION

(a) The following capitalized terms shall have the meanings given in this Section 1 or elsewhere in this Agreement when used in this Agreement:

"**Accounting Standards**" means, with respect to an Entity, (i) Generally Accepted Accounting Principles of the United States (GAAP) or (ii) International Financial Reporting Standards (IFRS), in each case (i) or (ii) as consistently applied by such Entity across its operations.

"**Affiliate**" means, with respect to an Entity, any other Entity in whatever country organized, that controls, is controlled by, or is under common control of such first Entity. The term "control" for the purpose of this definition means possession, direct or indirect, of the power to direct or cause the direction of the management and policies of an Entity, whether through the ownership of voting securities, by contract, or otherwise, which control shall be presumed with respect to an Entity by another Entity when such other Entity owns more than fifty percent (50%) of the first Entity's voting securities.

"**Agreement**" means this Patent license and settlement agreement, including its Exhibits which are an integral part thereof.

"**Anti-Corruption Laws**" means the U.S. Foreign Corrupt Practices Act, as amended, the UK Bribery Act 2010, as amended, the Organization for Economic Co-operation and Development (OECD) Convention on combating bribery of foreign public officials in international business transactions, and any other applicable anti-corruption law.

"**Applicable Law**" means any and all laws, ordinances, orders, rules, rulings, directives and regulations of any kind whatsoever of any Regulatory Authority or other governmental authority within the applicable jurisdiction applicable to a Party's activities under this Agreement.

"**Business Day**" means any day except a Saturday, Sunday or any other day on which commercial banks in Melbourne, Australia or Brussels, Belgium are authorized or required by Applicable Law to remain closed.

"**Cover**" means, with respect to any subject matter, that the manufacture, use, sale, offer for sale, storage, import, development or other exploitation of such subject matter would infringe (whether direct or contributorily) or induce the infringement of a Valid Claim (in the absence of a license under or ownership of such claim) at the time thereof. This applies to Patents if and to the extent they are Prosecuted and Maintained in good faith. For the purpose of this definition, "**Covered**" or "**Covering**" have their correlative meanings.

"**Cx 601 Product**" means a locally-administered cell therapy product comprising a composition of allogeneic adipose-derived MSCs as of the Effective Date known as Cx 601, either fresh or frozen, and irrespective of the form, dose, formulation, component, agent, delivery device or dispensing device in or with which said composition is delivered. Cx 601 Product shall exclude any product that would require the exploitation of any Patent owned or controlled by MSB in relation to proprietary small molecules or biologics, genetic modification technologies, delivery technologies/devices or other cell types ********.

"**Entity**" means any person, corporation, partnership, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization, governmental entity (or any department, agency, or political subdivision thereof), or any other legal entity.

"**Euro**" means a European Euro, and "€" has the corresponding meaning.

"**Field**" means the treatment of fistulas.

"**Intellectual Property Rights**" means any and all know-how, patents, utility models, supplementary protection certificates, patent term extensions, copyrights and related rights, database rights, trade mark rights, trade and business names, domain names, trade secrets, rights on unpatented know-how, registered or unregistered designs and any other intellectual or industrial property rights of any nature including all applications for and reissues, renewals, reexaminations, divisionals, continuations, continuations-in-part, substitutions or extensions thereof, and including any other rights, titles and interests held therein.

"**Knowledge**" means, with respect to a Party, the actual knowledge of the Party. For clarity, any representation or warranty to a Party's Knowledge regarding any Patents (including the non-existence or non-infringement thereof) shall not imply any obligation for such Party to conduct, or be construed that such Party has conducted, any search for Patents or other freedom to operate analysis specifically for the purposes of this Agreement.

"**Licensed Patents**" means, individually and collectively, any and all Patents which, absent the consent of MSB, its Affiliates as of the Effective Date and/or any of their legal successors, would be infringed by the manufacture, use, sale, offer for sale, storage, import, development or other exploitation of the Cx 601 Product for the Field in the Territory. Those Patents reasonably believed, by the Parties, as of the Effective Date to be Licensed Patents (i.e., that Cover the Cx 601 Product) are listed on Exhibit A and Exhibit B (which shall be updated from time to time as set forth in Section 4(b) and which are not exhaustive). To avoid doubt, (i) Licensed Patents include any and all such Patents owned or controlled by MSB or its Affiliates or to which MSB or its Affiliates has a licensable or sublicensable interest as of the Effective Date, (ii) Licensed Patents include any and all substitutions, continuations, continuations-in-part, divisions, renewals, reissues, reexaminations, extensions, or registrations of the Patents in (i) filed or granted before or after the Effective Date and (iii) the Licensed Patents exclude any Patent owned or controlled by Entities which become an Affiliate of MSB through a share acquisition, merger or similar transaction after the Effective Date, unless such Patent was a Licensed Patent prior to such transaction.

"**Marketing Approval**" means, with respect to a product in a particular jurisdiction, approval (whether accelerated, conditional or unconditional) or other permission by the applicable Regulatory Authorities sufficient to initiate marketing and sales of such product, including, if necessary to initiate such marketing and sales, approval, agreement, determination or governmental decision establishing the commercial price for such product.

"**MSCs**" (mesenchymal stem cells) means a population of ex-vivo culture-expanded human mesenchymal stem cells.

"**Net Sales**" means, for any period, the amount of "gross sales" (whereby "gross sales" equals the ex-manufacturer price of Royalty Product, applicable for sales by or on behalf of TiGenix, its Affiliates and their Sublicensees (each, a "**Selling Party**") to an unconnected Third Party in an arm's length sale times number of units of Royalty Product sold) in the applicable

country in the Territory by a Selling Party, less the following deductions (specifically excluding any payments made by TiGenix to MSB pursuant to this Agreement), in each case related specifically to Royalty Product in such country in the Territory and actually allowed and taken by such Third Parties and, in the case of items (i), (ii) and (v) only, not otherwise recovered by or reimbursed to the Selling Party:

(i) trade, cash and quantity discounts, including in relation to any offering for sale of more than one product from the Selling Party's products, whether owned or licensed-in products (any, a "**Portfolio Offering**") (other than price discounts granted at the time of invoicing and already included in the gross amount invoiced), albeit capped at a maximum of 1% of Net Sales per calendar year;

(ii) price reductions or rebates, retroactive or otherwise, imposed by, negotiated with or otherwise paid to Regulatory Authorities or national or federal institutions, including, without limitation, private health insurance companies, having jurisdiction or influence over the pricing, market access, funding reimbursement or usage restrictions of Royalty Product in the Field in the applicable country in the Territory;

(iii) taxes on sales (such as business tax and VAT), but not including (a) taxes assessed against the income derived from such sales, and (b) import and customs duties;

(iv) freight, insurance and other transportation and handling charges to the extent added to the sale price and set forth separately as such in the total amount invoiced; and

(v) amounts repaid or credited by reason of rejections, defects, one percent (1%) return credits, recalls or returns or because of retroactive price reductions (including rebates or wholesaler charge backs).

Where any reduction in the amount of Net Sales is based on sales of a Portfolio Offering of products in which Royalty Product for use in such country in the Territory is included, the reduction in price or deduction therefrom would be allocated as actually credited unless such Royalty Product receives a higher than pro rata share of any reduction or deduction that the set of products pertaining to the Portfolio Offering of products receives. In such case, the reduction or deduction therefrom shall be allocated to such Product on a no greater than a pro rata basis based on the sales value (i.e., the stock keeping unit average selling price multiplied by the number of stock keeping units) of such Royalty Product relative to the sales value contributed by the other products included in the Portfolio Offering of products with respect to such sale;

Subject to the above, Net Sales shall be calculated in accordance with the Selling Party's standard internal policies and procedures, which must be in accordance with Accounting Standards;

Net Sales shall not include (I) sales, transfers or dispositions between or among TiGenix, its Affiliates and their Sublicensees, unless the purchasing Entity is an end-user, but shall include the subsequent final sales to non-Affiliate Third Parties by any Selling Party, or (II) up to a maximum of one percent (1%) of the cumulative Net Sales during the applicable calendar year, sampling for preclinical, clinical, promotional or educational purposes conducted by or on behalf of the Selling Party for Royalty Product in the Field in such country in the Territory in accordance with the Selling Party's usual and customary business practices;

All Net Sales will be calculated in Euros; and

If a Selling Party appoints a distributor for Royalty Product in the Field in one or more countries in the Territory, Net Sales will include the Net Sales invoiced by the Selling Party to such distributor, but it will not include any sales of Royalty Product in the Field in such countries in the Territory made by any such distributors.

"**Patent**" means any of the following, whether existing now or in the future anywhere in the Territory: (i) any issued patent (whether utility models, design patents or the like), including inventor's certificates, substitutions, extensions, confirmations, reissues, re-examination, renewal, supplemental protection certificates, any counterparts claiming priority therefrom, or any like governmental grant for protection of inventions, and any patent resulting from any post-grant proceeding involving any of the foregoing; (ii) any pending patent application (or application for any of the foregoing), including any continuation, divisional, substitution, continuation-in-part, provisional and converted provisional applications; and (iii) any applicable pediatric exclusivity period.

"**Prosecution and Maintenance**" means, with respect to a Patent, (i) the preparing, filing, prosecuting and maintenance of such Patent (including conducting all correspondence and interactions with any government office or court having jurisdiction over the same), including the right to apply for Patents pursuant to the International Convention for the Protection of Industrial Property or pursuant to any other convention, treaty, agreement or understanding and (ii) seeking, conducting or defending re-examinations, reissues, requests for Patent term extensions and the like with respect to such Patent, together with the conduct of interferences, inter partes reviews, post-grant reviews, the defense of oppositions and other similar proceedings with respect to the particular Patent (whether before or after issuance); and "**Prosecute and Maintain**" and "**Prosecuting and Maintaining**" have their correlative meanings.

"**Regulatory Authority**" means any federal, national, multinational, state, provincial or local regulatory agency, department, bureau or other governmental entity with authority over the development, manufacture or commercialization or other use or exploitation (including the granting of Marketing Approvals) of the Product in any jurisdiction, including the United States Food and Drug Administration and the European Medicines Agency.

"**Royalty Product**" means any Cx 601 Product Covered in the applicable country in the Territory by a Valid Claim together with any component, agent, delivery device, or dispensing device explicitly required by the applicable Marketing Approval therefor. Furthermore, with respect to the U.S. only, if the Cx 601 Product is Covered by a Valid Claim during the Term in the U.S., and for so long as the Cx 601 Product is subject to any regulatory exclusivity in the U.S. (i.e., for so long as the Regulatory Authority in the U.S. may not grant a Marketing Approval in the U.S. for a product that is identical or substantially identical to the Cx 601 Product) (such period, the "**Regulatory Exclusivity Period**") then it shall be deemed to be a Royalty Product in the U.S. for an additional period of up to three (3) years as from the expiry date of the last Valid Claim in the U.S. Covering the Cx 601 Product.

"**Sublicensee**" means any Third Party to whom a sublicense under the Licensed Patents has been granted, whether directly or indirectly.

"**Takeda**" means Takeda Pharmaceuticals International AG together with its Affiliates.

"**Territory**" means all of the countries and territories in the world.

"**Third Party**" means any Entity that is not a Party or an Affiliate of a Party (and in the case of Net Sales, any Entity that is not a Selling Party).

"**U.S.**" means the United States of America, together with its territories and protectorates including the Commonwealth of Puerto Rico.

"**Valid Claim**" means any issued claim of any Licensed Patent that has not expired, lapsed, or been cancelled or abandoned, and that has not been dedicated to the public, disclaimed, or been held unenforceable, invalid, or been cancelled by a court or administrative agency of competent jurisdiction in an order or decision from which no appeal has been or can be taken, through opposition, re-examination, reissue or disclaimer or the like. A claim of any Licensed Patent that is pending and not issued does not qualify as a Valid Claim; provided, however, that if such pending and not issued claim issues during the course of this Agreement, it shall qualify as a Valid Claim retroactively and shall, to the extent the issued claim Covers Royalty Product, trigger royalties in arrears on Net Sales made as from the application date of the relevant Licensed Patent.

(b) Additional Definitions. Each of the following definitions shall have the meanings defined in the corresponding Sections of this Agreement indicated below:

Defined Term	Section
8(b) Expiration Date	8(b)
Assertion Notice	8(c)
Challenge	8(c)
Challenge Notice	8
Competing Enforcement Action	4(d)(ii)(1)
Competing Infringement	4(d)(i)
Competing Product	4(d)(i)
Confidential Information	7(a)
Denial Notice	8(b)
Dispute	10(b)
Double Tax	3(d)
Enforcing Party	4(d)(iii)
Financial Exhibit	3(a)
Indemnified Party	6(a)
Indemnifying Party	6(a)
JOCC	8(a)
MSB Indemnified Party	6(a)(ii)
MSB Liability	6(a)(ii)
MSB Oppositions	4(h)(i)
Negotiation Request	8(b)
New Indication	8(b)
New Product	8(b)

Other Party	9(c)(i)
Portfolio Offering	Definition of “Net Sales”
Pre-Issued MSB Patent	8(b)
Reactive Challenge	8
Regulatory Exclusivity Period	Definition of “Royalty Product”
Royalty Term	Exhibit C, II.b)
Rules	10(b)(ii)
Selling Party	Definition of “Net Sales”
Term	9(a)
TiGenix Indemnified Party	6(a)(i)
TiGenix Liability	6(a)(i)
TiGenix/Takeda Oppositions	4(h)(ii)
Third Party Claim	6(a)(i)

(c) Interpretation. The captions and headings to this Agreement are for convenience only, and are to be of no force or effect in construing or interpreting any of the provisions of this Agreement. Unless specified to the contrary, references to Sections or Exhibits mean the particular Sections or Exhibits to this Agreement and references to this Agreement include all Exhibits hereto. Unless context otherwise clearly requires, whenever used in this Agreement: (i) the words “include” or “including” shall be construed as incorporating, also, “but not limited to” or “without limitation”; (ii) the word “will” shall be construed in the imperative having the same meaning as the word “shall”; (iii) the word “day” or “year” means a calendar day or year; (iv) the word “notice” requires notice in writing (whether or not specifically stated) and shall include notices, consents, approvals and other written communications contemplated under this Agreement; (v) the words “hereof,” “herein,” “hereby” and derivative or similar words refer to this Agreement (including any Exhibit); (vi) provisions that require that a Party or the Parties “agree,” “consent” or “approve” or the like shall require that such agreement, consent or approval be specific and in writing, whether by written agreement, letter, approved minutes or otherwise; (vii) words of any gender include the other gender; (viii) words using the singular or plural number also include the plural or singular number, respectively; (ix) references to any specific law, rule or regulation, or article, section or other division thereof, shall be deemed to include the then-current amendments thereto or any replacement law, rule or regulation thereof; (x) neither Party nor its Affiliates shall be deemed to be acting “on behalf of” or “under authority of” the other Party hereunder, and (xi) each Sublicensee shall be deemed to act with consent of TiGenix.

2. LICENSE

(a) Exclusive License. From and after the Effective Date and subject to the terms and conditions of this Agreement, MSB hereby grants to TiGenix, who accepts, an exclusive license under the Licensed Patents to (either by itself, by or on behalf of an Affiliate, or by a Third Party on its behalf) use, develop, manufacture, sell, offer for sale, store and import Royalty Product in each case solely for the Field in the Territory. For purposes of this Section 2(a), the term “exclusive” means that during the Term MSB, its Affiliates and any of their legal successors shall not (i) exercise the Licensed Patents with respect to the use, development, manufacture, sale, offer for sale, storage or importation of Royalty Product for the Field in the Territory or (ii) grant any Third Party any right under the Licensed Patents for any such purpose. From and after

the Effective Date the foregoing license shall apply to the use, development, manufacture, sale, offer for sale, storage and importation of Royalty Product for the Field in the Territory prior to the Effective Date, without any additional consideration for any such activity prior to the Effective Date.

(b) Sublicenses. The license granted to TiGenix in Section 2(a) includes the right to grant sublicenses to (i) Affiliates and (ii) Third Parties (through multiple tiers); provided that all such sublicenses shall be (A) subject to and consistent with such license and this Agreement and (B) with respect to Third Parties that have been approved in writing by MSB, such approval not to be unreasonably withheld, conditioned or delayed. The Parties acknowledge that as of the Effective Date Takeda is a Sublicensee of TiGenix and is deemed approved for such purposes.

(c) Settlement Relating to the Cx 601 Product and Release of Claims. This Agreement, through mutual concessions, puts a final and definitive end to any claims, liabilities or causes of action that the Parties, their Affiliates or any of their legal successors could have or make in relation to the Cx 601 Product for the Field in the Territory as of the Effective Date, provided with respect to each Party, that Party fulfills its obligations under Section 4(h) and without prejudice to TiGenix's right to conduct a Challenge in accordance with Section 8(c). Subject to the same limitations and conditions, MSB releases TiGenix, its Affiliates and their Sublicensees or any of their legal successors from any and all claims of any nature that it had as of the Effective Date, whether known, unknown, or suspected to exist, to the extent related to the Cx 601 Product for the Field in the Territory. Without prejudice to any remedies available under this Agreement or at law or equity, any proceedings brought in breach of this settlement shall be withdrawn at the costs of the breaching Party.

(d) No Recognition. By entering into this Agreement, neither Party acknowledges any infringement to or validity/invalidity of the other Party's Intellectual Property Rights and nothing in this Agreement shall be interpreted as such acknowledgment.

(e) No Other Rights. Each Party acknowledges that the rights under this Section 2 and elsewhere in this Agreement are limited to the express scope thereof. Accordingly, (i) the license granted in Section 2(a) is limited to Royalty Product solely for the Field in the Territory and (ii) except for the rights expressly granted under this Agreement, no right, title, or interest of any nature whatsoever is granted, whether by implication, estoppel, reliance, or otherwise, by either Party to the other Party.

3. PAYMENTS.

(a) Effective Date Payment. As partial consideration of the license and other rights granted to TiGenix and obligations of MSB hereunder, TiGenix shall pay to Mesoblast Sàrl five million Euros within three (3) Business Days of the Effective Date, which payment, once paid, shall be non-refundable, and shall not be creditable against any other amount due hereunder.

(b) Other Payments. TiGenix shall make the other payments to Mesoblast Sàrl as set forth in Exhibit C (the "**Financial Exhibit**").

(c) Payment Method. All payments due under this Agreement shall be made by bank wire transfer in immediately available funds to an account designated by Mesoblast Sàrl. All payments hereunder shall be made in Euros.

(d) Withholding Taxes. All amounts payable by TiGenix to Mesoblast Sàrl under this Agreement shall be subject to a five percent (5%) withholding in accordance with article 12.2 of the 1966 Convention between the Swiss Confederation and Spain for the avoidance of double taxation with respect to taxes on income and fortune, as amended by a Protocol signed 29 June 2006 and as further amended by a Protocol signed 27 July 2011 (the "**Double Tax Treaty**"), provided that Mesoblast Sàrl annually and timely provides TiGenix with a tax residency certificate as in Exhibit F (duly executed by the Swiss tax authorities), attesting that Mesoblast Sàrl is a tax resident in Switzerland for purposes of the Double Tax Treaty. Provided that Mesoblast Sàrl provides TiGenix with the afore-mentioned tax residency certificate, the amounts payable by TiGenix to Mesoblast Sàrl under this Agreement will not be subject to a twenty-four percent (24%) withholding in accordance with applicable Spanish legislation.

(e) Acknowledgement. The Parties acknowledge that the economic terms and conditions set forth herein were negotiated and agreed to at arms-length and represent a fair and equitable valuation of the license for the benefit of TiGenix, its Affiliates and Sublicensees and the obligations of MSB hereunder. No other payment or compensation of any type shall be due in consideration of the license in Section 2(a).

4. PATENT MATTERS

(a) Prosecution and Maintenance. Subject to the provisions of this Section 4(a), MSB (itself or through one or more other Entities acting under its authority) shall perform and control the Prosecution and Maintenance of the Licensed Patents at its own expense, using patent counsel of its choice. MSB shall keep TiGenix reasonably informed regarding material matters related to the Prosecution and Maintenance of each Patent within the Licensed Patents to the extent relevant to Royalty Product. In the event that MSB elects to abandon any Licensed Patent, it shall notify TiGenix at least sixty (60) days in advance, in which case TiGenix shall have the right to perform and control the Prosecution and Maintenance of such Licensed Patent, at its sole expense in the name of MSB, except that TiGenix shall have the right to credit the amounts incurred with respect to the Prosecution and Maintenance of such Licensed Patent against the amounts due pursuant to Paragraph II(a) of the Financial Exhibit with respect to Royalty Products Covered by such Licensed Patent.

(b) Update of Exhibits A and B. If a Party reasonably believes that either Exhibit A (Issued Licensed Patents) or Exhibit B (Pending Licensed Patents) should be updated to include one or more additional Patents, then such Party shall provide the other Party notice setting out for the basis for such belief and, subject to the Parties agreeing in writing, Exhibit A and/or Exhibit B, as applicable shall be appropriately updated.

(c) Future Inventions. For the avoidance of any doubt, each Party is and remains free to Prosecute and Maintain Patents or other Intellectual Property Rights that it owns or otherwise has the appropriate rights to, including but not limited to independent developments and improvements of the Licensed Patents.

(d) Enforcement.

(i) Notice. Subject to the provisions of this Section 4(d), in the event that either Party reasonably believes that any Licensed Patent (A) is being infringed by a Third Party's product or process comprising allogenic adipose-derived MSCs for the Field in the Territory that is Covered by a Valid Claim (such product, a "**Competing Product**" and such infringement, a "**Competing Infringement**") or (B) is subject to a declaratory judgment action arising from Competing Infringement, such Party shall promptly notify the other Party.

(ii) Enforcement Actions.

(1) As between the Parties, MSB (itself or through one or more other Entities acting under its authority) shall have the right (but not the obligation) to initiate and control at its expense an action alleging infringement of a Licensed Patent with respect to any Competing Infringement (any, a "**Competing Enforcement Action**").

(2) TiGenix shall have the right (but not the obligation) to initiate and control at its expense a Competing Enforcement Action in the event that (A) MSB fails to commence any Competing Enforcement Action within sixty (60) days after the notice described in Section 4(d)(i) (or within such shorter period as may be necessary to initiate and maintain full enforcement rights under such Competing Enforcement Action within the statutory or other binding time limitations), (B) there are no Patents (other than Licensed Patents) that TiGenix, its Affiliate or Sublicensee could reasonably enforce against such Competing Product, and (C) there is a reasonable likelihood that a court establishes the Competing Infringement; provided that "a reasonable likelihood" in this context means that it is more likely than not that a court deciding on the merits would establish a Competing Infringement without materially adversely affecting the License Patent; and provided that, in the event the Parties fail to agree amongst themselves on whether there is such reasonable likelihood within a period of thirty (30) days after the notice described in Section 4(d)(i) (or within such shorter period as may be necessary to initiate and maintain full enforcement rights under such an action within the statutory or other binding time limitations), such matter shall be referred for resolution to one (or three) independent patent attorney(s) practicing in a country where the Competing Infringement is occurring, who should provide a reasoned opinion on the issue as a matter of urgency, and in any event no later than thirty (30) days after such referral (or within such shorter period as may be necessary to initiate and maintain full enforcement rights under such an action within the statutory or other binding time limitations). TiGenix shall provide MSB with an opportunity to make suggestions and comments with regard to such a Competing Enforcement Action controlled by TiGenix and shall consider and incorporate, in its reasonable discretion, such suggestions and comments.

(iii) Cooperation. The Party controlling any Competing Enforcement Action in accordance with this Section 4(d) (the "**Enforcing Party**") shall keep the other Party reasonably informed of the progress of any such Competing Enforcement Action, and such other Party shall have the right to participate with counsel of its own choice at its own expense without prejudice to Section 4(c)(iv) but will not be an Enforcing Party. In any event, the other Party shall reasonably cooperate with the Enforcing Party, including providing information and materials, at the Enforcing Party's request and expense. If TiGenix is the Enforcing Party, MSB shall join any Competing Enforcement Action as a party-plaintiff, upon TiGenix's request and

expense, if and to the extent such joinder is necessary to fully enforce rights under, and obtain remedies in respect of, the Competing Infringement. The Enforcing Party shall also have the right to control settlement of the Competing Enforcement Action; provided, however, no settlement shall be entered into without the consent of the other Party if such settlement would have a material adverse effect on the interests of the other Party, which consent shall not be unreasonably withheld.

(iv) Costs and Recoveries. Any recovery received as a result of any Competing Enforcement Action pursuant to this Section 4(d) shall be used first to reimburse the Enforcing Party for the costs and expenses (including court, attorneys' and professional fees) incurred in connection with such Competing Enforcement Action. The remainder of the recovery attributable to the Competing Infringement shall be paid as follows: (A) if MSB is the Enforcing Party: ********% of such remainder of the recovery shall be paid to TiGenix and ********% shall be paid to MSB or (B) if TiGenix is the Enforcing Party: ********% of such remainder of the recovery shall be paid to TiGenix and ********% shall be paid to MSB.

(e) Patent Marking. TiGenix shall mark (or cause to be marked) Royalty Product sold or offered for sale with appropriate Licensed Patent numbers or indicia at MSB's request, to the extent permitted by Applicable Law, it being understood that (i) TiGenix shall only be required to do so in those countries in which such notices impact recoveries of damages or remedies available with respect to infringements of Licensed Patents and (ii) in no event TiGenix shall have to mark (or cause to be marked) more than what is necessary and customary for achieving said purpose in such country.

(f) Patent Assignment. In the event that MSB elects to assign or transfer any rights to or under any Licensed Patent, MSB shall ensure that each assignment or other transfer of any Licensed Patent shall be expressly subject to the terms and conditions of this Agreement, such that the rights and obligations (including the license) under this Agreement are opposable towards any Third Party to whom such Licensed Patent is assigned or transferred.

(g) Registration of the License. TiGenix shall have the right (but not the obligation), at its cost, to record with any and all of the relevant intellectual property (including, patent) offices, TiGenix deems appropriate, throughout the Territory, the rights and obligations under this Agreement, and MSB shall reasonably assist TiGenix in connection therewith, at TiGenix's cost; for the avoidance of doubt, nothing in this Section 4.(g) alters MSB's obligations under Section 4.(f).

(h) ********.

5. REPRESENTATIONS AND WARRANTIES

(a) Representations and Warranties By MSB. MSB hereby represents and warrants to TiGenix as follows that, as of the Effective Date:

(i) Organization and Good Standing. Each of Mesoblast Inc. and Mesoblast Sàrl is a corporation duly formed, validly existing, and in good standing under the laws of the jurisdiction of its formation;

(ii) Authority. MSB has the full power and authority and has obtained all consents, approvals, or other authorizations required to enter into this Agreement and to grant the rights granted for the benefit of TiGenix, its Affiliates and Sublicensees hereunder;

(iii) Valid and Binding Agreement. This Agreement has been duly executed and delivered by MSB and constitutes the legal, valid and binding obligation of MSB and its Affiliates, enforceable against MSB in accordance with its terms;

(iv) Non-Contravention. MSB and its Affiliates have not entered into any license, covenant not to sue or other agreement, written or oral, with any other Entity which (A) would conflict with or otherwise limit MSB's ability to grant the rights hereunder for the benefit of TiGenix, its Affiliates and Sublicensees or (B) would prevent MSB from carrying out any of its obligations hereunder;

(v) Title and Contest.

(1) MSB owns and/or possesses such right, title, and interest to the Licensed Patents, whether by ownership, license or otherwise, as are necessary (A) to grant the rights for the benefit of TiGenix, its Affiliates and Sublicensees hereunder, in particular the license, and (B) to carry out all of the respective obligations of MSB (on behalf of itself and its Affiliates and their legal successors hereunder), without giving rise to any violation of the rights of any Third Party and without breaching the terms of any agreement with any Third Party;

(2) To MSB's Knowledge (A) there are no actions, suits, investigations, claims, or proceedings (including reexamination, reissue, interference proceeding, or any similar proceeding) threatened, pending, or in progress relating in any way to the Licensed Patents other than those set forth on Exhibit D, provided TiGenix complies with its obligations in Section 4(h) and (B) no Competing Infringement exists;

(3) Neither MSB nor any of its Affiliates has received any notice of a claim of another Entity that such other Entity has an ownership interest in the Licensed Patents;

(4) To MSB's Knowledge, (A)(I) the Patents listed on Exhibit A are all issued Patents and (II) the Patents listed on Exhibit B are all pending Patents, in each case (I) and (II) owned or controlled by MSB or its Affiliates that Cover the Cx 601 Product for the Field in the Territory; and (B) except for the Licensed Patents, there are no other Intellectual Property Rights owned or controlled (whether by ownership, license or otherwise) by MSB or its Affiliates that Cover, or are used for, the Cx 601 Product for the Field in the Territory; and (C) MSB has not assigned prior to the Effective Date any Patent or other Intellectual Property Right Covering, or used for, the Cx 601 Product for the Field in the Territory;

(vi) Validity. The Licensed Patents have not been declared abandoned, or been found invalid, unpatentable, or unenforceable for any reason including in a final decision in any administrative, arbitration, judicial, or other proceeding. Further, the Licensed Patents (A) that are issued have, to MSB's Knowledge, been validly granted and (B) have been, to MSB's Knowledge, Prosecuted and Maintained in the period since MSB owned or controlled such Licensed Patent, with an objectively reasonable belief (but no guarantee) that the claimed subject matter is adequately described and enabled, novel, non-obvious and otherwise meets all patentability requirements;

(vii) Fees. No failure to timely pay maintenance fees, annuities, and the like due or payable with respect to the Licensed Patents has occurred that has or would have a material adverse effect on the Licensed Patents; and

(viii) Non-infringement of Third Party Patents. To the Knowledge of MSB, there are no Patents that will necessarily be infringed by the exercise of the Licensed Patents in accordance with this Agreement.

(b) Representations and Warranties By TiGenix. TiGenix hereby represents and warrants to MSB as follows that, as of the Effective Date:

(i) Organization and Good Standing. TiGenix is a corporation duly formed, validly existing, and in good standing under the laws of the jurisdiction of its formation;

(ii) Authority. TiGenix has the full power and authority and has obtained all consents, approvals, and/or other authorizations required to enter into this Agreement and to carry out its obligations hereunder; and

(iii) Valid and Binding Agreement. This Agreement has been duly executed and delivered by TiGenix and constitutes the legal, valid and binding obligation of TiGenix enforceable against TiGenix in accordance with its terms.

(c) Disclaimer of Representations and Warranties. NEITHER PARTY MAKES ANY REPRESENTATION OR WARRANTY EXCEPT FOR THEIR RESPECTIVE REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS SECTION 5, AND OTHERWISE EACH PARTY DISCLAIMS ALL IMPLIED WARRANTIES, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY, NONINFRINGEMENT AND FITNESS FOR A PARTICULAR PURPOSE.

6. INDEMNIFICATION; LIMITATIONS.

(a) Indemnification.

(i) MSB shall indemnify and hold harmless TiGenix and its Affiliates, principals, employees, officers, directors, stockholders, successors, assigns (each, a "**TiGenix Indemnified Party**") from and against all claims, disputes, controversies, demands, causes of action in each case of the foregoing brought by a Third Party (any, a "**Third Party Claim**") and debts, obligations, judgments, liens, liability, damages, costs and expenses (including reasonable attorneys' fees and expenses of litigation) from a Third Party Claim (collectively, "**TiGenix Liability**") which a TiGenix Indemnified Party may incur, suffer, or be required to pay resulting from or arising in connection with any Third Party Claim arising out of or relating to any breach of any representation or warranty of MSB set forth in this Agreement;

(ii) TiGenix shall indemnify and hold harmless MSB and its Affiliates, principals, employees, officers, directors, stockholders, successors and assigns (a "**MSB Indemnified Party**") from and against all Third Party Claims and debts, obligations, judgments, liens, liability, damages, costs and expenses (including reasonable attorneys' fees and expenses of litigation) from a Third Party Claim (collectively, "**MSB Liability**") which a MSB

Indemnified Party may incur, suffer, or be required to pay resulting from or arising in connection with any Third Party Claims arising out of or relating to (A) any breach of any representation or warranty of TiGenix set forth in this Agreement or (B) any exercise of the license under Section 2(a) by or under authority of TiGenix, its Affiliates or Sublicensees;

To be eligible to be indemnified hereunder, the TiGenix Indemnified Party or MSB Indemnified Party, as applicable (the "**Indemnified Party**") shall provide the Party obligated to indemnify (the "**Indemnifying Party**") with prompt notice of the Third Party Claim, giving rise to the indemnification obligation pursuant to this Section 6(a). The Indemnifying Party shall take all appropriate actions, including actions in court, in order to preserve the Indemnified Party's rights under this Agreement, and shall voluntarily intervene in any proceedings brought in that context against the Indemnified Party, upon its first request. The Indemnified Party shall have the right to participate at its own expense, with counsel of its choice, in the defense of any action that has been assumed by the Indemnifying Party. The Indemnifying Party shall bear all the costs and expenses (including court, attorneys' and professional fees) related to its defense of the Third Party Claim. The Indemnifying Party shall not enter into any settlement that admits fault, wrongdoing or damages without the Indemnified Party's written consent, such consent not to be unreasonably withheld, conditioned or delayed. The Indemnifying Party shall have no obligations with respect to any TiGenix Liability or MSB Liability (as applicable) resulting from the Indemnified Party's admission, settlement or other communication without the prior written consent of the Indemnifying Party.

(b) Limitation on Consequential Damages. OTHER THAN DIRECT CONTRACTUAL DAMAGES AND WITHOUT LIMITING EITHER PARTY'S OBLIGATIONS UNDER SECTION 4(e) OR SECTION 6(a), NEITHER PARTY WILL HAVE ANY OBLIGATION OR LIABILITY (WHETHER IN CONTRACT, WARRANTY, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, AND NOTWITHSTANDING ANY FAULT, NEGLIGENCE (WHETHER ACTIVE, PASSIVE, OR IMPUTED), REPRESENTATION, STRICT LIABILITY, OR ROYALTY PRODUCT LIABILITY), FOR COVER OR FOR ANY INCIDENTAL, INDIRECT, CONSEQUENTIAL, MULTIPLIED, PUNITIVE, SPECIAL, OR EXEMPLARY DAMAGES OR LOSS OF REVENUE, PROFIT, SAVINGS OR BUSINESS ARISING FROM OR OTHERWISE RELATED TO THIS AGREEMENT, EVEN IF A PARTY OR ITS REPRESENTATIVES HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE PARTIES ACKNOWLEDGE THAT THESE EXCLUSIONS OF POTENTIAL DAMAGES WERE AN ESSENTIAL ELEMENT IN SETTING CONSIDERATION UNDER THIS AGREEMENT.

7. CONFIDENTIALITY; PRESS RELEASE.

(a) Confidentiality; Exceptions. Except to the extent expressly authorized by this Agreement or otherwise agreed by the Parties in writing, the Parties agree that the receiving Party shall keep confidential and shall not publish or otherwise disclose or use for any purpose other than as provided for in this Agreement any confidential or proprietary information or materials furnished to it by the other Party pursuant to this Agreement (collectively, "**Confidential Information**"). Notwithstanding the foregoing, Confidential Information shall not be deemed to include information or materials to the extent that it can be established by written documentation by the receiving Party that such information or material:

(i) was already known to or possessed by the receiving Party without any obligation of confidentiality, at the time of its disclosure to the receiving Party hereunder;

(ii) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the receiving Party hereunder;

(iii) became generally available to the public or otherwise part of the public domain after its disclosure hereunder other than through any act or omission of the receiving Party in breach of this Agreement;

(iv) was independently developed by the receiving Party without use of or reference to the other Party's Confidential Information as demonstrated by documented evidence prepared by the receiving Party contemporaneously with such independent development; or

(v) was disclosed to the receiving Party, other than under an obligation of confidentiality, by a Third Party not known by the receiving Party to have an obligation to the disclosing Party not to disclose such information to others.

(b) Authorized Use and Disclosure. Each Party may disclose Confidential Information of the other Party, but only to the extent such disclosure is absolutely necessary and limited to the furthest extent possible, in the following situations:

(i) enforcing its rights or the obligations of the other Party under, or arising out of, this Agreement, in accordance with Section 10(b) of this Agreement;

(ii) complying with Applicable Laws and regulations promulgated by security exchanges, court order or administrative subpoenas or orders or otherwise submitting information to tax or other governmental authorities; provided that the receiving Party has provided prior notice of such disclosure to the disclosing Party (unless prohibited by Applicable Law) and afforded the disclosing Party the opportunity to resist or obtain protections in respect of such disclosure;

(iii) disclosure to its or its Affiliates' employees, consultants, advisors (including financial advisors, lawyers and accountants) and others on a need–to-know basis, for the sole purpose of performing its or its Affiliates' obligations or exercising its or its Affiliates' rights under this Agreement, provided that in each case the recipients of such Confidential Information are bound by written obligations of confidentiality and non-use at least as equivalent in scope as those set forth in this Section 7 prior to any such disclosure; and

(iv) disclosure to existing and potential merger partners, acquirers or licensees/Sublicensees (including in the case of TiGenix, Takeda), including their respective consultants and professional advisors (including financial advisors, lawyers and accounts), solely on a need-to-know basis in order to evaluate an actual or potential investment, acquisition or business transactions; and provided that in connection with such disclosure, the disclosing Party shall inform each disclosee of the confidential nature of such information and cause each disclosee to treat such information as confidential consistent with the nature of the Confidential Information so disclosed, which will in any event not be less strict than the provisions set out in this Section 7.

(c) Publicity.

(i) Agreement Terms. Each Party agrees not to disclose to any Third Party the terms and conditions of this Agreement without the prior approval of the other Party, except as provided for in Section 4(g), or to consultants, advisors, and existing and potential merger partners, acquirers or licensees/Sublicensees (including in the case of TiGenix, Takeda) (including their respective consultants, financial advisors, lawyers and accountants) and others on a need to know basis, in each case under circumstances that reasonably protect the confidentiality thereof, or to the extent necessary to comply with the terms of agreements with Third Parties, or to the extent required by Applicable Law or the rules of any applicable securities exchange. Notwithstanding the foregoing, the Parties agree to issue the joint press release attached hereto as Exhibit E announcing the execution and the material terms of this Agreement on the Effective Date (********); thereafter, MSB and TiGenix may each disclose to Third Parties the information contained in such press release without the need for further approval by the other.

(ii) Publicity Review. To the extent that any other disclosure with respect to matters within the scope of this Agreement is required by Applicable Law or the rules of recognized stock exchanges with respect to a Party, such Party shall provide the other Party with at least 72 hours advanced written notice to review and comment on such statement.

8. JOCC / NEGOTIATIONS FOR OTHER RIGHTS / NO CHALLENGE.

(a) Joint Oversight/Cooperation Committee. Promptly after the Effective Date, TiGenix and MSB shall establish a joint oversight/cooperation committee (the "**JOCC**") to (i) oversee the interactions of the Parties under this Agreement, (ii) cooperate to avoid disputes between the Parties under this Agreement, (iii) in the event that a Licensed Patent is infringed by a product for the Field in the Territory, which product is not comprised of allogenic adipose-derived MSCs and if requested by TiGenix, discuss the possibility of MSB enforcing such Licensed Patent against such infringement, and (iv) discuss those certain matters described in this Section 8. The JOCC shall consist of an equal number of representatives from each of MSB and TiGenix, and unless otherwise agreed such number shall be two (2) representatives appointed by each of MSB and TiGenix. Either Party may replace its respective representative(s) to the JOCC at any time with prior notice to the other Party, provided that such replacement is of comparable authority and scope of responsibility within that Party's organization as the individual he or she is replacing, but may have different area of responsibility. The JOCC shall meet at least once every six (6) months or more often as either Party may reasonably request at which meetings the JOCC shall discuss the interactions between the Parties hereunder and attempt to address any concerns of either Party within the context of the terms and conditions of this Agreement.

(b) Other Rights to the Licensed Patents. If TiGenix (or any Entity under authority of TiGenix) has (i) filed investigational drug application (IND) or equivalent filing necessary to initiate a phase three (3) or equivalent pivotal human clinical trial with the applicable Regulatory Authority, which IND or filing is effective, for (A) the Cx 601 Product for any indication outside of the Field (each, a "**New Indication**") or (B) another product (other than the Cx 601 Product) comprising allogeneic adipose-derived MSCs for treatment of any indication (any, a "**New**

Product"), (ii) received a term sheet from a Third Party for the development or commercialization of (A) the Cx 601 Product for a New Indication in the Territory or (B) a New Product, or (iii) with respect to any Patent owned or controlled by MSB, the period to conduct a Challenge (as defined in Section (c)), including oppose, file an interference or conduct any pre-issuance challenge, with respect to such Patent has started running (each, a "**Pre-Issued MSB Patent**"), then TiGenix has the right (but not the obligation) to notify a written request to the JOCC (which request shall identify the particular product, the indication and the corresponding Patent(s) owned or controlled by MSB that TiGenix would like to obtain a license for (any, a "**Negotiation Request**") and which request shall have to be treated with outmost confidentiality by MSB and its Affiliates and the contents of which shall not be published or otherwise disclosed by MSB and its Affiliates, nor used by MSB and its Affiliates for any purpose other than the assessment of TiGenix's New Indication or New Product under this Section 8(b)), and unless MSB notifies TiGenix within thirty (30) days of the Negotiation Request that MSB has determined in good faith that the proposed grant would compete with any product then planned, under development or being marketed by or under authority of MSB or its Affiliate, or is of future commercial interest to MSB or its Affiliate, or is otherwise prohibited from making such a grant (any a "**Denial Notice**"), the JOCC shall discuss in good faith (including meeting at least one time specifically for such discussions) the possibility that MSB would grant appropriate licenses/covenants not to sue under the Licensed Patents and/or other MSB Patents, including Pre-Issued MSB Patent and the terms and conditions of such grant. If MSB provides a Denial Notice or the Parties do not enter into a definitive agreement (whether as an amendment to this Agreement or otherwise) for any reason within sixty (60) days of the Negotiation Request (this period being extendable upon the written agreement of the Parties), then neither Party shall have any further obligation or liability with respect to such Negotiation Request (the date thereof, the "**8(b) Expiration Date**"). To avoid any doubt, a decision by TiGenix not to make a Negotiation Request shall not constitute a breach under this Agreement.

(c) Limited cause for termination due to a Challenge. During the term of this Agreement and with respect to the Licensed Patents, TiGenix agrees (and shall cause each of its Affiliate and Sublicensees to agree) (A) absent a Negotiation Request with respect to a particular Patent pursuant to Section 8(b) not to (i) challenge in any court action or proceeding, or before any patent office, the validity, patentability, enforceability, scope or non-infringement of such Patent, (ii) initiate a reexamination of such Patent or otherwise submit any materials for such purposes, or (iii) assist any Third Party to conduct any of the foregoing activities (each, a "**Challenge**") or (B) in the case of a Negotiation Request with respect to a particular Patent pursuant to Section 8(b), not to conduct a Challenge at any time prior to the 8(b) Expiration Date, unless the time limitations in Section 8(b) would result in TiGenix being time barred for conducting a Challenge, including in particular an opposition, interference or other challenge, with respect to such Patent.

Notwithstanding these limited exceptions (A) and (B), TiGenix (or its Affiliate or Sublicensee) shall have and retain any and all right to conduct a Challenge, including with respect to Licensed Patents and Pre-Issued MSB Patents, by way of a Reactive Challenge. "**Reactive Challenge**" means a Challenge of a Patent that MSB has asserted or threatened in writing to assert (either itself, an Affiliate or via a Third Party) against any product of TiGenix, its Affiliate or Sublicensee.

Nothing in this Section 8(c) shall prohibit nor limit in any way TiGenix's right to conduct a Challenge against a Patent of MSB other than a Licensed Patent, provided that TiGenix has provided the Challenge Notice (as defined below) with respect thereto.

TiGenix and MSB agree that the end result of any Challenge, other than a Reactive Challenge, shall not affect the payments to Mesoblast Sàrl as set forth in Exhibit C, including the payment of royalties for Royalty Product under this Agreement, to the extent that there is still a Valid Claim Covering said Royalty Product.

Except in case of a Reactive Challenge, TiGenix shall notify MSB at least thirty (30) days prior to initiating a Challenge (each, a "**Challenge Notice**") whereby TiGenix, its Affiliate and Sublicensees shall not initiate a Challenge until each of the 8(b) Expiration Date, if applicable, and the Challenge Notice have occurred.

MSB shall notify TiGenix at least thirty (30) days prior to asserting a Patent against TiGenix, its Affiliates and/or its Sublicensees (each, an "**Assertion Notice**") and MSB (itself, an Affiliate or a Third Party on behalf thereof) shall not assert such Patent until the Assertion Notice has occurred.

9. TERM AND TERMINATION.

(a) Term. This Agreement shall become effective as of the Effective Date and, unless earlier terminated pursuant to the other provisions of this Section 9, shall continue in full force from and after the Effective Date until the expiration of the Royalty Term as set forth in the Financial Exhibit (the "**Term**").

(b) [Left intentionally blank].

(c) Termination.

(i) (A) Either Party may terminate this Agreement in the event the other Party (the "Other Party") or its Affiliates (or any Entity acting on behalf of the Other Party or its Affiliate) materially breaches this Agreement, including any breach of the representations and warranties under Section 5, and such breach shall have continued for ninety (90) days after notice thereof was provided to the Other Party. Any such termination shall become effective upon notice thereof at the end of such ninety (90) day period unless the Other Party has cured any such breach prior to the expiration of the ninety (90) day period; (B) In case TiGenix is of the opinion that there is no Valid Claim Covering the Cx 601 Product in a given country at a given time as a result of the fact that the only Valid Claims then Covering the Cx 601 Product (W) have been invalidated as a result of a Challenge in accordance with Section 8(c), (X) have been invalidated by a Third Party, (Y) were previously pending Licensed Patents which when issued, issued more narrowly than prosecuted, or (Z) have been abandoned by MSB and not Prosecuted and Maintained by TiGenix pursuant to Section 4(a), and on that basis it is not obligated to pay royalties for the Net Sales in that country, it may notify MSB and if MSB disagrees, the Parties shall refer the matter to the JOCC for resolution first. If the JOCC does not succeed in resolving the disagreement within three (3) months, the Parties shall refer their dispute for resolution pursuant to Section 10(b). MSB shall not have the right to terminate the

Agreement in the case of (B) as long as (I) the matter is pending before the JOCC and/or pursuant to Section 10(b) and (II) TiGenix pays into an escrow account the amount that would have otherwise been payable to MSB for such Cx 601 Product had it been a Royalty Product. In such event, if the matter is resolved in the favor of TiGenix, then TiGenix shall receive the amounts set forth in such escrow account or if the matter is resolved in the favor of MSB, then MSB shall receive the amounts set forth in such escrow account (in each case together with any interest at the rate set forth in Exhibit C, Paragraph II(f)). Any termination based on the situation in this Section 9(c)(i)(B), for breach or otherwise, shall in any event be limited to the country in question and not affect the license in the remainder of the Territory.

(ii) MSB may terminate this Agreement upon delivery of written notice to TiGenix in the event that (A) TiGenix files in any court or agency pursuant to any statute or regulation of any jurisdiction a petition in bankruptcy or insolvency or for reorganization or similar arrangement for the benefit of creditors or for the appointment of a receiver or trustee of such other Party or its assets, or (B) TiGenix makes an assignment of substantially all of its assets for the benefit of its creditors.

(d) Termination for Failure under Section 4(h). Either Party may terminate this Agreement in its entirety immediately upon notice if the other Party does not fulfill its obligations under Section 4(h) in its entirety.

(e) General Effects of Expiration or Termination.

(i) Expiration or termination of this Agreement for any reason shall not release either Party of any obligation or liability which, at the time of such expiration or termination, has already accrued to the other Party or which is attributable to a period prior to such expiration or termination.

(ii) Notwithstanding anything herein to the contrary, termination of this Agreement by a Party shall be without prejudice to other remedies such Party may have at law or equity.

(f) Surviving Sections. The following Sections shall survive expiration or termination of this Agreement for any reason: Sections 1, 2(d), 2(e), 6, 7 and 8(b) (the latter only with respect to MSB's restricted use and confidentiality obligations regarding the contents of a Negotiation Request) (both for seven (7) years after termination or expiration) 9(e), 9(f), 10, and Financial Exhibit Paragraphs II(c), (d), (e) and (f) (each for three (3) years after termination or expiration). Except as otherwise expressly provided in this Section 9, all other rights, obligations and provisions shall expire upon the expiration or termination of this Agreement.

10. MISCELLANEOUS

(a) Governing Law. This Agreement will be interpreted, construed, and enforced in all respects in accordance with the laws of the State of New York, without reference to its choice of law principles to the contrary.

(b) Dispute Resolution. Any dispute arising out of or related to this Agreement (any, a "**Dispute**") shall be resolved through binding arbitration, which arbitration may be initiated by either Party by written notice to the other Party referencing the particular Dispute and this Section 10(b), on the following basis:

(i) The place of arbitration shall be New York City, New York, and all proceedings and communications shall be in English.

(ii) The arbitration shall be administered in accordance with UNCITRAL Arbitration Rules then in effect (the "**Rules**").

(iii) The arbitration shall be conducted by a single arbitrator mutually agreed by the Parties, or if the Parties are unable to agree on a single arbitrator, then a panel of three arbitrators. In each case, the arbitrators shall be neutral, independent individuals with experience in the biopharmaceutical business related to the matter of the Dispute. Within thirty (30) days after the notice initiating the arbitration, each Party shall appoint one arbitrator meeting the foregoing criteria by written notice to the other Party and the two Party-appointed arbitrators shall select the third arbitrator within thirty (30) days of their appointment. If the Party-appointed arbitrators are unable to agree upon the third arbitrator, the third arbitrator shall be appointed in accordance with the Rules.

(iv) Judgment upon the award rendered by such arbitrator(s) shall be binding on the Parties and may be entered by any court or forum having jurisdiction.

(v) Either Party may apply to the arbitrator(s) for interim injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Further, either Party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any injunctive or provisional relief necessary to protect the rights or property of such Party pending the arbitration award.

(vi) The arbitrator(s) shall have no authority to award punitive or any other type of damages not measured by a Party's compensatory damages.

(vii) Each Party shall bear its own costs and expenses and attorneys' fees and an equal share of the arbitrator(s)' and any administrative fees of arbitration, unless the arbitrator(s) determine that a Party has incurred unreasonable expenses due to vexatious or bad faith position taken by the other Party, in which event, the arbitrator may make an award of all or any portion of such expense so incurred.

(viii) Reasons for the arbitrators' decision should be complete and explicit, including determinations of law and fact. The written reasons should also include the basis for any damages awarded and a statement of how the damages were calculated. Such written decision should be rendered by the arbitrator(s) following a full comprehensive hearing, as soon as practicable but in no event later than six (6) months following the selection of the arbitrator(s) under Section 10(b)(iii).

(ix) Except to the extent necessary to confirm an award or as may be required by Applicable Law, neither Party nor any arbitrator may disclose the existence, content, or results of an arbitration without the prior written consent of both Parties.

(x) In no event shall an arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the dispute, controversy or claim would be barred by the applicable statute of limitations; provided that such limitation shall be tolled as of the date a Party notifies the other Party of such Dispute pursuant to this Section 10(b).

(c) Notices. Any notice, request, delivery, approval or consent required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been sufficiently given if delivered in person, transmitted by email (receipt confirmed) or by express courier service (signature required) or five (5) days after it was sent by registered letter, return receipt requested (or its equivalent) two (2) days after such mailing, to the Party to which it is directed at its address shown below or such other address as such Party will have last given by notice to the other Party. Email notice shall be provided for any postal or certified mailing.

If to MSB:	Mesoblast Limited 55 Collins Street, Level 38 Melbourne 3000 Victoria Australia Attention: Peter T. Howard, General Counsel Email: peter.howard@mesoblast.com Telephone: +61 3 8662 1710 Facsimile: +61 3 9639 6030
With a copy to:	Wilson Sonsini Goodrich & Rosati, P.C. 650 Page Mill Road Palo Alto, CA 94304-1050 United States Attention: Ian B. Edvalson, Esq. Email: iedvalson@wsgr.com Telephone: (650) 493-9300 Facsimile: (650) 493-6811
If to TiGenix:	TiGenix, S.A.U. Calle Marconi 1 Parque Tecnológico de Madrid 28760 Tres Cantos (Madrid) Spain Attention: An Moonen, General Counsel Email: an.moonen@tigenix.com Telephone: +32 (0)16 39 79 37

With a copy to: Bird & Bird LLP
Avenue Louise 235, box 1
1050 Brussels
Belgium
Attention: Jean-Christophe Troussel
Email: jtr@twobirds.com
Telephone: +32(0)2 282 60 00
Facsimile: +32 (0) 2 282 60 11

(d) Relationship of Parties. The Parties hereto are independent contractors. Nothing in this Agreement will be construed to create a partnership, joint venture, franchise, fiduciary, employment, or agency relationship between the Parties. Neither Party has any express or implied authority to assume or create any obligations on behalf of the other or to bind the other to any contract, agreement, or undertaking with any Third Party.

(e) Severability. If any provision of this Agreement is found to be invalid or unenforceable, then the remainder of this Agreement will have full force and effect, and the invalid or unenforceable provision will be modified, or partially enforced, to the maximum extent permitted to effectuate the original objective.

(f) Waiver. Failure or delay by either Party to enforce any term of this Agreement will not be deemed a waiver of future enforcement of that or any other term in this Agreement or any other agreement that may be in place between the Parties. All waivers shall be obtained in writing signed by an authorized representative of the Party granting the waiver.

(g) Assignment. This Agreement shall not be assignable by either Party to any Third Party without the written consent of the other Party. Notwithstanding the foregoing, (i) either Party may assign this Agreement, without the written consent of the other Party, (A) to an Affiliate of such Party or (B) to a Third Party that acquires all or substantially all of the business or assets of such Party to which this Agreement pertains (whether by merger, reorganization, acquisition, sale, operation of law or otherwise), which in the case of TiGenix would include a Third Party (including a Sublicensee) to which TiGenix has made a global assignment of the Cx 601 Product and all of the activities and assets related thereto, and (ii) MSB has the right to assign its right to collect payments under this Agreement, without the written consent of TiGenix, to a Third Party. No assignment or transfer of this Agreement shall be valid and effective unless and until the assignee/transferee agrees in writing to be bound by the provisions of this Agreement. Except as expressly provided in this Section 10(g), any attempted assignment or transfer of this Agreement shall be null and void. Subject to the foregoing, the terms and conditions of this Agreement shall be binding on and inure to the benefit of the permitted successors and assigns of either Party.

(h) Third Party Beneficiaries. Except as expressly provided in Section 6(a), this Agreement is not intended to confer any right or benefit on any Third Party (including, but not limited to, any employee or beneficiary of any Party), and no action may be commenced or prosecuted against a Party by any Third Party claiming as a third-party beneficiary of this Agreement or any of the transactions contemplated by this Agreement. Only the Parties hereto and their permitted heirs, successors, and assigns shall have any rights hereunder.

(i) Compliance with Applicable Law; Anti-Corruption.

(i) General. Notwithstanding anything to the contrary contained herein, all rights and obligations of MSB and TiGenix are subject to prior compliance with, and each Party shall comply with, all Applicable Law, including obtaining all necessary approvals required by the applicable agencies of the governments of each jurisdiction in which it operates. In addition, each Party shall conduct, and shall require Entities acting on its behalf or under its authority to conduct, activities under this Agreement in accordance with good scientific and business practices and Applicable Law.

(ii) Anti-Corruption. Each Party represents, warrants and covenants that (a) it has complied and will comply with Anti-Corruption Laws, in all material respects; (b) it has not permitted and will not knowingly permit any Person acting on its behalf to violate any Anti-Corruption Law; and (c) it and its Affiliates and their employees, agents and contractors will not make any payments or transfer of value which have the purpose or effect of public or commercial bribery, acceptance of or acquiescence in extortion, kickbacks, or other unlawful or improper means of obtaining or retaining business or any other improper advantage. Each Party will promptly report to the other Party if there is a government or judicial determination of a violation of Anti-Corruption Laws by such Party.

(j) Entire Agreement. This Agreement, including its Exhibits, constitutes the entire agreement between the Parties with respect to the subject matter hereof and merges and supersedes all prior agreements, understandings, negotiations, and discussions. Neither Party will be bound by any conditions, definitions, warranties, understandings or representations with respect to the subject matter hereof other than as expressly provided herein.

(k) Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, and all of which together constitute one and the same instrument.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties have caused their duly authorized representatives to execute this Agreement as of the Effective Date.

MESOBLAST, INC.

By: _____
Name: _____
Title: _____

MESOBLAST INTERNATIONAL SÀRL

By: _____
Name: _____
Title: _____

TIGENIX S.A.U.

By: _____
Name: _____
Title: _____

Confidential material omitted and filed separately with the Commission.

EXHIBIT A
ISSUED LICENSED PATENTS

****

Confidential material omitted and filed separately with the Commission.

EXHIBIT B
PENDING LICENSED PATENTS

****

Confidential material omitted and filed separately with the Commission.

EXHIBIT C
FINANCIAL EXHIBIT

I. **Milestone Payments**.

a) ****. TiGenix shall pay to Mesoblast Sàrl **** Euros per individual country (i.e., a total maximum of five (5) million Euros) upon the earlier of (i) thirty (30) days of approval, agreement, determination or governmental decision establishing the commercial price for Royalty Product in **** and (ii) twelve (12) months from the Effective Date.

b) ****. TiGenix shall pay to Mesoblast Sàrl **** Euros per individual country (i.e., a total maximum of two (2) million Euros) within thirty (30) days of the receipt of the first Marketing Approval by or on behalf of TiGenix, its Affiliate or Sublicensee for Royalty Product in ****.

c) ****. TiGenix shall pay to Mesoblast Sàrl eight (8) million Euros within thirty (30) days of the receipt of the first Marketing Approval by or on behalf of TiGenix, its Affiliate or Sublicensee for Royalty Product in ****.

d) Notice. TiGenix shall promptly notify Mesoblast Sàrl of the accomplishment of each milestone set forth in paragraph I a) – c), inclusive. The payments under this Paragraph I shall be non-refundable and non-creditable, unless provided otherwise under this Agreement.

II. **Royalty Payments**.

a) Royalty Payments. TiGenix shall pay to Mesoblast Sàrl quarterly royalty payments of (i) **** percent (****%) of Net Sales of Royalty Product in the United States and (ii) **** percent (****%) of Net Sales of Royalty Product in all other jurisdictions throughout the Territory.

b) Royalty Term. TiGenix's royalty obligations shall commence on the Effective Date and continue in a given country for the Royalty Product until the date upon which the last Valid Claim Covering the Cx 601 Product expires in such country or, only with respect to the U.S., until the later of (i) the date upon which the last Valid Claim Covering the Cx601 Product in the U.S. expires or (ii) expiration of the Regulatory Exclusivity Period in the U.S.; provided that the period described in this clause (ii) shall not extend more than **** after the expiration of the period in clause (i) (the "**Royalty Term**"). For the avoidance of doubt, and without prejudice to the above exception regarding the U.S., no royalty shall be due in any such country where there is no Valid Claim Covering the Cx 601 Product.

c) Payment/Reports. All payments under this Paragraph II shall be due and payable within thirty (30) days after receipt of a proper invoice therefor from Mesoblast Sàrl. To that effect, TiGenix shall deliver to Mesoblast Sàrl, within thirty (30) days after the last day of the calendar quarter during which the corresponding Net Sales accrue (including with respect to Sublicensees) an overview of Net Sales on a country by country basis.

d) Inspection of Records. TiGenix shall keep full and accurate books and records setting forth gross invoiced amounts for Royalty Product, Net Sales, itemized deductions from gross invoiced amounts taken to calculate Net Sales and other amounts payable hereunder to Mesoblast Sàrl under this Paragraph II. TiGenix shall permit MSB, by independent qualified public accountants (which shall not be compensated on a contingent fee basis) engaged by MSB and reasonably acceptable to TiGenix, to examine such books and records at any reasonable time and on a thirty (30) day advance notice, to the extent necessary to verify any payment or report required under this Agreement. Accountants may be required by TiGenix to enter into a reasonably acceptable confidentiality agreement. MSB shall bear the out of pocket cost of any such examination and review; provided that if the inspection and audit shows an underpayment of more than five percent (5%) of the amount due for the applicable period, then TiGenix shall promptly reimburse MSB for all costs incurred in connection with such examination and review. TiGenix shall promptly pay to Mesoblast Sàrl the amount of any underpayment revealed by an examination and review. Any overpayment by TiGenix revealed by an examination and review shall be fully-creditable against any future payment owed by TiGenix to Mesoblast Sàrl under this Paragraph II.

e) TiGenix shall also cause each Selling Party to keep full and accurate books and records so as to allow TiGenix to comply with the terms and conditions of this Agreement. For each Selling Party, TiGenix shall obtain audit rights and perform (or have performed) audits at the Selling Parties. If MSB has substantiated reasons to believe that a Selling Party is not accurately reporting Net Sales to TiGenix, it shall be entitled to ask TiGenix to perform an audit of the Selling Party's books and records. TiGenix shall provide MSB with a copy of the findings of such audit. If the inspection and audit shows no underpayment of more than ten percent (10%) of the amount due for the applicable period, the costs of such audit shall be borne entirely by MSB. If it does, TiGenix shall pay the cost of such audit. TiGenix shall promptly pay to Mesoblast Sàrl the amount of any underpayment revealed by an examination and review. No more than one audit of a Selling Party per calendar year shall be conducted under this Agreement.

f) Late Payment. Any payments or portions thereof due hereunder which are not paid when due shall bear interest equal to the lesser of (i) the rate equal to the thirty (30) day bank lending rate effective for the date that payment was due, as published by The Wall Street Journal, Internet Edition at www.wsj.com in the "Money Rates" column, on the date such payment was due, plus an additional three hundred (300) basis points, or (ii) the maximum rate permitted by Applicable Law, calculated on the number of days such payment is delinquent. This Paragraph II(f) shall in no way limit any other remedy available to MSB.

EXHIBIT D

OPPOSITIONS RELATING TO LICENSED PATENTS

****

Confidential material omitted and filed separately with the Commission.

EXHIBIT E

PRESS RELEASE

[Attached behind]

Confidential material omitted and filed separately with the Commission.

PRESS RELEASE

REGULATED INFORMATION

INSIDE INFORMATION

Mesoblast grants TiGenix an exclusive global patent license to use adipose-derived mesenchymal stem cells in the local treatment of fistulae

New York, USA, Melbourne, Australia and Leuven, Belgium, December 14, 2017 - Mesoblast Limited (ASX: MSB; Nasdaq: MESO) and TiGenix NV (Euronext Brussels and Nasdaq: TIG) today announce that Mesoblast has granted TiGenix exclusive access to certain of its patents to support global commercialization of the adipose-derived mesenchymal stem cell product Cx601 for the local treatment of fistulae. The agreement includes the right for TiGenix to grant sub-licenses to affiliates and third parties, including TiGenix's current development and commercialization partner ex-United States.

As consideration, Mesoblast will receive up to €20 million (approximately USD$24 million) in payments, with €5 million upfront, €5 million within 12 months, and up to €10 million in product regulatory milestones. Additionally, Mesoblast will receive single digit royalties on net sales of Cx601.

TiGenix CEO Eduardo Bravo said: "We are delighted to have concluded this exclusive license agreement with Mesoblast, which will broaden our IP protection for Cx601 as we move closer to commercialization in Europe. We continue advancing our global pivotal Phase 3 clinical trial to support a future Biologics License Application (BLA) to the US FDA and are also pursuing the development of new indications for Cx601 to expand its potential market. With this newly-added IP protection, TiGenix now has a stronger intellectual property position that supports the use of Cx601 for treatment of all fistulae."

Mesoblast Chief Executive Dr Silviu Itescu stated: "We are pleased to help contribute to making Cx601, a much-needed treatment option, available to patients with fistulae worldwide. This agreement highlights the strength of Mesoblast's extensive intellectual property portfolio covering mesenchymal lineage cells. When consistent with our strategic objectives, Mesoblast may consider providing third parties with commercial access to our valuable patent portfolio."

Mesoblast continues to develop its proprietary bone marrow-derived allogeneic expanded MSC product candidate for intravenous delivery to induce remission in patients with biologic-refractory Crohn's disease.

For further information, please contact :

For TiGenix:
Claudia Jiménez
Senior Director
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Confidential material omitted and filed separately with the Commission.

About TiGenix

TiGenix NV (Euronext Brussels and NASDAQ: TIG) is an advanced biopharmaceutical company developing novel therapies for serious medical conditions by exploiting the anti-inflammatory properties of allogeneic, or donor-derived, stem cells.

TiGenix´ lead product, Cx601, has successfully completed a European Phase III clinical trial for the treatment of complex perianal fistulas - a severe, debilitating complication of Crohn's disease. Cx601 has been filed for regulatory approval in Europe and a global Phase III trial intended to support a future U.S. Biologic License Application (BLA) started in 2017. TiGenix has entered into a licensing agreement with Takeda, a global pharmaceutical company active in gastroenterology, under which Takeda acquired the exclusive right to develop and commercialize Cx601 for complex perianal fistulas outside the U.S. TiGenix' second adipose-derived product, Cx611, is undergoing a Phase I/II trial in severe sepsis – a major cause of mortality in the developed world. Finally, AlloCSC-01, targeting acute ischemic heart disease, has demonstrated positive results in a Phase I/II trial in acute myocardial infarction (AMI). TiGenix is headquartered in Leuven (Belgium) and has operations in Madrid (Spain) and Cambridge, MA (USA). For more information, please visit http://www.tigenix.com.

About Mesoblast

Mesoblast Limited (ASX:MSB; Nasdaq:MESO) is a global leader in developing innovative cell-based medicines. The Company has leveraged its proprietary technology platform, which is based on specialized cells known as mesenchymal lineage precursor and stem cells, to establish a broad portfolio of late-stage product candidates. Mesoblast's intellectual property estate comprises approximately 800 patents and patent applications across 69 patent families, providing protection across major markets including the United States, Europe, Japan and China.

Mesoblast's allogeneic, 'off-the-shelf' cell product candidates target advanced stages of diseases with high, unmet medical needs. Three of its Tier 1 products are in Phase 3 trials: MSC-100-IV has been evaluated in an expanded access program in 241 children with steroid-refractory acute graft versus host disease, and is completing enrollment in a Phase 3 trial in up to 60 pediatric patients; MPC-150-IM is being evaluated in a Phase 3 trial of up to 600 patients with moderate to severe chronic heart failure, and in a Phase 2b trial that has just completed enrollment of 159 patients with end-stage heart failure and a left ventricular assist device; and MPC-06-ID is being evaluated in a Phase 3 trial of 360 patients as a non-opioid alternative for chronic low back pain due to disc degeneration following on from a 100-patient Phase 2 trial. Mesoblast has also completed Phase 2 trials of its Tier 1 product candidate MPC-300-IV in patients with biologic refractory rheumatoid arthritis, and in patients with diabetic nephropathy.

Additionally, Mesoblast has a deep pipeline of Tier 2 product candidates which have demonstrated efficacy signals in Phase 2 trials, including in Crohn's disease, lumbar spinal fusion, and prevention of post-traumatic knee osteoarthritis in the setting of an anterior collateral ligament tear. For more
information, please visit www.mesoblast.com

TiGenix' forward-looking information

This press release may contain forward-looking statements and estimates with respect to the anticipated future performance of TiGenix and the market in which it operates. Certain of these statements, forecasts and estimates can be recognised by the use of words such as, without limitation, "believes", "anticipates", "expects", "intends", "plans", "seeks", "estimates", "may", "will" and "continue" and similar expressions. They include all matters that are not historical facts. Such statements, forecasts and estimates are based on various assumptions and assessments of known and unknown risks, uncertainties and other factors, which were deemed reasonable when made but may or may not prove to be correct. Actual events are difficult to predict and may depend upon factors that are beyond the Company's control. Therefore, actual

results, the financial condition, performance or achievements of TiGenix, or industry results, may turn out to be materially different from any future results, performance or achievements expressed or implied by such statements, forecasts and estimates. Given these uncertainties, no representations are made as to the accuracy or fairness of such forward-looking statements, forecasts and estimates. Furthermore, forward-looking statements, forecasts and estimates only speak as of the date of the publication of this press release. TiGenix disclaims any obligation to update any such forward-looking statement, forecast or estimates to reflect any change in the Company's expectations with regard thereto, or any change in events, conditions or circumstances on which any such statement, forecast or estimate is based, except to the extent required by Belgian law.

Mesoblast forward looking information

This announcement includes forward-looking statements that relate to future events or our future financial performance and involve 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. We make such forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. Forward-looking statements should not be read as a guarantee of future performance or results, and actual results may differ from the results anticipated in these forward-looking statements, and the differences may be material and adverse. Forward-looking statements include, but are not limited to, statements about: the initiation, timing, progress and results of Mesoblast's preclinical and clinical studies, and Mesoblast's research and development programs; Mesoblast's ability to advance product candidates into, enroll and successfully complete, clinical studies, including multi-national clinical trials; Mesoblast's ability to advance its manufacturing capabilities; the timing or likelihood of regulatory filings and approvals, manufacturing activities and product marketing activities, if any; the commercialization of Mesoblast's product candidates, if approved; regulatory or public perceptions and market acceptance surrounding the use of stem-cell based therapies; the potential for Mesoblast's 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 Mesoblast's ability to enter into and maintain established strategic collaborations; Mesoblast's ability to establish and maintain intellectual property on its product candidates and Mesoblast's ability to successfully defend these in cases of alleged infringement; the scope of protection Mesoblast is able to establish and maintain for intellectual property rights covering its product candidates and technology; estimates of Mesoblast's expenses, future revenues, capital requirements and its needs for additional financing; Mesoblast's financial performance; developments relating to Mesoblast's competitors and industry; and the pricing and reimbursement of Mesoblast's product candidates, if approved. You should read this press release together with our risk factors, in our most recently filed reports with the SEC or on our website. Uncertainties and risks that may cause Mesoblast's actual results, performance or achievements to be materially different from those which may be expressed or implied by such statements, and accordingly, you should not place undue reliance on these forward-looking statements. We do not undertake any obligations to publicly update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

EXHIBIT F

TAX CERTIFICATE

[Attached behind]

Confidential material omitted and filed separately with the Commission.

RÉPUBLIQUE ET CANTON DE GENÈVE
Département des finances
Administration fiscale cantonale

AFC
Service des personnes morales
Case postale 3937
1211 Genève 3

Genève, le 16 février 2017

CERTIFICATE

The tax administration of the 'République et canton de Genève' hereby confirms that the limited liability company

ATTESTATION

L'administration fiscale de la République et canton de Genève confirme par la présente que la société à responsabilité limitée

MESOBLAST INTERNATIONAL Sàrl
(MESOBLAST INTERNATIONAL GMBH) (MESOBLAST INTERNATIONAL LLC)
c/o Accounting & Management Services SA
Route de Pré-Bois 20
1215 Genève

- has its head office in Geneva (Switzerland);
- is registered for tax purposes under number [***]
- is subject to cantonal, communal and federal income taxes on net profit, as well as cantonal and communal capital taxes.

- a son siège à Genève ;
- est inscrite au rôle des contribuables du canton de Genève, sous le numéro [***]
- est soumise à l'impôt cantonal et communal ainsi qu'à l'impôt fédéral direct.

ADMINISTRATION FISCALE CANTONALE * GENÈVE *

Sébastien Savary
Chef de service

***Confidential Treatment Requested

Confidential material omitted and filed separately with the Commission.

RÉPUBLIQUE ET CANTON DE GENÈVE
Département des finances
Administration fiscale cantonale

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(MESOBLAST INTERNATIONAL GMBH) (MESOBLAST INTERNATIONAL LLC)
c/o Accounting & Management Services SA
Route de Pré-Bois 20
1215 Genève

- has its head office in Geneva (Switzerland);
- is registered for tax purposes under number [***] ;
- is subject to unlimited tax liability in Switzerland where it has its legal and fiscal domicile within the meaning of the Convention of January 19th, 1971 between Switzerland and Japan to avoid double taxations in income taxes (with exchange of notes).

- a son siège à Genève ;
- est inscrite au rôle des contribuables du canton de Genève, sous le numéro [***]
- est assujettie de façon illimitée aux impôts en Suisse où se situe son domicile légal et fiscal au sens de la Convention du 19 janvier 1971 entre la Suisse et le Japon en vue d'éviter les doubles impositions en matière d'impôts sur le revenu (avec échange de notes).

ADMINISTRATION FISCALE CANTONALE * GENÈVE *

Sébastien Savary
Chef de service

Confidential material omitted and filed separately with the Commission.

Exhibit 4.22

Execution Version

****** INDICATES CONFIDENTIAL MATERIAL OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND FILED WITH THE SECURITIES AND EXCHANGE COMMISSION SEPARATELY WITH A REQUEST FOR CONFIDENTIAL TREATMENT.**

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT is made and dated as of March 6, 2018 and is entered into by and between Mesoblast Limited ACN 109 431 870, an Australian listed public company ("Parent" and "Guarantor"), 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, United Kingdom ("Mesoblast UK"), Mesoblast, Inc., a Delaware corporation ("Mesoblast USA"), Mesoblast International (UK) Limited, a company incorporated in England and Wales with registered number 09630007 whose registered address is 5 New Street Square, London, EC4A 3TW, United Kingdom ("Mesoblast Intl UK"), 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, Mesoblast UK, Mesoblast Intl UK 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 HERCULES CAPITAL, INC., formerly known as Hercules Technology Growth Capital, Inc., a Maryland corporation, 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 a loan in an aggregate principal amount of Seventy Five Million Dollars ($75,000,000.00) (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 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 Qualifying Banks, of the Borrowers 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 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.

"ACH Authorization" means the ACH Debit Authorization Agreement in substantially the form attached hereto as Exhibit H, which account numbers shall be redacted for security purposes if and when filed publicly.

"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, (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, or (d) any Person related by blood or marriage to any Person described in subsection (a), (b) or (c) of this paragraph. 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 and Security Agreement, as amended from time to time.

"Allocable Amount" has the meaning given to it in Section 12.8(b).

"Amortization Date" means October 1, 2019; provided however, if the Interest Only Extension Conditions 1 are satisfied, then April 1, 2020; and provided further, if the Interest Only Extension Conditions 2 are satisfied, then October 1, 2020.

"Anti-Corruption Laws" shall mean all laws, rules, and regulations of any jurisdiction applicable to Parent or any of its Subsidiaries or Affiliates from time to time concerning or relating to bribery or corruption, including without limitation the United States Foreign Corrupt Practices Act of 1977, as amended, the UK Bribery Act 2010 and other similar legislation in any other jurisdictions.

"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, the laws administered by OFAC, and the Anti-Money Laundering and Counter –Terrorism Financing Act 2006 (Cth) (Australia).

"Approved Subsidiary" means the Subsidiary organized by Parent in connection with the Approved Transactions.

"Approved Transactions" means any of the transactions described on Schedule 1E to the Disclosure Letter.

"Asian Territories" means China (including Hong Kong and Macau), Indonesia, Malaysia, Singapore, Taiwan, Thailand, and Vietnam.

"ASIC" means the Australian Securities and Investments Commission.

"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.

"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 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 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 by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"Bail-In Legislation" means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time that is described in the EU Bail-In Legislation Schedule.

"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 the board of directors or comparable governing body of such Person, or any subcommittee thereof, as applicable.

"Borrower DTTP Filing" means an HMRC Form DTTP2 duly completed and filed by the Borrower, which:

(i) where it relates to a UK Treaty Lender that is a Lender on the date of this Agreement, contains the scheme reference number and jurisdiction of tax residence provided by the Lender in accordance with Section 2.10(g)(iv), and is filed with HMRC within 30 days of the date of this Agreement; or

(ii) where it relates to a UK Treaty Lender that becomes a Lender after the date of this Agreement, contains the scheme reference number and jurisdiction of tax residence provided by the Lender in accordance with Section 2.10(g)(iv), and is filed with HMRC within 30 days of that Lender becoming a Lender.

"Borrower Products" means all products, software, service offerings, technical data or technology currently being designed, manufactured or sold by any Loan Party or which any Loan Party intends to sell, license, or distribute 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 sold, licensed or distributed 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 California or Melbourne, Australia are closed for business.

"Cash" means all cash, cash equivalents and liquid funds.

"Change in Control" means (a) any reorganization, recapitalization, consolidation, amalgamation or merger (or similar transaction or series of related transactions) in which the holders 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 shares representing more than thirty-five percent (35%) of the voting power of 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 each of Mesoblast Intl UK and 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,(i) a merger, amalgamation or consolidation (in each case, unless resulting in an Event of Default) of a Loan Party into another Borrower, and (ii) the issuance of shares of the Approved Subsidiary, in each case, shall not constitute a Change in Control.

"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.

"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, now owned or hereafter acquired by any Loan Party or in which any Loan Party now holds or hereafter acquires any interest.

"Copyrights" means all copyrights, whether registered or unregistered, held pursuant to the laws of the United States, any State thereof, Australia, the United Kingdom, Switzerland or of any other country.

"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.

"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 Financial Institution" means (a) any credit institution or investment firm established in any EEA Member Country that is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country that is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country that is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"EEA Member Country" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway and any other country which may become a member of the European Economic Area or subject to Bail-In Legislation from time to time.

"EEA Resolution Authority" means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"English Security Documents" means the following documents, each in form and substance reasonably satisfactory to Agent: (a) that certain English law governed debenture over all of the assets (both present and future) of Mesoblast UK and Mesoblast Intl UK, dated as of the date hereof, among Mesoblast UK, Mesoblast Intl UK and the Agent, (b) that certain English law governed share charge in respect of the entire issued share capital of Mesoblast UK, dated as of the date hereof, among Parent and the Agent, and (c) 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 EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect 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), (v) any Excluded Accounts, (vi) any Excluded Equity Interests, and (vii) any Excluded IP Assets.

"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 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 and (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.

"Exclusive Approved License" any license of the Excluded IP Assets from a Loan Party to the Approved Subsidiary that is exclusive with respect to terms other than geographic area and, with respect to geographic area, may be exclusive as to the Asian Territories; provided that such Exclusive Approved License must specifically permit the collateral assignment and security interest of Agent in such license.

"Excluded IP Assets" means any Intellectual Property filed or registered with the relevant authorities in the Asian Territories from time to time, including any such Patents and Trademarks listed on Exhibit D to the Disclosure Letter, to the extent any filing or registration with the relevant authorities in the Asian Territories for such Intellectual Property is equivalent to any corresponding filing in Australia, Switzerland and the United States and (b) any other Intellectual Property approved by Lender in its reasonable discretion.

"Excluded Subsidiary" means any Controlled Foreign Corporation, or 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 2.10, 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 2.10(g) and (d) any U.S. federal withholding Taxes imposed under FATCA.

"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 between a non-U.S. jurisdiction and the United States with respect to the foregoing.

"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" has the meaning given to it in the preamble to this Agreement.

"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*), guideline S-02.122.1 in relation to bonds of April 1999 (*Merkblatt "Obligationen" vom April 1999*), 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*), guideline S-02.128 in relation to syndicated credit facilities of January 2000 (*Merkblatt "Steuerliche Behandlung von Konsortialdarlehen, Schuldscheindarlehen, Wechseln und Unterbeteiligungen" vom Januar 2000*), 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 the circular letter No. 15 of 7 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 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 due within ninety (90) days), 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, and (d) all Contingent Obligations.

"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 (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 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 Australian 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 and inventions; 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 thereof; and each Loan Party's goodwill associated with 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.

"Interest Only Extension Conditions 1" means satisfaction of each of the following: (a) no Event of Default shall have occurred and is continuing, and (b) the Loan Parties shall have drawn Tranche 2 on or before ********.

"Interest Only Extension Conditions 2" means satisfaction of each of the following: (a) no Event of Default shall have occurred and is continuing, (b) the Interest Only Extension Conditions 1 shall have been satisfied, and (c) Performance Milestone III shall have been achieved on or before ********.

"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 Agreement" means that certain Intellectual Property Security Agreement executed and delivered by each Loan Party to Agent and dated as of the Closing Date.

"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.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment for security, security interest, encumbrance, levy, lien or charge 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).

"Loan" means the Advances made under this Agreement.

"Loan Documents" means this Agreement, the Notes (if any), the ACH Authorization, the Account Control Agreements, the Joinder Agreements, the Disclosure Letter, all Australian PPSR or UCC Financing Statements, the IP Security Agreement, the Pledge Agreement, the Australian Security Documents, the English Security Documents, the Swiss Security Documents 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 and the Guarantor.

"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; or (iii) the Collateral or Agent's Liens on the Collateral or the priority of such Liens.

"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 Seventy Five Million and No/100 Dollars ($75,000,000.00).

"Non-Bank Rules" means, together, the 10 Non-Bank Rule and the 20 Non-Bank Rule.

"Note(s)" means a Term Note.

"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 United Kingdom, Switzerland or any other country.

"Performance Milestone II" means satisfaction of each of the following events: (a) ****; (b) (x) **** or **** has publicly announced that the **** and (y) as of the earlier of the **** and ****, the ****, such that the combination of (x) and (y) are sufficient to ****, in each case subject to ****; (c) the **** following approximately **** and **** as of the earlier of the **** or ****, subject to **** and (d) **** permitted under this Agreement, in each case after **** and prior to ****, subject to ****.

"Performance Milestone III" means satisfaction of each of the following events: (a) **** has been achieved; (b) ****; (c) **** or **** has publicly announced that the ****, subject to **** and (d) **** permitted under this Agreement, in each case after **** and prior to ****, inclusive of ****, subject to ****.

"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 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.

"****" 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) any Indebtedness of the Approved Subsidiary, provided that such Indebtedness shall not be recourse to any Loan Party or any of their other Subsidiaries (other than the Approved Subsidiary); and (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.

"Permitted Investment" means: (i) Investments existing on the Closing Date which are disclosed in Schedule 1B to the Disclosure Letter; (ii) (a) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency or any State thereof maturing within one year from the date of acquisition thereof currently 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 year from the date of creation thereof 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 issued by any bank with assets of at least Five Hundred Million Dollars ($500,000,000) maturing no more than one year from the date of investment therein, (d) money

market accounts, 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; (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; and (xv) other investments not to exceed $1,000,000 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, software, or other intellectual property constituting purchase money Liens and Liens in connection with capital leases securing Indebtedness permitted in clause (iii) of "Permitted Indebtedness"; (viii) Liens incurred in connection with Subordinated Indebtedness; (ix) leasehold interests in leases or subleases and licenses or sublicenses granted in the ordinary course of business and not interfering in any material respect with the business of the licensor; (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 permitted hereunder, (xviii) other Liens in an aggregate amount not to exceed $250,000, (xix) Liens securing Permitted NovaQuest Indebtedness and Liens incurred in connection with the extension, renewal or refinancing of the Indebtedness secured by Liens of the type described in clauses (i) through (xviii) 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 Qualifying Bank but has been accepted as a Lender by the Borrower.

"Permitted NovaQuest Indebtedness" means Indebtedness of any Loan Party in favor of any affiliate of NovaQuest Co-Investment Fund, L.P., that (a) is subordinated to the Secured Obligations pursuant to a subordination or intercreditor agreement on terms and conditions reasonably satisfactory to Agent, (b) does not have a scheduled maturity date earlier than one hundred eighty (180) days after the Term Loan Maturity Date, (c) is in an aggregate amount not to exceed $40,000,000, and (d) shall specifically designate this Agreement and all Secured Obligations as "designated senior indebtedness" or similar term so that the subordination terms referred to in clause (a) of this definition specifically refer to such notes as being subordinated to the Secured Obligations pursuant to such subordination terms.

"Permitted Transfers" means (i) sales of Inventory in the ordinary course of business; (ii) non-exclusive inbound and outbound licenses, sublicenses and similar arrangements for the use of Intellectual Property and other licenses and sublicenses that could not result in a legal transfer of title of the licensed property but that may be exclusive ****; (iii) dispositions of worn-out, obsolete or surplus Equipment at fair market value in the ordinary course of business; (iv) other transfers of assets 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; (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) transfers of the Excluded IP Assets; and (ix) sale or transfer of equity interests of the Approved Subsidiary as part of the Approved Transaction, including by way of a distribution to shareholders as part of a demerger process.

"Person" means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, other entity or government.

"****" means the ****.

"****" means the ****.

"****" means the ****.

"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.

"Prepayment Charge" has the meaning set forth in Section 2.6.

"PSC Register" means the "PSC register" within the meaning of section 790C(10) of the Companies Act 2006.

"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.

"Receivables" means (i) all of each Loan Party's Accounts, Instruments, Documents, Chattel Paper, Supporting Obligations, letters of credit, proceeds of any letter of credit, and Letter of Credit Rights, and (ii) all customer lists, software, and business records related thereto.

"Register" has the meaning set forth in Section 11.7.

"Required Lenders" means at any time, the holders of more than 50% of the aggregate unpaid principal amount of the Term Loans then outstanding.

"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 or any EU member state, (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, or (b) the United Nations Security Council, the European Union or Her Majesty's Treasury of the United Kingdom.

"SEC" means the Securities and Exchange Commission.

"Secured Obligations" means each Loan Party's obligations under this Agreement and any Loan Document, including any obligation to pay any amount now owing or later arising.

"Secured Party" has the meaning given to that term in any Australian Security Document.

"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 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 Federal Tax Administration" means the tax authorities referred to in article 34 of the Swiss Withholding Tax Act.

"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 the greater of either (i) the prime rate as reported in The Wall Street Journal plus 4.95%, and (ii) 9.45%.

"Term Loan Maturity Date" means March 1, 2022.

"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, now owned or hereafter acquired by any Loan Party or in which any Loan Party now holds or hereafter acquires any interest.

"Trademarks" means all trademarks (registered, common law or otherwise) and any applications in connection therewith, including 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 United Kingdom, Switzerland, or any other country or any political subdivision thereof.

"Tranche" means any of Tranche 1, Tranche 2 or Tranche 3.

"Tranche 1" has the meaning set forth in Section 2.2(a)(i).

"Tranche 1-2 Facility Charge" means Five Hundred Thousand Dollars ($500,000).

"Tranche 2" has the meaning set forth in Section 2.2(a)(ii).

"Tranche 3" has the meaning set forth in Section 2.2(a)(iii).

"Tranche 3 Facility Charge" means one percent (1%) of the principal amount of each Term Loan Advance funded under Tranche 3.

"UCC" means the Uniform Commercial Code as the same is, from time to time, in effect in the State of California; 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 California, 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.

"UCC Collateral" has the meaning set forth in Section 3.1.

"UK" means the United Kingdom.

"UK Bank Lender" means a Lender which is beneficially entitled to interest payable to that Lender in respect of an advance under a Loan Document and is a Lender

(i) which is a bank (as defined for the purpose of section 879 of the UK Income Tax Act 2007) making an advance under a Loan Document and is within the charge to United Kingdom 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 Corporation Tax Act 2009; 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 Income Tax Act 2007) at the time that that advance was made and within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that advance.

"UK Non-Bank Lender" means a Lender which is:

(i) a company resident in the United Kingdom for United Kingdom tax purposes;

(ii) a partnership each member of which is:

(a) a company so resident in the United Kingdom; or

(b) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom 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 United Kingdom which carries on a trade in the United Kingdom 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.

"UK Withholding Tax" means any Taxes imposed by way of deduction or withholding by the UK.

"UK Treaty Lender" means a Lender that is eligible to receive payments of interest hereunder without a deduction for UK Withholding Tax on the basis of an applicable double tax treaty between the UK and the jurisdiction in which such Lender is resident for tax purposes.

"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 Loan Party" means a Loan Party incorporated in England and Wales who is required to maintain a PSC Register and whose shares are pledged as Collateral.

"Upstream or Cross-Stream Secured Obligations" has the meaning set forth in Section 11.22(a).

"U.S. Person" means any Person that is a "United States person" as defined in Section 7701(a)(30) of the Code.

"Withholding Agent" means the Borrowers and the Agent.

"Write-Down and Conversion Powers" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

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. Without limiting the foregoing, leases shall continue to be classified and accounted for on a basis consistent with that reflected in the audited financial statements for fiscal year ending June 30, 2017 for all purposes of this Agreement, notwithstanding any change in GAAP or IFRS, as applicable, relating thereto, unless the parties hereto shall enter into a mutually acceptable amendment addressing such changes. 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.

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.

SECTION 2. THE LOAN

2.1 [RESERVED]

2.2 Term Loans.

(a) Tranches.

(i) *Tranche 1*. Subject to the 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 Thirty-Five Million Dollars ($35,000,000) on the Closing Date ("Tranche 1").

(ii) *Tranche 2*. Subject to the terms and conditions of this Agreement and conditioned on Borrower's achievement of Performance Milestone II in accordance with the definition thereof, on or before ********, Borrower may request one additional Term Loan Advance in a principal amount of Fifteen Million Dollars ($15,000,000) ("Tranche 2").

(iii) *Tranche 3*. Subject to the terms and conditions of this Agreement and conditioned on ********, Borrower may request one or more additional Term Loan Advances in an aggregate principal amount up to Twenty-Five Million Dollars ($25,000,000) ("Tranche 3") in minimum increments of Five Million Dollars ($5,000,000).

(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 (at least three (3) 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. The Term Loan Interest Rate will float and change on the day the prime rate changes from time to time.

(e) Payment. Borrower will pay accrued but unpaid interest on each Term Loan Advance on the first Business Day of each month, beginning the month after the Advance Date. Borrower shall repay the aggregate Term Loan principal balance that is outstanding on the day immediately preceding the Amortization Date, in equal monthly installments of principal and interest (mortgage style) beginning on the Amortization

Date and continuing on the first Business Day of each month thereafter until the Secured Obligations (other than inchoate indemnity obligations) are repaid. Any remaining outstanding Term Loan principal balance, together with any and all accrued but unpaid interest hereunder, shall be due and payable on the Term Loan Maturity Date. Borrower shall make all payments under this Agreement without setoff, recoupment or deduction and regardless of any counterclaim or defense. Lender will initiate debit entries to Mesoblast USA's account as authorized on the ACH Authorization, in each case (i) on each payment date of all periodic obligations payable to Lender under each Term Loan Advance and (ii) out of pocket legal fees and costs incurred by Agent or Lender pursuant to the terms of Section 11.12 of this Agreement; provided that, in the event that Lender or Agent informs Borrower that Lender will not initiate a debit entry to Mesoblast USA's account for a certain amount of the periodic obligations due on a specific payment date, Borrower shall pay to Lender such amount of periodic obligations in full in immediately available funds on such payment date; provided, further, that, if Lender or Agent informs Borrower that Lender will not initiate a debit entry as described above later than the date that is three (3) Business Days prior to such payment date, Borrower shall pay to Lender such amount of periodic obligations in full in immediately available funds on the date that is three (3) Business Days after the date on which Lender or Agent notifies Borrower of such; provided, further, that with respect to clause (ii) above, in the event that Agent or Lender informs Borrower that Lender will not initiate debit entry to Borrower's account for certain amounts of out of pocket legal fees and costs incurred by Agent or Lender, Borrower shall pay to Lender such amounts in full in immediately available funds within three (3) Business Days.

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 California 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(c) plus five percent (5%) per annum. 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 at the rate set forth in Section 2.2(c) 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 2.10 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 Qualifying Bank but on that date that Lender is not or has ceased to be a 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 Prepayment. At its sole option upon at least seven (7) Business Days prior written notice to Agent, a Borrower (on behalf of itself and all other Borrowers) may prepay one or more Tranches by paying the entire principal balance of such Tranche or any remaining portion thereof, all accrued and unpaid interest with respect to the principal being repaid, plus all fees and other amounts owing under the Loan Documents at such time, together with a prepayment charge equal to the following percentage of the Advance amount being prepaid: if such Advance amounts are prepaid in any of the first twelve (12) months following the Closing Date, ********%; after twelve (12) months but prior to twenty-four (24) months, ********%; and thereafter, ********% (each, a "Prepayment Charge"). Borrowers agree that the Prepayment Charge is a reasonable calculation of Lender's lost profits in view of the difficulties and impracticality of determining actual damages resulting from an early repayment of the Advances. Borrowers shall prepay the outstanding amount of all principal and accrued interest of all Advances plus all other fees and amounts owing under the Loan Documents through the prepayment date and the Prepayment Charge upon the occurrence of or contemporaneously with the occurrence of a Change in Control. Notwithstanding the foregoing, Agent and Lender agree to waive the Prepayment Charge if Agent and Lender or any affiliate of Agent or Lender (in its sole and absolute discretion) agree in writing to refinance the Advances prior to the Term Loan Maturity Date. Upon receipt by Agent of a notice of redemption delivered in accordance with the definition of ********, the Borrowers shall, at the request of Agent, prepay the entire outstanding principal

balance of the Term Loan, together with all accrued interest thereon, plus all fees and other amounts owing under the Loan Documents at such time, on the date that is not less than ninety-one days prior to the redemption date set forth in such notice, unless otherwise agreed between Agent and Borrower.

2.7 End of Term Charge. On the earliest to occur of (i) the Term Loan Maturity Date, (ii) the date that Borrower prepays the outstanding Secured Obligations (other than any inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this Agreement) in full, or (iii) the date that the Secured Obligations become due and payable, Borrower shall pay Lender a charge of 6.95% of the aggregate Term Loan Advances. Notwithstanding the required payment date of such charge, it shall be deemed earned by Lender as of the Closing Date.

2.8 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.

2.9 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.

2.10 Taxes.

(a) Defined Terms. For purposes of this Section 2.10, 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 2.10, 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 with respect to payments made under any Loan Document shall deliver to the Borrowers and the Agent (or, with respect to UK Withholding Taxes, deliver to the Borrowers and the Agent or submit to the appropriate Governmental Authority (as applicable)), 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)(ii)(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, with respect to each Borrower that is a U.S. Person:

1. any Lender that is a U.S. Person shall deliver to such Borrower 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 such 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 such Borrower 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 such 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 such Borrower within the meaning of Section 871(h)(3)(B) of the Code, or a "controlled foreign corporation" related to such 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 such Borrower 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 such 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 such Borrower 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 such Borrower and the Agent at the time or times prescribed by law and at such time or times reasonably requested by such 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 such Borrower or the Agent as may be necessary for such 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 (D), "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.

(iv) Notwithstanding anything to the contrary herein, a UK Treaty Lender shall be deemed to have satisfied the requirements of Section 2.10(g) in respect of UK Withholding Tax if such Lender has in the case where the Lender holds a passport under the HMRC double tax treaty scheme and wishes it to apply to this Agreement, notified Borrower and Agent of its scheme reference number under the HMRC treaty passport scheme and its jurisdiction of tax residence (and for the avoidance of doubt, a Lender that has confirmed its scheme reference number and jurisdiction of tax residence on Schedule 1.1 attached hereto shall be deemed to have notified the Borrower and Agent). If a Lender has confirmed its scheme reference number and its jurisdiction of tax residence in accordance with the above and the Borrowers has not made a Borrower DTTP Filing in respect of that Lender; or the Borrowers making a payment to that Lender has made a Borrower DTTP Filing in respect of that Lender but that Borrower DTTP Filing has been rejected by HMRC; or HMRC has not given the Borrowers authority to make payments to that Lender without a deduction for UK Withholding Tax within 60 days of the date of the Borrower DTTP Filing, and in each case, the Borrowers have notified that Lender in writing, that Lender and the Borrowers shall co-operate in completing any additional procedural formalities necessary for that Borrower to obtain authorisation to make that payment without UK Withholding Tax. The Borrowers shall, as soon as reasonably practicable on making a Borrower DTTP Filing, deliver a copy of that Borrower DTTP Filing to the relevant Lender. If a UK Treaty Lender has not confirmed its HMRC passport scheme reference number and jurisdiction of tax residence in accordance with this paragraph, no Borrower shall make a Borrower DTTP Filing or file any other form relating to the HMRC DT Treaty Passport scheme in respect of that Lender's Loan(s) or Term Commitment(s) unless that UK Treaty Lender otherwise agrees.

(v) UK Lender Status Confirmation

Each Lender shall indicate, in writing to the Borrowers, and without liability to any Loan Party, which of the following categories it falls in:

(a) UK Bank Lender
(b) UK Non-Bank Lender
(c) UK Treaty Lender; or
(d) None of the above.

If a Lender fails to indicate its status in accordance with this Section 2.10(g)(iv) then such Lender shall be treated for UK withholding tax purposes as being in the category of "None of the above" until such time as it notifies the Borrowers which category applies. Each Lender shall promptly notify the Borrowers if there is any change in position from that indicated.

(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 2.10 (including by the payment of additional amounts pursuant to this Section 2.10), 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) 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 Qualifying Bank;

2. a Qualifying Bank.

(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 (b) through (d) 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. For the avoidance of doubt, the Borrowers agree not to treat the Term Loan as a "contingent payment debt instrument" for U.S. income tax purposes and to obtain the Lenders' consent in connection with any reporting of "original issue discount" for U.S. 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) Survival. Each party's obligations under this Section 2.10 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 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 (except as set forth herein), whether now owned or hereafter acquired (collectively, the "UCC Collateral"): (a) Receivables; (b) Equipment; (c) Fixtures; (d) General Intangibles; (e) Inventory; (f) Investment Property; (g) Deposit Accounts; (h) Cash; (i) Goods; and (j) 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 UCC Collateral shall not include nonassignable 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).

3.3 Parent, Mesoblast UK, Mesoblast Intl 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 (such collateral, 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 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 other Intellectual Property licensed under an exclusive license permitted under the terms of this Agreement, with the consent of Agent, which such consent shall not be unreasonably withheld or delayed and in any event shall be provided within ten (10) Business Days, 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, 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 an Exclusive Approved License or any other exclusive license permitted hereunder, Agent and Lenders agree that the respective Loan Party party to such Exclusive Approved License or such other exclusive license permitted hereunder may grant to the licensee thereunder customary rights ancillary to the licensing of the Excluded IP Assets or 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 Approved Transaction.

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 the Loan Documents, a legal opinion of each of Loan Party's United States and Swiss counsel and Agent's English, Swiss and Australian counsel, 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, Mesoblast Intl UK, and Mesoblast SUI) evidencing (i) approval of the Loan and other transactions evidenced by the Loan Documents; (ii) authorizing a specified person or persons to execute the Loan Documents to which it is a party on its behalf; (iii) 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 (iv) (with respect to Parent) (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 Mesoblast Intl 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 and Mesoblast Intl 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 Loan Party, a copy of the PSC Register together with confirmation from an authorized officer that 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 pledged as Collateral and no circumstances exist which entitle that UK PSC Loan Party to issue any such notice;

(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) [Reserved.]

(i) satisfactory results of searches of the Australian PPSR and ASIC register in respect of Parent;

(j) payment of the Tranche 1-2 Facility Charge;

(k) 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);

(l) payment of the Due Diligence Fee and reimbursement of Agent's and Lender's current expenses reimbursable pursuant to Section 11.12 of this Agreement; 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 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) on the Advance Date for Tranche 3, the Loan Parties shall have paid the Tranche 3 Facility Charge; and

(e) 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) With respect to any Patents listed on Exhibit D to the Disclosure Letter that are registered in the name of **** or **** with the applicable filing office or agency, the Loan Parties shall deliver to Agent evidence satisfactory to Agent in its reasonable discretion that such registrations have been updated to reflect the name of the applicable Loan Party owning such Patents, which such process shall be completed within (i) fifteen (15) Business Days of the Closing Date, with respect to any such Patents of the Loan Parties filed with the United States Patent and Trademark Office or any similar office or agency of Australia and (ii) sixty (60) days of the Closing Date, with respect to any such Patents of the Loan Parties filed with any similar office or agency in any country other than the United States and Australia;

(b) Within fifteen (15) Business Days of the Closing Date, each Loan Party (as applicable) shall have delivered to Agent (i) executed copies of the IP Security Agreement and (ii) final Patent lists to be attached as Exhibit D to the Disclosure Letter and Exhibit B to the Perfection Certificate; and

(c) 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, Mesoblast Intl UK 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.

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 under the laws of (a) Australia (with respect to Parent), (b) England and Wales (with respect to Mesoblast UK and Mesoblast Intl UK), (c) Switzerland (with respect to Mesoblast SUI), or (d) Delaware (with respect to Mesoblast USA), as applicable, 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 and contracts between any Loan Party and/or any of its Subsidiaries and (ii) Parent. 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 officers and employees and to the knowledge of Parent, its Subsidiaries and their respective directors 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 federal, state and local income and other material 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 Claims. The Loan Parties are the sole owner of, or otherwise have the right to use, the Intellectual Property material to their business. 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 part of the Intellectual Property has been judged invalid or unenforceable, in whole or in part, and (iii) no claim has been made to a Loan Party that any material part of the Intellectual Property violates the rights of any third party. To the Loan Parties' knowledge, from and after the date set forth in Section 4.4(b), Exhibit D to the Disclosure Letter contains a true, correct and complete list of each of the Loan Parties' Patents, registered Trademarks, registered Copyrights, and material agreements under which a Loan Party licenses 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 date set forth in Section 4.4(b). 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 and, to Borrowers' 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.

5.10 Intellectual Property. Except as described on Schedule 5.10 to the Disclosure Letter, to the Loan Parties' knowledge, the Loan Parties have all material rights with respect to Intellectual Property necessary or material in the operation or conduct of the Loan Parties' business as currently conducted and proposed to be conducted by Loan Parties. Without limiting the generality of the foregoing, and in the case of material Intellectual Property Licenses from third parties, 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. 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 Borrower'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 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 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. To Loan Parties' knowledge, no Loan Party's use of its Intellectual Property or the production and sale of Borrower Products infringes the valid Intellectual Property or other rights of others in any material respect.

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 The Council of the European Union Regulation No. 1346/2000 on Insolvency Proceedings (the "Regulation"), each of Mesoblast UK's and Mesoblast Intl UK's centre of main interest (as that term is used in Article 3(1) of the Regulation) is situated in England and Wales and it has no "establishment" (as that term is used in Article 2(h) of the Regulation) in any other jurisdiction.

5.17 Pensions. (a) none of Mesoblast UK and Mesoblast Intl UK is, 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) none of Mesoblast UK and Mesoblast Intl UK is, 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 Borrowers are in compliance with the Non-Bank Rules; provided, that, the Borrowers shall not be in breach of this representation if its number of creditors that are not 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 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 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 Qualifying Banks shall be deemed to be ten (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.

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 "Hercules Capital, Inc., 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 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, Lender and their 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) within thirty (30) days after the end of each month, unaudited interim and year-to-date financial statements of Parent as of the end of such month (prepared on a consolidated basis), including balance sheet and related statement of income and cash flows, accompanied by a report detailing any material contingencies (including commencement of any material litigation by or against any Loan Party) or any other occurrence that could reasonably be expected to have a Material Adverse Effect, all 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 (A) for the absence of footnotes, (B) that they are subject to normal year-end adjustments, and (C) they do not contain certain non-cash items that are customarily included in quarterly and annual financial statements;

(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 (including the commencement of any material litigation by or against Borrower) 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 or similar limitations (other than a going concern qualification solely with respect to either having less than twelve (12) months of cash or the impending maturity of debt for the fiscal year ending immediately prior to the maturity date of such debt), 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(a), (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 thirty (30) 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 all in all cases Borrower may exclude any information or materials related to executive compensation, executive sessions, debt refinancings, confidential information, 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; and

(i) 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 legal@herculestech.com. All Financial Statements required to be delivered pursuant to clauses (a), (b) and (c) shall be sent via e-mail to financialstatements@herculestech.com with a copy to legal@herculestech.com provided, that if e-mail is not available or sending such Financial Statements via e-mail is not possible, they shall be faxed to Agent at: (866) 468-8916, attention Chief Credit Officer.

Notwithstanding the foregoing, documents required to be delivered under Sections 7.1(a), (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 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 of the Loan Parties to discuss such books of account and records. In addition, Agent or Lender shall be entitled to consult with and advise the management and officers 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 Lender 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 Lender with respect to any business issues shall not be deemed to give Agent or Lender, nor be deemed an exercise by Agent or Lender 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, deliver and file, alone or with Agent, any financing statements, security agreements, collateral assignments, notices, control agreements, or other documents to perfect 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, or prepay any Indebtedness or take any actions which impose on any Loan Party an obligation to prepay any Indebtedness, except for (a) the conversion of Indebtedness into 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) inter-company

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, or (e) 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 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 (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. Except for Permitted Transfers and Permitted Investments that constitute Permitted Transfers, no Loan Party shall, nor shall allow any Subsidiary to, voluntarily or involuntarily transfer, sell, lease, license, lend or in any other manner convey any equitable, beneficial or legal interest in any material portion of its assets or sell a controlling ownership interest in or majority equity interest in any Subsidiary organized or acquired after the Closing Date.

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 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 United Kingdom (with respect to Mesoblast UK and Mesoblast Intl UK), Switzerland (with respect to Mesoblast SUI) 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 (other than the Approved Subsidiary) 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 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. 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) Mesoblast USA shall be required to hold an amount of Cash in accounts in the United States subject to an Account Control Agreement in favor of Agent equal to the lesser of (i) 120% of the outstanding Secured Obligations plus the amount of its accounts payable under GAAP or IFRS not paid after the 90th day following the invoice date for such accounts payable, and (ii) 75% of all Cash (excluding amounts held in Excluded Accounts) of Parent and its consolidated Subsidiaries.

(c) 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 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 60 days of the Closing Date.

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 or the Approved Subsidiary, shall cause any such Subsidiary (other than an Excluded Subsidiary or the Approved Subsidiary), unless otherwise consented to by Agent, to execute and deliver to Agent a Joinder Agreement.

7.14 [RESERVED]

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 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 and other employees.

7.17 Use of Proceeds. Borrower agrees that the proceeds of the Loans shall be used solely to pay related fees and expenses in connection with this Agreement and for 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 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.

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 officers and employees and to the knowledge of such Loan Party's, its directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects.

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. Each Loan Party shall protect, defend and maintain the validity and enforceability of its Intellectual Property; (ii) promptly advise Agent in writing of material infringements of its Intellectual Property; and (iii) not allow any Intellectual Property material to such Loan Party's business to be abandoned, forfeited or dedicated to the public without Agent's written consent (for the avoidance of doubt, the lapsing of divisionals in a patent family where there are granted patents in the same jurisdiction as the divisional does not require the Agent's written consent). If a Loan Party (i) obtains any Patent, registered Trademark, registered Copyright, 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 such Loan Party shall immediately provide written notice thereof to Agent 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. 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 shall change its "centre of main interests" (as that term is used in Article 3(1) of the Regulation).

7.22 Non-Bank Rules. Each Swiss Loan Party shall ensure that it is at all times in compliance with the Non-Bank Rules, provided that a Swiss Loan Party 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 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 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 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 under or in relation to any 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) 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 Loan Party; and (b) promptly provide Agent with a copy of that notice.

SECTION 8. RIGHT TO INVEST

8.1 At any time prior to the later to occur of (a) payment in full in cash of all Secured Obligations and (b) March 6, 2025, Lender or its assignee or nominee shall have the right, in its discretion, to participate, in a cumulative amount of up to $2,000,000, in one or more Subsequent Financings, broadly marketed to multiple investors, including investors in the United States, on the same terms, conditions and pricing afforded to investors participating in any such Subsequent Financings; *provided* that, for the avoidance of doubt, nothing in this Section 8.1 shall provide Lender or any assignee or nominee the right to participate in any Subsequent Financing in which Lender or its assignee or nominee would not otherwise be eligible to participate based upon the eligibility criteria for investors in such Subsequent Financing.

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 (solely with respect to prepayments relating to the ********), 4.4, 6, 7.4, 7.5, 7.6, 7.7, 7.8, 7.9, 7.11, 7.12, 7.15, 7.17, 7.18, 7.20, 7.21, 7.22 or 7.23) 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 (solely with respect to prepayments relating to the ********), 4.4, 6, 7.4, 7.5, 7.6, 7.7, 7.8, 7.9, 7.11, 7.12, 7.15, 7.17, 7.18, 7.20, 7.21, 7.22 or 7.23, 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 Performance Milestone II or Performance Milestone III, 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 of, or taking of any other regulatory action by, the United States Food and Drug Administration or any other governmental entity 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 limited or wholly or substantially curtailed by any seizure, expropriation, nationalization, intervention, restriction or other action by or on behalf of any governmental, regulatory or other authority or other 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, Mesoblast Intl UK or any Subsidiary which is a company organized under the laws of England and Wales, unless the aggregate liability of Mesoblast UK, Mesoblast Intl UK and such Subsidiaries under all Financial Support Directions and Contributions Notices is less than Five Hundred Thousand Dollars ($500,000); or

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).

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 together with a Prepayment Charge 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 principal, interest, and the default interest rate), 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.

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:

HERCULES CAPITAL, INC.
Legal Department
Attention: Chief Legal Officer, Anup Arora
400 Hamilton Avenue, Suite 310
Palo Alto, CA 94301
email: legal@herculestech.com, arora@htgc.com
Telephone: 650-289-3060

with a copy (which shall not constitute notice) to:

LATHAM & WATKINS LLP
Attention: Haim Zaltzman
505 Montgomery Street, Suite 2000
San Francisco, CA 94111
email: haim.zaltzman@lw.com
Telephone: 415-395-8870

(b) If to Lender:

HERCULES CAPITAL, INC.
Legal Department
Attention: Chief Legal Officer, Anup Arora
400 Hamilton Avenue, Suite 310
Palo Alto, CA 94301
email: legal@herculestech.com, arora@htgc.com
Telephone: 650-289-3060

with a copy (which shall not constitute notice) to:

LATHAM & WATKINS LLP
Attention: Haim Zaltzman
505 Montgomery Street, Suite 2000
San Francisco, CA 94111
email: haim.zaltzman@lw.com
Telephone: 415-395-8870

(c) If to any Loan Party:

c/o Mesoblast Ltd
Attention: Peter T. Howard, Corporate Executive and General Counsel
Level 38, 55 Collins Street
Melbourne VIC 3000, Australia
email: Peter.Howard@mesoblast.com
Telephone: +61 3 8662 1710
with a copy (which shall not constitute notice) to:

COOLEY LLP
Attention: Patrick J. Flanagan
1114 Avenue of the Americas
New York, NY 10036-7798
email: pflanagan@cooley.com
Telephone: + 212 479 6640

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 (including Agent's proposal letter dated December 28, 2017).

(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, 8.1 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 direct competitor of any Loan Party (as reasonably determined by Agent), it being acknowledged that in all cases, an 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 Qualifying Bank or confirmation of UK Lender status in accordance with Section 2.10(g)(iv)) at least five (5) days prior to such assignment or transfer; (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 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 an 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 notice. The identity of each Lender (and in case the Lender is a Qualifying Bank the required documentation to prove this qualification) is permitted to be disclosed to the tax authorities of Switzerland by the relevant Swiss Borrower. 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 have been negotiated and delivered to Agent and Lender in the State of California, and shall have been accepted by Agent and Lender in the State of California. Payment to Agent and Lender by the Loan Parties of the Secured Obligations is due in the State of California. 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) shall be governed by, and construed and enforced in accordance with, the laws of the State of California, excluding conflict of laws principles that would cause the application of laws of any other jurisdiction.

11.10 Consent to Jurisdiction and Venue. 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 California. By execution and delivery of this Agreement, each party hereto generally and unconditionally: (a) consents to nonexclusive personal jurisdiction in Santa Clara County, State of California; (b) waives any objection as to jurisdiction or venue in Santa Clara County, State of California; (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 / Judicial Reference.

(a) 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.

(b) If the waiver of jury trial set forth in Section 11.11(a) is ineffective or unenforceable, the parties agree that all Claims shall be resolved by reference to a private judge sitting without a jury, pursuant to Code of Civil Procedure Section 638, before a mutually acceptable referee or, if the parties cannot agree, a referee selected by the Presiding Judge of the Santa Clara County, California. Such proceeding shall be conducted in Santa Clara County, California, with California rules of evidence and discovery applicable to such proceeding.

(c) In the event Claims are to be resolved by judicial reference, either party may seek from a court identified in Section 11.10, any prejudgment order, writ or other relief and have such prejudgment order, writ or other relief enforced to the fullest extent permitted by law notwithstanding that all Claims are otherwise subject to resolution by judicial reference.

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 reasonable attorneys' fees, Australian PPSR or UCC searches, filing costs, and other miscellaneous expenses, in the aggregate amount of up to $**** for such costs incurred on or prior to the Closing Date. 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 in the course of acquiring, administering, or perfecting Agent's security interest in the Collateral 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) Lender hereby irrevocably appoints Hercules Capital, Inc. 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) 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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, telecopies 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 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 Intl 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 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 guarantees 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 (*Einlagerückgewähr/Kapitalrückzahlung*), a violation of the legally protected reserves (*gesetzlich geschützte Reserven*) or the payment of a (constructive) dividend (*Gewinnausschüttung*) 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 best 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.

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 Borrower) 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.

Acknowledgement and Consent to Bail-In of EEA Financial Institutions

. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder that may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

(SIGNATURES TO FOLLOW)

IN WITNESS WHEREOF, Loan Parties, Agent and Lender have duly executed and delivered this Loan and Security Agreement as of the day and year first above written.

BORROWERS:
MESOBLAST UK LIMITED

By: _____
Name: Silviu Itescu
Title: Director

MESOBLAST, INC.

By: _____
Name: Silviu Itescu
Title: Sole Director

MESOBLAST INTERNATIONAL (UK) LIMITED
By: _____
Name: Silviu Itescu
Title: Director

MESOBLAST INTERNATIONAL SÀRL

_____
Place and Date

By: _____
Name: Silviu Itescu
Title: _____

Confidential material omitted and filed separately with the Commission.

GUARANTOR:

Executed by **Mesoblast Limited** in accordance with
Section 127 of the *Corporations Act 2001* (Cth)

Signature of director	Signature of director/company secretary (Please delete as applicable)
Name of director (print)	Name of director/company secretary (print)

Confidential material omitted and filed separately with the Commission.

Accepted in Palo Alto, California:

AGENT:
HERCULES CAPITAL, INC.

Signature: _____
Print Name: _____
Title: _____

LENDER:

HERCULES CAPITAL, INC.

Signature: _____
Print Name: _____
Title: _____

Confidential material omitted and filed separately with the Commission.

TABLE OF EXHIBITS AND SCHEDULES

Confidential material omitted and filed separately with the Commission.

EXHIBIT A

ADVANCE REQUEST

To: Agent: Date: [*Insert Date of Request*]

Hercules Capital, Inc. (the "Agent")
400 Hamilton Avenue, Suite 310
Palo Alto, CA 94301
email: legal@herculestech.com, arora@htgc.com
Attn: Chief Legal Officer and Anup Arora

Mesoblast, Inc. ("Company") hereby requests, on behalf of itself and each other Borrower (as defined in the Agreement), from Hercules Capital, Inc. ("Lender") an Advance in the amount of [*Insert Requested Advance Amount*] Dollars ($[●].00) on [*Insert Date of Advance*] (the "Advance Date") pursuant to the Loan and Security Agreement among Company, each other Borrower, each Guarantor, Agent and Lender (the "Agreement"). Capitalized words and other terms used but not otherwise defined herein are used with the same meanings as defined in the Agreement.

Please:

(a) Issue a check payable to Company _____

Or

(b) Wire Funds to Company's account _____

Bank: [●]
Address: [●]
ABA Number: [●]
Account Number: [●]
Account Name: [●]
Contact Person: [●]
Phone Number [●]
To Verify Wire Info: [●]
Email address: [●]

Confidential material omitted and filed separately with the Commission.

Company represents that the conditions precedent to the Advance set forth in the Agreement are satisfied and shall be satisfied upon the making of such Advance, including but not limited to: (i) that no event that has had or could reasonably be expected to have a Material Adverse Effect has occurred and is continuing; (ii) that the representations and warranties set forth in the Agreement are and 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; (iii) that each Loan Party is in compliance with all the terms and provisions set forth in each Loan Document on its part to be observed or performed; and (iv) that as of the Advance Date, no fact or condition exists that would (or would, with the passage of time, the giving of notice, or both) constitute an Event of 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:

Complete street and mailing address, including county	Name of Loan Party

Addresses where a Loan Party owns, leases, or occupies real property or maintains equipment, inventory, or other property at such address:

Complete street and mailing address, including county	Name of Loan Party

EXHIBIT B
SECURED TERM PROMISSORY NOTE

$[_____]

Advance Date: ___ __, 20[ ]
Maturity Date: _____ ___, 20[ ]

FOR VALUE RECEIVED, Mesoblast UK Limited, a company incorporated in England and Wales, Mesoblast, Inc., a Delaware, Mesoblast International (UK) Limited, a company incorporated in England and Wales, 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 Hercules Capital, Inc., a Maryland corporation (the "Lender") at 400 Hamilton Avenue, Suite 310, Palo Alto, CA 94301 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 and Security Agreement dated as of March 6, 2018, by and among the Borrowers, the Guarantors, Hercules Capital, Inc., a Maryland corporation (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 California. This Promissory Note shall be governed by and construed and enforced in accordance with, the laws of the State of California, 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]

EXHIBIT F
COMPLIANCE CERTIFICATE

Hercules Capital, Inc. (as "Agent")
400 Hamilton Avenue, Suite 310
Palo Alto, CA 94301

Reference is made to that certain Loan and Security Agreement dated as of March 6, 2018 and the Loan Documents (as defined therein) entered into in connection with such Loan and Security Agreement all as may be amended from time to time (hereinafter referred to collectively as the "Loan Agreement") by and among Hercules Capital, Inc. (the "Agent"), the several banks and other financial institutions or entities from time to time party thereto (collectively, the "Lender") and Hercules Capital, Inc., as agent for the Lender (the "Agent") 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 certifies, in such capacity, that in accordance with the terms and conditions of the Loan Agreement, except as set forth below, (i) each Loan Party is in compliance for the period ending _____ of all covenants, conditions and terms and (ii) hereby reaffirms that all representations and warranties contained therein are true and correct in all material respects on and as of the date of this Compliance Certificate 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. The undersigned further certifies the attached financial statements are prepared in accordance with GAAP or IFRS, as applicable (except for the absence of footnotes with respect to unaudited financial statement and subject to normal year-end adjustments) and are consistent from one period to the next except as explained below.
Exceptions:

REPORTING REQUIREMENT	REQUIRED	CHECK IF ATTACHED
Monthly reporting	Monthly within 30 days	
Interim Financial Statements	Quarterly within 60 days	
Audited Financial Statements	FYE within 90 days	

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

Cash Management (7.12(b)):

(A)_Cash held by Mesoblast USA in accounts in the United States subject to an Account Control Agreement in favor of Agent: $_____

(B) outstanding Secured Obligations: $_____ *multiplied by* 1.20 = $_____

(C) accounts payable older than 90 days of invoice date and unpaid = $_____.

(D) all Cash (excluding amounts held in Excluded Accounts) of Parent and its consolidated subsidiaries $_____ *multiplied by* 0.75 = %_____

Is (A) greater than or equal to *either* (B) plus (C) or (D)?

___Yes (in compliance); ___ No (not in compliance)

Are the Loan Parties in compliance with Section 7.12 based on the below disclosed depository accounts and securities accounts? YES/NO

Confidential material omitted and filed separately with the Commission.

Have the Loan Parties amended or entered into any new insurance policies? YES/NO

		Depository AC #	Financial Institution	Account Type (Depository / Securities)	Last Month Ending Account Balance	Purpose of Account
LOAN PARTY Name/Address:						
	1					
	2					
	3					
	4					
	5					
	6					
	7					
LOAN PARTY/ SUBSIDIARY Name/Address						
	1					
	2					
	3					
	4					
	5					
	6					
	7					

Very Truly Yours,

[SIG BLOCK TO BE ADDED]

Confidential material omitted and filed separately with the Commission.

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 HERCULES CAPITAL, INC., a Maryland corporation (as "Agent").

RECITALS

A. Subsidiary's Affiliate, Mesoblast, Inc., a Delaware corporation ("Company") has entered/desires to enter into that certain Loan and Security Agreement dated as of March 6, 2018, 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 Agreement (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 grants to Agent a security interest in all of Subsidiary's right, title, and interest in and to the Collateral and the Intellectual Property Collateral (as defined in the IP Security Agreement).

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

SUBSIDIARY:

_____.

By:
Name:
Title:

Address:

Telephone: _____
email: _____

AGENT:

HERCULES CAPITAL, INC.

By: _____
Name: _____
Title: _____

Address:
400 Hamilton Ave., Suite 310
Palo Alto, CA 94301
email: legal@herculestech.com
Telephone: 650-289-3060

EXHIBIT H

ACH DEBIT AUTHORIZATION AGREEMENT

Hercules Capital, Inc.
400 Hamilton Avenue, Suite 310
Palo Alto, CA 94301

Re: Loan and Security Agreement dated March 6, 2018 (as may be amended from time to time, the "Agreement") by and 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, United Kingdom ("Mesoblast UK"), Mesoblast, Inc., a Delaware corporation ("Mesoblast USA"), Mesoblast International (UK) Limited, a company incorporated in England and Wales with registered number 09630007 whose registered address is 5 New Street Square, London, EC4A 3TW, United Kingdom ("Mesoblast Intl UK"), 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, Mesoblast UK, Mesoblast Intl UK and Mesoblast SUI collectively referred to as the "Borrowers" and each, a "Borrower"), Hercules Capital, Inc., as agent ("Company") and the lenders party thereto (collectively, the "Lender")

In connection with the above referenced Agreement, Mesoblast USA hereby authorizes the Company to initiate debit entries for (i) the periodic payments due under the Agreement and (ii) out-of-pocket legal fees and costs incurred by Agent or Lender pursuant to Section 11.12 of the Agreement to the Borrower's account indicated below. Mesoblast USA authorizes the depository institution named below to debit to such account.

[IF FILED PUBLICLY, ACCOUNT INFO REDACTED FOR SECURITY PURPOSES]

DEPOSITORY NAME	BRANCH
CITY	STATE AND ZIP CODE
TRANSIT/ABA NUMBER	ACCOUNT NUMBER

This authority will remain in full force and effect so long as any amounts are due under the Agreement.

Mesoblast, Inc.

By: _____
Date: _____

Confidential material omitted and filed separately with the Commission.

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 and Security Agreement dated March 6, 2018 (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, United Kingdom, Mesoblast, Inc., a Delaware corporation, Mesoblast International (UK) Limited, a company incorporated in England and Wales with registered number 09630007 whose registered address is 5 New Street Square, London, EC4A 3TW, United Kingdom, 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, Hercules Capital, Inc., 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 2.10 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:

Confidential material omitted and filed separately with the Commission.

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 and Security Agreement dated March 6, 2018 (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, United Kingdom, Mesoblast, Inc., a Delaware corporation, Mesoblast International (UK) Limited, a company incorporated in England and Wales with registered number 09630007 whose registered address is 5 New Street Square, London, EC4A 3TW, United Kingdom, 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, Hercules Capital, Inc., 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 2.10 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 and Security Agreement dated March 6, 2018 (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, United Kingdom, Mesoblast, Inc., a Delaware corporation, Mesoblast International (UK) Limited, a company incorporated in England and Wales with registered number 09630007 whose registered address is 5 New Street Square, London, EC4A 3TW, United Kingdom, 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, Hercules Capital, Inc., 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 2.10 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 and Security Agreement dated March 6, 2018 (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, United Kingdom, Mesoblast, Inc., a Delaware corporation, Mesoblast International (UK) Limited, a company incorporated in England and Wales with registered number 09630007 whose registered address is 5 New Street Square, London, EC4A 3TW, United Kingdom, 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, Hercules Capital, Inc., 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 2.10 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 Treaty Passport scheme reference number and jurisdiction of tax residence (if applicable)
Hercules Capital, Inc.	1	$35,000,000	13/H/370777/DTTP United States
Hercules Capital, Inc.	2	$15,000,000	13/H/370777/DTTP United States
Hercules Capital, Inc.	3	$25,000,000*	13/H/370777/DTTP United States
TOTAL COMMITMENTS		$75,000,000*	

*Funding of Tranche 3 ********.

Confidential material omitted and filed separately with the Commission.

****** INDICATES CONFIDENTIAL MATERIAL OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND FILED WITH THE SECURITIES AND EXCHANGE COMMISSION SEPARATELY WITH A REQUEST FOR CONFIDENTIAL TREATMENT.**

THIS AGREEMENT IS SUBJECT IN ALL RESPECTS TO THE INTERCREDITOR AGREEMENT (AS DEFINED HEREIN). IN THE CASE OF ANY CONFLICT OR INCONSISTENCY BETWEEN ANY TERMS OF THIS AGREEMENT, ON THE ONE HAND, AND ANY OF THE TERMS AND PROVISIONS OF THE INTERCREDITOR AGREEMENT, ON THE OTHER HAND, THEN THE TERMS AND PROVISIONS OF THE INTERCREDITOR AGREEMENT SHALL CONTROL.

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT is made and dated as of June 29, 2018 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, United Kingdom ("***Mesoblast UK***"), Mesoblast, Inc., a Delaware corporation ("***Mesoblast USA***" or the "***Borrower***"), Mesoblast International (UK) Limited, a company incorporated in England and Wales with registered number 09630007 whose registered address is 5 New Street Square, London, EC4A 3TW, United Kingdom ("***Mesoblast Intl UK***"), 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 UK, Mesoblast Intl UK, Mesoblast SUI, and Parent, collectively referred to as the "***Guarantors***" and each, a "***Guarantor***"), the several banks and other financial institutions or entities from time to time parties to this Agreement (collectively, referred to as "***Lender***") and NQP SPV II, L.P., a Cayman Islands exempted limited partnership, in its capacity as administrative agent and collateral agent for itself and the Lender (in such capacity, the "***Agent***").

RECITALS

A. Borrower has requested Lender to make available to the Borrower a loan in an aggregate principal amount of Forty Million Dollars ($40,000,000.00) (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:

"***Additional Amortization Royalty Payment***" has the meaning given to it in Section 2.2(e)(iii).

"***Additional Interest Royalty Payment***" has the meaning given to it in Section 2.2(e)(i).

"***Additional Royalty Payments***" means, collectively, any Additional Interest Royalty Payments and any Additional Amortization Royalty Payments.

"***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 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, (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, or (d) any Person related by blood or marriage to any Person described in subsection (a), (b) or (c) of this paragraph. 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 and Security Agreement, as amended from time to time.

"***AHYDO***" has the meaning given to it in Section 2.2(e)(v).

"***Allocable Amount***" has the meaning given to it in Section 12.8(b)

"***Amortization Date***" means the date that is four years after the date of the Tranche 1 Advance.

"***Amortization Payment Amount***" has the meaning given to it in Section 2.2(e)(iii).

"***Amortization Period***" means the period commencing on the Amortization Date and ending on the Maturity Date.

"***Amortization Royalty Payment***" is defined in Section 2.2(e)(iii).

"***Annual Amortization Cap***" has the meaning given to it in Section 2.2(e)(iii).

"***Annual Interest Cap***" has the meaning given to it in Section 2.2(e)(i).

"***Anti-Corruption Laws***" shall mean all laws, rules, and regulations of any jurisdiction applicable to Parent or any of its Subsidiaries or Affiliates from time to time concerning or relating to bribery or corruption, including without limitation the United States Foreign Corrupt Practices Act of 1977, as amended, the UK Bribery Act 2010 and other similar legislation in any other jurisdictions.

"***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, the laws administered by OFAC, and the Anti-Money Laundering and Counter –Terrorism Financing Act 2006 (Cth) (Australia).

"***Approved Subsidiary***" means the Subsidiary organized by Parent in connection with the Approved Transactions.

"***Approved Transactions***" means any of the transactions described on Schedule 1E to the Disclosure Letter.

"***Asian Territories***" means China (including Hong Kong and Macau), Indonesia, Japan, Malaysia, Singapore, Taiwan, Thailand, and Vietnam.

"***ASIC***" means the Australian Securities and Investments Commission.

"***Assignee***" has the meaning given to it in Section 11.13.

"***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.

"***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 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, among others, the Parent and Agent; (b) that certain Specific Security Deed, dated on or around the Closing Date, between the Parent, Mesoblast USA, Mesoblast SUI and Agent; and (c) 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 by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"***Bail-In Legislation***" means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time that is described in the EU Bail-In Legislation Schedule.

"***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 the board of directors or comparable governing body of such Person, or any subcommittee thereof, as applicable.

"***Business Day***" means any day other than Saturday, Sunday and any other day on which banking institutions in the State of California or Melbourne, Australia are closed for business.

"***Cash***" means all cash, cash equivalents and liquid funds.

"***Change in Control***" means (a) any reorganization, recapitalization, consolidation, amalgamation or merger (or similar transaction or series of related transactions) in which the holders 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 shares representing more than thirty-five percent (35%) of the voting power of 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 each of Mesoblast Intl UK and 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, (i) a merger, amalgamation or consolidation (in each case, unless resulting in an Event of Default) of a Loan Party into another Loan Party, and (ii) the issuance of shares of the Approved Subsidiary, in each case, shall not constitute a Change in Control.

"***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 11.10.

"***Closing Date***" means the date of this Agreement.

"***Code***" means the Internal Revenue Code of 1986, as amended.

"***Collateral***" has the meaning given to it in Section 3.3.

"***Confidential Information***" has the meaning given to it in Section 11.12.

"***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, now owned or hereafter acquired by any Loan Party or in which any Loan Party now holds or hereafter acquires any interest.

"***Copyrights***" means all copyrights, whether registered or unregistered, held pursuant to the laws of the United States, any State thereof, Australia, the United Kingdom, Switzerland or of any other country.

"***Cover***" means that the use, manufacture, sale, offer for sale, development, commercialization, or importation of the subject matter in question by an unlicensed entity would infringe a claim of a Patent with respect to the Product. "***Covering***" shall have a corresponding meaning.

"***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.

"***Designated Senior Indebtedness***" means Indebtedness of the Loan Parties pursuant to the terms of that certain Loan and Security Agreement dated as of March 6, 2018, among the Loan Parties, the lenders party thereto from time to time and their successors and assigns, and Senior Agent and its successors and assigns (as amended, amended and restated, supplemented, refinanced, extended, renewed or otherwise modified from time to time as permitted by the Intercreditor Agreement, the "***Designated Senior Credit Agreement***"), in an aggregate principal amount not to exceed the Senior Debt Cap (as defined in the Intercreditor Agreement).

"***Disclosure Letter***" means that certain letter, dated as of the date hereof, delivered by Parent to Agent.

"***Dollars***" means the lawful currency of the United States.

"***EEA Financial Institution***" means (a) any credit institution or investment firm established in any EEA Member Country that is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country that is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country that is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"***EEA Member Country***" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway and any other country which may become a member of the European Economic Area or subject to Bail-In Legislation from time to time.

"***EEA Resolution Authority***" means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"***English Security Documents***" means the following documents, each in form and substance reasonably satisfactory to Agent: (a) that certain English law IP security agreement and (b) 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.

"***Equity Purchase Agreement***" means that certain Subscription Agreement dated the date hereof, between the Borrower as "***Issuer***" and Lender as "***Subscriber***".

"***ERISA***" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

"***EU Bail-In Legislation Schedule***" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

"***Event of Default***" has the meaning given to it in Section 9.

"***Excluded Assets***" means (i) reserved, (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), (v) any Excluded IP Assets and (vi) Excluded Equity Interests.

"***Excluded Equity Interests***" means 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.

"***Exclusive Approved License***" any license of the Excluded IP Assets from a Loan Party to the Approved Subsidiary that is exclusive with respect to terms other than geographic area and, with respect to geographic area, may be exclusive as to the Asian Territories; provided that such Exclusive Approved License must specifically permit the collateral assignment and security interest of Agent in such license.

"***Excluded IP Assets***" means any Intellectual Property filed or registered with the relevant authorities in the Asian Territories from time to time, including any such Patents and Trademarks listed on Exhibit D to the Disclosure Letter, to the extent any filing or registration with the relevant authorities in the Asian Territories for such Intellectual Property is equivalent to any corresponding filing in Australia, Switzerland and the United States and (b) any other Intellectual Property approved by Lender in its reasonable discretion.

"***Excluded Subsidiary***" means any Controlled Foreign Corporation, or 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 2.10, 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 2.10(g) and (d) any U.S. federal withholding Taxes imposed under FATCA.

"***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 between a non-U.S. jurisdiction and the United States with respect to the foregoing.

"***FDA***" means the United States Food and Drug Administration, or any successor agency thereto.

"***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.

"***Foreign Lender***" has the meaning given to it in Section 2.10(g)(ii)(2).

"***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***" has the meaning given to it in the preamble to this Agreement.

"***Guarantor Payment***" has the meaning given to it in Section 12.8(a).

"***IFRS***" means 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 due within ninety (90) days), 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, and (d) all Contingent Obligations.

"***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 (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 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 Australian 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 and inventions; 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 thereof; and each Loan Party's goodwill associated with 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.

"***Intercreditor Agreement***" means the intercreditor agreement between Agent and Senior Agent, in a form acceptable to Agent, as amended, amended and restated, supplemented or otherwise modified from time to time.

"***Interest Only Period***" means the period commencing on the Closing Date and ending immediately prior to the Amortization Date.

"***Interest Rate***" means for any day a per annum rate of interest equal to 15.00%.

"***Interest Royalty Payment***" is defined in Section 2.2(e)(i).

"***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 Agreement***" means that certain Intellectual Property Security Agreement executed and delivered by each Loan Party to Agent and dated as of the Closing Date.

"***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.

"***Licensee***" means a Third Party that is granted any Product Rights.

"***Lien***" means any mortgage, deed of trust, pledge, hypothecation, assignment for security, security interest, encumbrance, levy, lien or charge 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).

"***Loan***" means the Advances made under this Agreement.

"***Loan Documents***" means this Agreement, the Notes (if any), the Intercreditor Agreement, the Joinder Agreements, the Disclosure Letter, all Australian PPSR or UCC Financing Statements, the IP Security Agreement, the Australian Security Documents, the English Security Documents, the Swiss Security Documents, the Perfection Certificate, 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 the Borrower and each of the Guarantors.

"***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; or (iii) the Collateral or Agent's Liens on the Collateral or the priority of such Liens; provided that 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 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 of, or taking of any other regulatory action by, the FDA or any other governmental entity 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.

"***Material Contract***" means (a) any agreement related to the development, marketing, promotion, manufacture, sale, or distribution of the Product or (b) any other agreement for which breach, non-performance, or failure to renew by a party thereto could reasonably be expected to have a Material Adverse Effect.

"***Maturity Date***" means the date that is eight years after the date of the Tranche 1 Advance.

"***Maximum Amount***" has the meaning set forth in Section 11.21(a).

"***Maximum Rate***" has the meaning set forth in Section 2.3.

"***Maximum Term Loan Amount***" means Forty Million and No/100 Dollars ($40,000,000.00).

"***Net Sales***" means the gross amount invoiced by the Loan Parties, their Affiliates, and Licensees to Third Parties for sales of the Product anywhere in the world other than the Asian Territories, and less the following items:

(a) trade, quantity and cash discounts allowed and actually taken or accrued for sales of the Product;

(b) discounts, refunds, rebates (including, but not limited to, wholesaler inventory management fees), credits, cost of free goods, chargebacks, retroactive price adjustments, and any other customary allowances actually taken or accrued for sales of the Product, which effectively reduce the net selling price;

(c) credits for actual product returns, recalls, rejections, and allowances for sales of the Product;

(d) price reductions or rebates, retroactive or otherwise, imposed by or negotiated with Governmental Authorities with regard to sales of the Product; and

(e) Taxes imposed on the production, sale, or delivery of the Product, including, without limitation, sales, use, excise, turnover, inventory, or value added Taxes (but excluding income Taxes and similar Taxes), but only to the extent set forth separately in the invoice.

Net Sales shall not include sales or other dispositions of the Product by the Loan Parties, their Affiliates, and Licensees to Third Parties for sales of such Product anywhere in the world for purposes of resale by any of such parties, *provided, however*, that the Product's resale other than in the Asian Territories shall be included in Net Sales.

Net Sales shall be determined from the books and records of the selling party maintained in accordance with GAAP or IFRS (as applicable), as consistently applied by the selling party.

"***Note(s)***" means a Term Note.

"***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, 66Fed. 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.

"***Origination Fee***" means Eight Hundred Thousand Dollars ($800,000).

"***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 United Kingdom, Switzerland or any other country.

"***Performance Milestone***" means satisfaction of each of the following events: (a) no Event of Default shall have occurred and be continuing; and (b) Borrower or any other Loan Party shall have received the Product Approval from the FDA.

"***Perfection Certificate***" means that certain Perfection Certificate, dated the Closing Date, executed and delivered by Parent to Agent and Lender.

"***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, subject to Section 11.3(c), 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) if related to the Product, such property being so acquired shall be subject to Agent's Lien pursuant to the terms of the Loan Documents; and

(g) the sum 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.

"********" 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) the Designated Senior Indebtedness; (xv) any Indebtedness of the Approved Subsidiary, provided that such Indebtedness shall not be recourse to any Loan Party or any of their other Subsidiaries (other than the Approved Subsidiary); and (xvi) extensions, refinancings and renewals of any items of Permitted Indebtedness, subject in all respects, to the terms of the Intercreditor Agreement and Section 11.3(c).

"***Permitted Investment***" means: (i) Investments existing on the Closing Date which are disclosed in Schedule 1B to the Disclosure Letter; (ii) (a) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency or any State thereof maturing within one year from the date of acquisition thereof currently 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 year from the date of creation thereof 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 issued by any bank with assets of at least Five Hundred Million Dollars ($500,000,000) maturing no more than one year from the date of investment therein, (d) money market accounts, 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; (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; and (xv) other investments not to exceed $1,000,000 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, software, or other intellectual property constituting purchase money Liens and Liens in connection with capital leases securing Indebtedness permitted in clause (iii) of "Permitted Indebtedness"; (viii) Liens incurred in connection with Subordinated Indebtedness; (ix) leasehold interests in leases or subleases and licenses or sublicenses granted in the ordinary course of business and not interfering in any material respect with the business of the licensor; (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 permitted hereunder, (xviii) other Liens in an aggregate amount not to exceed $250,000, (xix) Liens securing the Designated Senior Indebtedness and Liens incurred in connection with the extension, renewal or refinancing of the Indebtedness secured by Liens of the type described in clauses (i) through (xviii) 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 Transfers***" means (i) sales of Inventory in the ordinary course of business; (ii) non-exclusive inbound and outbound licenses, sublicenses and similar arrangements for the use of its Intellectual Property (including without limitation, Product IP Rights) and other licenses and sublicenses that could not result in a legal transfer of title of the licensed property but that may be exclusive ********; (iii) dispositions of worn-out, obsolete or surplus equipment at fair market value in the ordinary course of business; (iv) other transfers of assets 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; (vi) transfers of Intellectual Property (including without limitation Product IP Rights) and other assets to Loan Parties so long as such assets remain subject to the lien of Agent pursuant to the terms of the Loan Documents; (vii) subject to approval by Agent in its reasonable discretion, ********; (viii) transfers of the Excluded IP Assets; and (ix) sale or transfer of equity interests of the Approved Subsidiary as part of the Approved Transaction, including by way of a distribution to shareholders as part of a demerger process.

"***Person***" means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, other entity or government.

"***Prepayment Amount***" means, with respect to any voluntary or mandatory prepayment of Loans during each applicable period set forth below after the Closing Date, without duplication, the corresponding amount set forth in column A below for such period, following the Tranche 1 Advance or the corresponding amount set forth in column B below for such period, following the Tranche 2 Advance, plus all reasonable and documented out-of-pocket fees and expenses owing under the Loan Documents at such time minus all Royalty Payments and Additional Royalty Payments made by Borrower to Lender hereunder:

Prepayment Period	A. Prepayment Amount (Following Tranche 1 Advance)	B. Prepayment Amount (Following Tranche 2 Advance)
From the Closing Date but prior to July 9, 2021	$****	$****
On or after July 10, 2021 but prior to July 9, 2022	$****	$****
On or after July 10, 2022 but prior to July 9, 2023	$****	$****
On or after July 10, 2023 but prior to July 9, 2024	$****	$****
On or after July 10, 2024 but prior to July 9, 2025	$****	$****
On or after July 10, 2025 but prior to July 9, 2026	$****	$****

"***Product***" means that certain product candidate identified as MSC-100-IV for the treatment of pediatric patients who have failed to respond to steroid treatment for acute GvHD, which is currently undergoing a Phase 3 study (clinicaltrials.gov identifier NCT02336230).

"***Product Approval***" means, for the Product, any approval(s) (including supplement(s), amendment(s), pre- and post-approval(s)), license(s), registration(s), or authorization(s) of the applicable national, supra-national (e.g., the European Commission or the Council of the European Union), regional, state, or local regulatory agency, department, bureau, commission, council, or other governmental entity, that are necessary for the manufacture, distribution, use, sale, and marketing of the Product, in the United States and its territories, Europe and Australia".

"***Product Assets***" means all assets or property related to the Product and that are owned by, licensed to, or otherwise controlled by any Loan Party other than with respect to the Asian Territories, including, without limitation, all of the following (other than with respect to the Asian Territories): Product IP Rights, Product IP Agreements, regulatory filings, product packaging, product inserts, product labels, regulatory approval applications, regulatory approvals, regulatory exclusivity, copies of correspondence with regulatory authorities, copies of pre-clinical and clinical data, copies of pharmacology and biology data, Material Contracts, and Inventory.

"***Product IP Agreements***" means any contract (a) pursuant to which any right, title or interest in or to any Product IP Rights has been granted, assigned, or otherwise conveyed to a Loan Party, and (b) necessary for the usage of or Covering any Intellectual Property related to the Product.

"***Product IP Rights***" means all Intellectual Property relating to the Product owned or licensed by a Loan Party outside of the Asian Territories, including the rights of a Loan Party in any such rights licensed to Third Parties and: (a) Product Know-How; (b) all Patents Covering the Product (including its composition, formulation, delivery, manufacture, or use); and (c) all works protectable under copyright laws, Trademarks, service marks, and trade names that relate to the Product.

"***Product Know-How***" means, as related to the Product, all technical, scientific and other know-how and information, trade secrets, knowledge, technology, means, methods, processes, practices, formulae, instructions, skills, techniques, procedures, experiences, ideas, technical assistance, designs, drawings, assembly procedures, computer programs, apparatus, specifications, data, results and other material, including, pre-clinical and clinical trial results, manufacturing procedures, test procedures, and purification and isolation techniques (whether or not confidential, proprietary, patented, or patentable) in written, electronic or any other form now known or hereafter developed, and all other discoveries, developments, information and inventions (whether or not confidential, proprietary, patented, or patentable), and tangible embodiments of any of the foregoing, including any discoveries, developments, information, or inventions relating to the stability, safety, efficacy, operation, manufacture, ingredients, preparation, indications, presentation, formulation, means of delivery, or dosage of any pharmaceutical composition or preparation.

"***Product Rights***" means licenses or rights to the Product or under the Product IP Rights for making, having made, using, developing, commercializing, marketing, promoting, distributing, selling, offering for sale, importing, or otherwise exploiting the Product.

"***PSC Register***" means the "PSC register" within the meaning of section 790C(10) of the Companies Act 2006.

"***Receivables***" means (i) all of each Loan Party's Accounts, Instruments, Documents, Chattel Paper, Supporting Obligations, letters of credit, proceeds of any letter of credit, and Letter of Credit Rights, and (ii) all customer lists, software, and business records related thereto.

"***Recordkeeping Period***" has the meaning set forth in Section 2.2(e)(ix).

"***Register***" has the meaning set forth in Section 11.7.

"***Required Lenders***" means at any time, the holders of more than 50% of the aggregate unpaid principal amount of the Term Loans then outstanding.

"***Royalty Payment***" means, collectively, any Interest Royalty Payment and any Amortization Royalty Payment.

"***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 or any EU member state, (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, or (b) the United Nations Security Council, the European Union or Her Majesty's Treasury of the United Kingdom.

"***SEC***" means the Securities and Exchange Commission.

"***Secured Obligations***" means each Loan Party's obligations under this Agreement and any Loan Document, including any obligation to pay any amount now owing or later arising.

"***Secured Party***" has the meaning given to that term in any Australian Security Document.

"***Senior Agent***" means Hercules Capital, Inc. as administrative and collateral agent under the Designated Senior Indebtedness (together with its successors and assigns).

"***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 Guarantor***" has the meaning set forth in Section 11.21.

"***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 Federal Tax Administration***" means the tax authorities referred to in article 34 of the Swiss Withholding Tax Act.

"***Swiss Security Documents***" means (a) the "***Senior and Subordinated Swiss Security Documents***" as defined in the Intercreditor Agreement and (b) 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***" means the term of the Term Loan which commences on the Closing Date and ends on the Maturity Date.

"***Term Commitment***" means as to any Lender, the obligation of such Lender, if any, to make a Term Loan Advance to the 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 Note***" means a Promissory Note in substantially the form of Exhibit B.

"***Third Party***" means any Person, including a Governmental Authority, other than a Loan Party, Agent, Lender, and their respective Affiliates.

"***Trademark License***" means any written agreement granting any right to use any Trademark or Trademark registration, now owned or hereafter acquired by any Loan Party or in which any Loan Party now holds or hereafter acquires any interest.

"***Trademarks***" means all trademarks (registered, common law or otherwise) and any applications in connection therewith, including 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 United Kingdom, Switzerland, or any other country or any political subdivision thereof.

"***Tranche 1 Advance***" has the meaning set forth in Section 2.2(a)(i)

"***Tranche 2 Advance***" has the meaning set forth in Section 2.2(a)(ii).

"***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.

"***UCC Collateral***" has the meaning set forth in Section 3.1.

"***UK***" means the United Kingdom.

"***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 Loan Party***" means a Loan Party incorporated in England and Wales who is required to maintain a PSC Register and whose shares are pledged as Collateral.

"***Upstream or Cross-Stream Secured Obligations***" has the meaning set forth in Section 11.21(a).

"***U.S. Person***" means any Person that is a "United States person" as defined in Section 7701(a)(30) of the Code.

"***Withholding Agent***" means the Borrower, the Agent and any other applicable withholding agent under applicable law.

"***Write-Down and Conversion Powers***" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

1.2 Conventions. 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. Without limiting the foregoing, leases shall continue to be classified and accounted for on a basis consistent with that reflected in the audited financial statements for fiscal year ending June 30, 2017 for all purposes of this Agreement, notwithstanding any change in GAAP or IFRS, as applicable, relating thereto, unless the parties hereto shall enter into a mutually acceptable amendment addressing such changes. 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.

1.3 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. To the extent that a Third Party licensee of the Product IP Rights uses an exchange rate that differs from the foregoing, then Borrower will identify the calculation for the conversion provided by such Third Party licensee in lieu of the preceding sentence calculation and Agent shall in good faith consider such calculations.

SECTION 2.
THE LOAN

2.1 [Reserved.]

2.2 Term Loans.

(a) Tranches.

(i) *Tranche 1 Advance*. Subject to the 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 Thirty Million Dollars ($30,000,000) within 10 Business Days of the Closing Date (the "***Tranche 1 Advance***").

(ii) *Tranche 2 Advance*. Subject to the terms and conditions of this Agreement and within thirty (30) days of Borrower's (or any Loan Party's) achievement of the Performance Milestone in accordance with the definition thereof, Borrower shall request an additional Term Loan Advance in the principal amount of Ten Million Dollars ($10,000,000) (the "***Tranche 2 Advance***").

(b) Limit. The aggregate outstanding Term Loan Advances shall not exceed the Maximum Term Loan Amount.

(c) Advance Requests.

(i) Borrower shall complete, sign and deliver to Agent an Advance Request for the Tranche 1 Advance at least three (3) Business Days before the Advance Date. Lender shall fund the Tranche 1 Advance in the manner set forth in the Advance Request, *provided* that each of the conditions precedent to such Tranche 1 Advance is satisfied as of the Advance Date.

(ii) Borrower shall complete, sign and deliver to Agent an Advance Request for the Tranche 2 Advance at least twenty (20) Business Days before the Tranche 2 Advance Date. Lender shall fund the Tranche 2 Advance in the manner set forth in the Advance Request, provided that each of the conditions precedent to such Tranche 2 Advance is satisfied as of the Tranche 2 Advance Date.

(d) Interest. The principal balance of each Term Loan Advance shall bear interest thereon from the applicable Advance Date and be payable, subject to the provisions of Sections 2.2(e)(ii) and (iv), at the end of each calendar quarter during the Term in an amount equal to the product of the outstanding Term Loan principal balance multiplied by the Interest Rate based on a year consisting of 360 days, with interest computed daily based on the actual number of days elapsed.

(e) Payment.

(i) For each twelve (12) month period during the Interest Only Period commencing on the Closing Date, within forty-five (45) days in the case of Net Sales received by Loan Parties and their Affiliates, and within ninety (90) days in the case of Net Sales received by Licensees and their Affiliates, after the last day of each calendar quarter, Borrower shall pay to Lender an amount ("***Interest Royalty Payment***") equal to 25% of Net Sales until the cumulative Interest Royalty Payments paid to Lender during such twelve (12) month period equal the accrued interest due on the outstanding Term Loan principal balance for such twelve (12) month period, subject to any limitations under this Section 2(e) (the "***Annual Interest Cap***"). If such Interest Royalty Payment achieves the Annual Interest Cap prior to the end of such twelve (12) month period during the Interest Only Period, Borrower shall pay to Lender an Interest Royalty Payment equal to ******** for the remainder of such twelve (12) month period (each an "***Additional Interest Royalty Payment***").

(ii) Notwithstanding Section 2.2(e)(i) above, if the accrued interest on the outstanding Term Loan principal balance that is due for a calendar quarter during the Interest Only Period exceeds an amount equal to 25% of Net Sales for such calendar quarter, any unpaid accrued interest for such calendar quarter shall be added to the outstanding principal balance of the Term Loan, which principal amount shall accrue interest as provided in Section 2.2(d) and which accrued and unpaid amount shall be payable when the principal amount of the Term Loan is payable in accordance with Section 2.2(e)(iii).

(iii) For each twelve (12) month period during the Amortization Period, within forty-five (45) days in the case of Net Sales received by Loan Parties and their Affiliates, and within ninety (90) days in the case of Net Sales received by Licensees and their Affiliates, after the last day of each calendar quarter, Borrower shall pay to Lender an amount ("***Amortization Royalty Payment***") equal to 25% of Net Sales until the cumulative Amortization Royalty Payments paid to Lender during such twelve (12) month period equal the aggregate

amount of principal and accrued interest due for such twelve (12) month period, calculated based on equal quarterly installments of principal and accrued interest for each calendar quarter during the Amortization Period (each such installment, an "***Amortization Payment Amount***") based on a straight-line amortization (the "***Annual Amortization Cap***"). For illustrative purposes, a ******** is attached hereto as Exhibit I. If such Amortization Royalty Payments achieve the Annual Amortization Cap prior to the end of such twelve (12) month period during the Amortization Period, Borrower shall pay to Lender an Amortization Royalty Payment equal to ******** for the remainder of such twelve (12) month period (each an "***Additional Amortization Royalty Payment***").

(iv) Notwithstanding Section 2.2(e)(iii) above, if the Amortization Payment Amount due for a calendar quarter during the Amortization Period exceeds an amount equal to 25% of Net Sales for such calendar quarter, any unpaid portion of the Amortization Payment Amount shall be payable with the next Amortization Royalty Payment due pursuant to Section 2.2(e)(iii).

(v) In addition to payments required pursuant to the foregoing, if a Term Loan Advance would otherwise constitute an "applicable high yield discount obligation" within the meaning of Section 163(i) of the Code (an "***AHYDO***"), then, before the close of each accrual period ending after the fifth anniversary of the Advance Date with respect to such Term Loan Advance, the Borrower shall make any and all payments in cash on such Term Loan Advance (including by paying in cash a minimum amount of original issue discount and any other interest that has been previously accrued and unpaid) as necessary to prevent such Term Loan Advance from being treated as an AHYDO.

(vi) Any remaining outstanding Term Loan principal balance and any accrued but unpaid interest hereunder that is not satisfied through payment of the Royalty Payments pursuant to this Section 2.2(e), excluding any Additional Royalty Payments, shall be due and payable on the Maturity Date. Borrower shall make all payments under this Agreement without setoff, recoupment or deduction and regardless of any counterclaim or defense.

(vii) Concurrent with each Royalty Payment, Borrower will deliver to Agent a true and accurate report containing the following information: (A) the accounting methodologies used to account for and calculate the items included in the report and any differences in such accounting methodologies used by Borrower since the previous royalty report; and (B) the calculation of Net Sales segregated on a country-by-country basis, including an itemization of deductions from the gross revenue used to arrive at the resulting Net Sales. To the extent that a Third Party licensee of the Product IP Rights delivers a report that differs from the foregoing, then Borrower will deliver to Agent a true and correct copy of the report provided by such Third Party licensee and Agent shall in good faith consider whether such report satisfies the obligations pursuant to this Section 2.2(e)(vii).

(viii) All payments under this Agreement to Lender shall be made in U.S. Dollars by wire transfer in immediately available funds, to such account as Lender designates in writing from time to time. With respect to Net Sales invoiced and received in a currency other than U.S. Dollars, such Net Sales will be converted into the U.S. Dollar equivalent using the conversion rate existing in the United States (as reported in The Wall Street Journal, New York edition) for the applicable currency on the last Business Day of the applicable calendar quarter. If The Wall Street Journal ceases to publish such exchange rate, then the rate of exchange to be used shall be that reported in such other business publication of national circulation in the United States on which Lender and Borrower reasonably agree.

(ix) Borrower shall, and shall ensure that the Loan Parties and their controlled Affiliates shall, keep and maintain for a period of three (3) years from the end of any calendar quarter (the "***Recordkeeping Period***") accounts and records of all data reasonably required to verify the calculation of Net Sales and Royalty Payments due hereunder during such calendar quarter.

(x) From the end of any calendar quarter until the expiration of the Recordkeeping Period, upon prior written notice to Borrower, Agent shall have the right to audit, through an independent certified public accountant selected by Agent, those accounts and records of the Loan Parties and their controlled Affiliates as may be reasonably necessary to verify the Loan Parties' and their controlled Affiliates' compliance with this Section 2.2(e). Such audits must occur during normal business hours and may occur no more than once per calendar year. Agent shall be solely responsible for the expenses of any such audit, unless the independent certified public accountant's report shows, in respect of any calendar year then being reviewed, an underpayment of Royalty Payments or Additional Royalty Payments for such calendar year by more than five percent (5%), in which case Borrower shall be responsible for the expenses incurred by Agent for the independent certified public accountant's services. If the report shows an underpayment of Royalty Payments or Additional Royalty Payments, then Borrower will pay Lender the additional Royalty Payment or Additional Royalty Payment due within thirty (30) calendar days after receipt of the audit report.

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 the Borrower has 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 the Borrower 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 Royalty Payment or Additional Royalty Payment that is due and payable pursuant to Section 2.2(e), subject to clauses (ii) and (iv) thereof, 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. 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 at the rate set forth in Section 2.2(d) or this Section 2.4, as applicable.

2.5 Recalculation of Interest. If the deduction of Swiss Withholding Tax 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 2.10 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.

2.6 Prepayment. At its sole option upon at least seven (7) Business Days' prior written notice to Agent, the Borrower may prepay all outstanding amounts owing under the Loan Documents at such time by payment to Lender of the Prepayment Amount. The Borrower agrees that the Prepayment Amount is a reasonable calculation of Lender's lost profits in view of the difficulties and impracticality of determining actual damages resulting from an early repayment of the Advances. The Borrower shall pay the Prepayment Amount upon the occurrence of or contemporaneously with the occurrence of a Change in Control. Notwithstanding the foregoing, Agent and Lender agree to waive the Prepayment Amount if Agent and Lender or any affiliate of Agent or Lender (in its sole and absolute discretion) agree in writing to refinance the Advances prior to the Maturity Date. Upon receipt by Agent of a notice of redemption delivered in accordance with the definition of ********, the Borrower shall, at the request of Agent, prepay the all outstanding amounts owing under the Loan Documents at such time by payment to Lender of the Prepayment Amount, plus all fees and other amounts owing under the Loan Documents at such time, on the date that is not less than ninety-one days prior to the redemption date set forth in such notice, unless otherwise agreed between Agent and Borrower. Notwithstanding anything herein to the contrary, in the event that Borrower shall pay to Lender at any time from and after the date hereof, whether by way of Royalty Payments, Additional Royalty Payments or otherwise, aggregate consideration in an amount equal to the Prepayment Amount for the applicable prepayment period, such aggregate consideration shall be deemed to be applied in satisfaction of the applicable Prepayment Amount for such period and shall constitute a prepayment in full of the Loan.

2.7 [Reserved.]

2.8 Notes. If so requested by Lender by written notice to the Borrower, then the Borrower 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 11.13) (promptly after the Borrower's receipt of such notice) a Note or Notes to evidence Lender's Loans.

2.9 Pro Rata Treatment. Each payment (including any Royalty Payment, Additional Royalty Payment and/or 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.

2.10 Taxes.

(a) Defined Terms. For purposes of this Section 2.10, 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 Borrower 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 2.10, 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 and Agent.

(i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Agent, at the time or times reasonably requested by the Borrower or the Agent, such properly completed and executed documentation reasonably requested by the Borrower 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 Borrower or the Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Agent as will enable the Borrower 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)(ii)(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, with respect to each Loan Party that is a U.S. Person:

1. any Lender that is a U.S. Person shall deliver to such Loan Party 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 such Loan Party 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 such Loan Party 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 such Loan Party 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 H-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 such Loan Party within the meaning of Section 871(h)(3)(B) of the Code, or a "controlled foreign corporation" related to such Loan Party 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 H-2 or Exhibit H-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 H-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 such Loan Party 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 such Loan Party 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 such Loan Party 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 such Loan Party and the Agent at the time or times prescribed by law and at such time or times reasonably requested by such Loan Party 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 such Loan Party or the Agent as may be necessary for such Loan Party 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 the Borrower 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 2.10 (including by the payment of additional amounts pursuant to this Section 2.10), 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) 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 (b) through (d) 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 Borrower 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.

(j) U.S. Tax Reporting. The Borrower agrees to treat the Term Loan as indebtedness for U.S. income tax purposes and to treat the Royalty Payments and any Additional Royalty Payments as payments of interest (or, if applicable, repayments of principal), in each case, unless otherwise required by a final determination of an applicable Governmental Authority or unless otherwise required pursuant to a change in applicable law after the date hereof; provided, that the Borrower shall notify the Agent in writing promptly upon the initiation of any Tax audit, investigation, suit or other proceeding relating to such treatment and shall keep the Agent promptly informed of all material developments with respect thereto. The Loan Parties, the Agent and the Lenders shall report on their tax returns in a manner consistent with the foregoing and consistent with the projected payment schedule and comparable yield calculations (as approved by the Agent), unless otherwise required by applicable law or a final determination of an applicable Governmental Authority.

(k) 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.

(l) Survival. Each party's obligations under this Section 2.10 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.

2.11 Administration Fee. The Loan Parties shall pay Agent an administrative fee accruing at the rate of 1.00% per annum of the Maximum Term Loan Amount. All such fees payable under this Section 2.11 shall be payable annually in arrears on each anniversary of the Closing Date, and, in addition, on the earliest to occur of (i) the Maturity Date, (ii) the date that Borrower prepays the outstanding Secured Obligations, or (iii) the date that the Secured Obligations become due and payable. Such fee shall be prorated for any partial year and calculated on the basis of the actual number of days elapsed and a 360-day year.

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 grants to Agent a security interest in all of such Loan Party's right, title, and interest in, to and under all of the Product Assets, including, without limitation, the following as related to the Product, whether now owned or hereafter acquired (collectively, the "***UCC Collateral***"): (a) Receivables; (b) General Intangibles; (c) Inventory; (d) Goods; and (e) 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 UCC Collateral shall not include nonassignable 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).

3.3 Parent, Mesoblast UK, Mesoblast Intl 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 (such collateral, with the UCC Collateral, collectively, the "***Collateral***") in favor of Agent (or, with respect to the Swiss Security Documents, in favour of Agent, the Lenders as well as Senior Agent or the lenders under the Designated Senior Indebtedness) 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 Subject to the Intercreditor Agreement, the lien and security interest created hereunder 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 other Intellectual Property licensed under an exclusive license permitted under the terms of this Agreement, with, subject to Section 11.3(c), the consent of Agent, which such consent shall not be unreasonably withheld or delayed and in any event shall be provided within ten (10) Business Days, 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, 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 an Exclusive Approved License or any other exclusive license permitted hereunder, Agent and Lenders agree that the respective Loan Party party to such Exclusive Approved License or such other exclusive license permitted hereunder may grant to the licensee thereunder customary rights ancillary to the licensing of the Excluded IP Assets or 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, subject to Section 11.3(c), 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 Approved Transaction.

SECTION 4.
CONDITIONS PRECEDENT TO LOAN

The obligations of Lender to make the Loan hereunder are subject to the satisfaction by the Borrower 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 this Agreement, the Disclosure Letter, the Equity Purchase Agreement, the Intercreditor Agreement, and the Perfection Certificate, in each case, 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, Mesoblast Intl UK, and Mesoblast SUI) evidencing (i) approval of the Loan and other transactions evidenced by the Loan Documents; (ii) authorizing a specified person or persons to execute the Loan Documents to which it is a party on its behalf; (iii) 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 (iv) (with respect to Parent) (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; and

(c) such other documents as Agent may reasonably request.

4.2 Tranche 1 Advance. On or prior to the Advance Date of the Tranche 1 Advance, Borrower shall have delivered to Agent the following:

(a) executed copies of the Loan Documents not delivered on or prior to the Closing Date (including any supplements or modifications to the Disclosure Letter and Perfection Certificate delivered on the Closing Date reasonably requested by Agent), a legal opinion of each of Loan Party's United States and Swiss counsel and Agent's English, Swiss and Australian counsel, 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) concurrently with the Tranche 1 Advance, Parent shall issue common stock pursuant to the Equity Purchase Agreement pursuant to the terms therein;

(c) certificates (as customary in the jurisdiction of Mesoblast UK and Mesoblast Intl 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 and Mesoblast Intl 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 Advance Date of the Tranche 1 Advance;

(d) in respect to any UK PSC Loan Party, a copy of the PSC Register together with confirmation from an authorized officer that 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 pledged as Collateral and no circumstances exist which entitle that UK PSC Loan Party to issue any such notice;

(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 Advance Date of the Tranche 1 Advance;

(f) certified copies of the constitutional documents and the bylaws, as amended through the Advance Date of the Tranche 1 Advance, 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;

(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 the Origination Fee;

(k) reimbursement of Agent's and Lender's current expenses reimbursable pursuant to Section 11.11 of this Agreement; and

(l) such other documents as Agent may reasonably request.

4.3 All Advances. On or prior to each Advance Date:

(a) Agent shall have received an Advance Request for the relevant Advance as required by Section 2.2(c), each duly executed by the 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, in which case they shall be true and correct in all material respects as of such 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; and

(d) 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 4.3 and as to the matters set forth in the Advance Request.

4.4 No Default. As of the Closing Date and each Advance Date (including, for the avoidance of doubt, the Advance Date of the Tranche 1 Advance), (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.

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 under the laws of (a) Australia (with respect to Parent), (b) England and Wales (with respect to Mesoblast UK and Mesoblast Intl UK), (c) Switzerland (with respect to Mesoblast SUI), or (d) Delaware (with respect to Mesoblast USA), as applicable, 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 and contracts between any Loan Party and/or any of its Subsidiaries and (ii) Parent. 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 officers and employees and to the knowledge of Parent, its Subsidiaries and their respective directors 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 federal, state and local income and other material 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 Claims. The Loan Parties are the sole owner of, or otherwise have the right to use, the Product IP Rights material to their business and the Product. 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 part of the Product IP Rights has been judged invalid or unenforceable, in whole or in part, and (iii) no claim has been made to a Loan Party that any material part of the Product IP Rights violates the rights of any Third Party. To the Loan Parties' knowledge, Exhibit D to the Disclosure Letter contains a true, correct and complete list as related to the Product of each of the Loan Parties' Patents, registered Trademarks, registered Copyrights, and material agreements under which a Loan Party licenses Product IP Rights from third parties (other than shrink-wrap or off the shelf software licenses), together with application or registration numbers, as applicable, owned by a Loan Party. 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 and, to the Borrower's 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.

5.10 Intellectual Property. Except as described on Schedule 5.10 to the Disclosure Letter, to the Loan Parties' knowledge, the Loan Parties have all material rights with respect to the Product IP Rights necessary or material in the operation or conduct of the Loan Parties' business as currently conducted and proposed to be conducted by Loan Parties. Without limiting the generality of the foregoing, and in the case of material Intellectual Property Licenses from Third Parties, except for restrictions that are unenforceable under Section 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 the Product IP Rights 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 the Product 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 Product. Except as described on Schedule 5.11 to the Disclosure Letter, no material Product IP Rights owned by any Loan Party or the 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 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 Product IP Rights related to the operation or conduct of the business of the Loan Parties or the Product. 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 Product IP Rights (or written notice of any claim challenging or questioning the ownership in any licensed Product IP Rights 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. To Loan Parties' knowledge, no Loan Party's use of its Product IP Rights or the production and sale of the Product infringes the valid Intellectual Property or other rights of others in any material respect.

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 The Council of the European Union Regulation No. 1346/2000 on Insolvency Proceedings (the "***Regulation***"), each of Mesoblast UK's and Mesoblast Intl UK's centre of main interest (as that term is used in Article 3(1) of the Regulation) is situated in England and Wales and it has no "establishment" (as that term is used in Article 2(h) of the Regulation) in any other jurisdiction.

5.17 Pensions. (a) none of Mesoblast UK and Mesoblast Intl UK is, 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) none of Mesoblast UK and Mesoblast Intl UK is, 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 Trustee. The Loan Parties are not trustees of any trust or settlement other than as disclosed to Agent prior to the Closing Date.

5.19 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.

5.20 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 an Australian Tax Sharing Agreement or an Australian Tax Funding Agreement.

5.21 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.

5.22 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.

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. On or prior to the funding of the Tranche I Advance, 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 "NQP SPV II, L.P., 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 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, Lender and their 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) within thirty (30) days after the end of each month, unaudited interim and year-to-date financial statements of Parent as of the end of such month (prepared on a consolidated basis), including balance sheet and related statement of income and cash flows, accompanied by a report detailing any material contingencies (including commencement of any material litigation by or against any Loan Party) or any other occurrence that could reasonably be expected to have a Material Adverse Effect, all 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 (A) for the absence of footnotes, (B) that they are subject to normal year-end adjustments, and (C) they do not contain certain non-cash items that are customarily included in quarterly and annual financial statements;

(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 (including the commencement of any material litigation by or against any Loan Party) 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 or similar limitations (other than a going concern qualification solely with respect to either having less than twelve (12) months of cash or the impending maturity of debt for the fiscal year ending immediately prior to the maturity date of such debt), 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(a), (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 thirty (30) days after each meeting of the Board of Directors, copies of all presentation materials that any Loan Party provides to its directors in connection with meetings of the Board of Directors, provided that all in all cases such Loan Party may exclude any information or materials related to executive compensation, executive sessions, debt refinancings, confidential information, 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; and

(i) 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 Robert.Hester@nqcapital.com with a copy to Matthew.Bullard@nqcapital.com. All Financial Statements required to be delivered pursuant to clauses (a), (b) and (c) shall be sent via e-mail to Robert.Hester@nqcapital.com with a copy to Matthew.Bullard@nqcapital.com, provided that if e-mail is not available or sending such Financial Statements via e-mail is not possible, they shall be faxed to Agent at: (919) 516-0580, attention Robert Hester and Matthew Bullard.

Notwithstanding the foregoing, documents required to be delivered under Sections 7.1(a), (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.

Furthermore and notwithstanding the foregoing, if Agent or Lender provides the Borrower written notice that Agent or such Lender no longer wishes to receive any materials or notices required to be delivered pursuant to this Section 7.1 or otherwise under this Agreement, Borrower and the Loan Parties, as applicable, shall cease to deliver such materials or notices within three (3) Business Days' of receipt of such notice from Agent or Lender.

7.2 Management Rights. The Loan Parties shall permit any representative that Agent or 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 of the Loan Parties to discuss such books of account and records. In addition, Agent or Lender shall be entitled to consult with and advise the management and officers of the Loan Parties concerning significant business issues affecting the Product 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 Lender 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 Lender with respect to any business issues shall not be deemed to give Agent or Lender, nor be deemed an exercise by Agent or Lender 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, deliver and file, alone or with Agent, any financing statements, security agreements, collateral assignments, notices, control agreements, or other documents to perfect or give the highest priority to Agent's Lien on the Collateral, subject to the Lien of Senior Agent. 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, or prepay any Indebtedness or take any actions which impose on any Loan Party an obligation to prepay any Indebtedness, except for (a) the conversion of Indebtedness into 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) inter-company 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, or (e) 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 the Product IP Rights, 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 each Loan Party 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 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 (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. Except for Permitted Transfers and Permitted Investments that constitute Permitted Transfers, no Loan Party shall, nor shall allow any Subsidiary to, voluntarily or involuntarily transfer, sell, lease, license, lend or in any other manner convey any equitable, beneficial or legal interest in any material portion of its assets or sell a controlling ownership interest in or majority equity interest in any Subsidiary organized or acquired after the Closing Date.

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 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) [Reserved], 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 United Kingdom (with respect to Mesoblast UK and Mesoblast Intl UK), Switzerland (with respect to Mesoblast SUI) 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 (other than the Approved Subsidiary) shall not, collectively, hold any Product Assets (other than Excluded Assets or any registrations or filings with respect to Product IP Rights) not subject to a perfected Lien in favor of Agent as required under the Loan Documents 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 [Reserved.]

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 or the Approved Subsidiary, shall cause any such Subsidiary (other than an Excluded Subsidiary or the Approved Subsidiary), unless otherwise consented to by Agent (subject to Section 11.3(c)), to execute and deliver to Agent a Joinder Agreement in order that such Subsidiary shall become a Guarantor under this Agreement.

7.14 [Reserved.]

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 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 and other employees.

7.17 Use of Proceeds. Borrower agrees that the proceeds of the Loans shall be used solely to pay related fees and expenses in connection with this Agreement and for 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 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.

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 officers and employees and to the knowledge of such Loan Party's, its directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects.

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. Each Loan Party shall protect, defend and maintain the validity and enforceability of the Product IP Rights; (ii) promptly advise Agent in writing of material infringements of the Product IP Rights; and (iii) not allow any Product IP Rights material to such Loan Party's business to be abandoned, forfeited or dedicated to the public without, subject to Section 11.3(c), Agent's written consent (for the avoidance of doubt, the lapsing of divisionals in a patent family where there are granted patents in the same jurisdiction as the divisional does not require the Agent's written consent). If a Loan Party (i) obtains any Patent, registered Trademark, registered Copyright, 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, in each case related to the Product, then such Loan Party shall immediately provide written notice thereof to Agent 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 perfected security interest in favor of Agent pursuant to the terms of the Loan Documents in such property. If a Loan Party decides to register any Copyrights or mask works related to the Product 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 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 related to the Product, together with evidence of the recording of the intellectual property security agreement required for Agent to perfect and maintain a perfected security interest in such property pursuant to the terms of the Loan Documents.

7.21 COMI. No Subsidiary of any Loan Party whose jurisdiction of incorporation or organization is in a member state of the European Union shall change its "centre of main interests" (as that term is used in Article 3(1) of the Regulation).

7.22 Trustee Undertakings. No Loan Party will become a trustee of any trust or settlement without the prior written consent of Agent.

7.23 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.

7.24 Australian PPS Law. Each Loan Party with assets located in Australia will promptly take all reasonable steps which are prudent for its business under or in relation to any Australian PPS Law.

7.25 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) to or from the "Registrar" as that term is defined in the PPSA or from another secured party in respect of such secured property.

7.26 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 Loan Party; and (b) promptly provide Agent with a copy of that notice.

7.27 Diligence Obligations. The Loan Parties shall use commercially reasonable efforts to develop, seek and obtain other regulatory approvals of, manufacture and commercialize the Product in the United States and its territories and, following the Tranche 2 Advance, the United States and its territories and Europe.

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 (solely with respect to prepayments relating to the ****), 4.4, 6, 7.4, 7.5, 7.6, 7.7, 7.8, 7.9, 7.11, 7.15, 7.17, 7.18, 7.20, 7.21 or 7.22) 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 (solely with respect to prepayments relating to the ****), 4.4, 6, 7.4, 7.5, 7.6, 7.7, 7.8, 7.9, 7.11, 7.15, 7.17, 7.18, 7.20, 7.21 or 7.22, the occurrence of such default; or

9.3 [Reserved.];

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 limited or wholly or substantially curtailed by any seizure, expropriation, nationalization, intervention, restriction or other action by or on behalf of any governmental, regulatory or other authority or other 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, Mesoblast Intl UK or any Subsidiary which is a company organized under the laws of England and Wales, unless the aggregate liability of Mesoblast UK, Mesoblast Intl UK and such Subsidiaries under all Financial Support Directions and Contributions Notices is less than Five Hundred Thousand Dollars ($500,000); or

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).

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 (by payment of the Prepayment Amount) 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 a 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 11.11;

Second, to Lender in an amount equal to the then unpaid amount of the Secured Obligations (including principal, interest, and the default interest rate), 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.

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:

NQP SPV II, L.P.
Attention: Matthew Bullard; Robert Hester
4208 Six Forks Road, Suite 920
Raleigh, NC 27609
email: Matthew.Bullard@nqcapital.com; Robert.Hester@nqcapital.com
Telephone: 919-459-8620

with a copy (which shall not constitute notice) to:

LATHAM & WATKINS LLP
Attention: Haim Zaltzman
505 Montgomery Street, Suite 2000
San Francisco, CA 94111
email: haim.zaltzman@lw.com
Telephone: 415-395 8870

and

WYRICK ROBBINS YATES & PONTON LLP
Attention: Daniel S. Porper; Robert E. Futrell Jr.
4101 Lake Boone Trail, Suite 300
Raleigh, NC 27607
email: dporper@wyrick.com; rfutrell@wyrick.com
Telephone: 919-781 4000

(b) If to Lender:

NOVAQUEST PHARMA OPPORTUNITIES FUND V, L.P.
NOVAQUEST PHARMA OPPORTUNITIES FUND V (DELAWARE), L.P.
Attention: Matthew Bullard; Robert Hester
4208 Six Forks Road, Suite 920
Raleigh, NC 27609
email: Matthew.Bullard@nqcapital.com; Robert.Hester@nqcapital.com
Telephone: 919-459-8620

with a copy (which shall not constitute notice) to:

LATHAM & WATKINS LLP
Attention: Haim Zaltzman
505 Montgomery Street, Suite 2000
San Francisco, CA 94111
email: haim.zaltzman@lw.com
Telephone: 415-395 8870

and

WYRICK ROBBINS YATES & PONTON LLP
Attention: Daniel S. Porper; Robert E. Futrell Jr.
4101 Lake Boone Trail, Suite 300
Raleigh, NC 27607
email: dporper@wyrick.com; rfutrell@wyrick.com
Telephone: 919-781 4000

(c) If to any Loan Party:

c/o Mesoblast Ltd
Attention: Peter T. Howard, Corporate Executive and General Counsel
Level 38, 55 Collins Street
Melbourne VIC 3000, Australia
email: Peter.Howard@mesoblast.com
Telephone: +61 3 8662 1710

with a copy (which shall not constitute notice) to:

COOLEY LLP
Attention: Patrick J. Flanagan
1114 Avenue of the Americas
New York, NY 10036-7798
email: pflanagan@cooley.com
Telephone: + 212 479 6640

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 (including Agent's summary of terms dated June 8, 2018).

(b) Subject to Section 11.3(c), 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 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 11.17 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.

(c) Notwithstanding anything to the contrary herein, if the Senior Agent shall consent under the definition of "Permitted Transfers", Section 3.4 or Section 7 of the Designated Senior Credit Agreement, the Agent and Required Lenders shall be deemed to have consented to the corresponding provision under this Agreement; provided that this provision shall not be applicable to any consent that directly involves a sale, transfer, License, or encumbrance of the Product or Product IP Rights not otherwise permitted hereunder.

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 11.14 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 direct competitor of any Loan Party (as reasonably determined by Agent), it being acknowledged that in all cases, an Affiliate of any Lender or Agent shall not be considered a direct competitor for this purpose and (ii) Agent or such Lender shall give Parent notice of such assignment or transfer. Agent, acting solely for this purpose as an 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 11.13 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 notice. 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 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 to the contrary) shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, excluding conflict of laws principles that would cause the application of laws of any other jurisdiction.

11.9 Consent to Jurisdiction and Venue. All judicial proceedings (to the extent that the reference requirement of Section 11.10 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, borough of Manhattan. 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.

11.10 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.

11.11 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 reasonable attorneys' fees, Australian PPSR or UCC searches, filing costs, and other miscellaneous expenses, in the aggregate amount of up to $********, to be paid on the Tranche 1 Advance Date, for such costs incurred on or prior to the Tranche 1 Advance Date. 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 Tranche 1 Advance 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.

11.12 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 in the course of acquiring, administering, or perfecting Agent's security interest in the Collateral 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 11.12 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.

11.13 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.

11.14 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.

11.15 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.

11.16 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.

11.17 Agency.

(a) Lender hereby irrevocably appoints NQP SPV II, L.P. 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) 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 11.17, 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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, telecopies 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.

11.18 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 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 11.12.

11.19 Service of Process. On or prior to the funding of the Tranche I Advance, Parent, Mesoblast UK, Mesoblast Intl 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.

11.20 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 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.

11.21 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 Guarantor***") 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 Guarantor under this Agreement (including the guaranty provided under Section 12) and the other Loan Documents guarantees 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 (*Einlagerückgewähr/Kapitalrückzahlung*), a violation of the legally protected reserves (*gesetzlich geschützte Reserven*) or the payment of a (constructive) dividend (*Gewinnausschüttung*) 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 Guarantor'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 Guarantor 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 Guarantor 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 Guarantor 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 best 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 Guarantor 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 Guarantor, 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 Guarantor (in order for the Swiss Guarantor to pay the taxes to the Swiss Federal Tax Administration itself).

(d) The Swiss Guarantor 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 Guarantor;

(iii) confirmation of the auditors of the Swiss Guarantor 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 Guarantor's business (*nicht betriebsnotwendig*); and

(vi) all such other measures necessary to allow the Swiss Guarantor to use enforcement proceeds as agreed hereunder with a minimum of limitations.

11.22 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.

11.23 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.

11.24 Intercreditor Agreement. This Agreement is subject in all respects to the Intercreditor Agreement. In the case of any conflict or inconsistency between any terms of this Agreement, on the one hand, and any of the terms and provisions of the Intercreditor Agreement, on the other hand, then the terms and provisions of the Intercreditor Agreement shall control.

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 Borrower) 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 Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder that may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

(SIGNATURES TO FOLLOW)

IN WITNESS WHEREOF, Loan Parties, Agent and Lender have duly executed and delivered this Loan and Security Agreement as of the day and year first above written.

BORROWER:

MESOBLAST, INC.

By:
Name: Silviu Itescu
Title: Director

GUARANTORS:

MESOBLAST UK LIMITED

By:
Name:
Title:

MESOBLAST INTERNATIONAL (UK) LIMITED

By:
Name:
Title:

MESOBLAST INTERNATIONAL SÀRL

Place and Date

By:
Name:
Title:

GUARANTOR:

Executed by Mesoblast Limited in accordance with Section 127 of the *Corporations Act 2001* (Cth)

Signature of director	Signature of director/company secretary (Please delete as applicable)
Name of director (print)	Name of director/company secretary (print)

AGENT:

NQP SPV II, L.P.

By: NQ POF V GP, Ltd., its general partner

By: _____
Print Name: John L. Bradley, Jr.
Title: Director

LENDERS:

NOVAQUEST PHARMA OPPORTUNITIES FUND V, L.P.

By: NQ POF V GP, L.P., its general partner

By: NQ POF V GP, Ltd., its general partner

By: _____
Print Name: John L. Bradley, Jr.
Title: Director

NOVAQUEST PHARMA OPPORTUNITIES FUND V (DELAWARE), L.P.

By: NQ POF V GP, LLC, its general partner

By: NQ POF V GP, L.P., its sole member

By: NQ POF V GP, Ltd., its general partner

By: _____
Print Name: John L. Bradley, Jr.
Title: Director

TABLE OF EXHIBITS AND SCHEDULES

Confidential material omitted and filed separately with the Commission.

EXHIBIT A

ADVANCE REQUEST

To: Agent: Date: [*Insert Date of Request*]

NQP SPV II, L.P.
Attention: Matthew Bullard; Robert Hester
4208 Six Forks Road, Suite 920
Raleigh, NC 27609
email: Matthew.Bullard@nqcapital.com; Robert.Hester@nqcapital.com
Telephone: 919-459-8620

Mesoblast, Inc. ("***Company***") hereby requests from NovaQuest Pharma Opportunities Fund V, L.P. and NovaQuest Pharma Opportunities Fund V (Delaware), L.P (collectively, "***Lender***") an Advance in the amount of [Insert Requested Advance Amount] Dollars ($[●].00) (the "***Advance Amount***") on [Insert Date of Advance] (the "***Advance Date***") pursuant to the Loan and Security Agreement among Company, each Guarantor, Agent and Lender (the "***Agreement***"). Capitalized words and other terms used but not otherwise defined herein are used with the same meanings as defined in the Agreement.

Please:

(a) Issue a check payable to Company _____

Or

(b) Wire Funds to Company's account _____

Bank:	[●]
Address:	[●]
ABA Number:	[●]
Account Number:	[●]
Account Name:	[●]
Contact Person:	[●]
Phone Number	[●]
To Verify Wire Info:	[●]
Email address:	[●]

Company represents that the conditions precedent to the Advance set forth in the Agreement are satisfied and shall be satisfied upon the making of such Advance, including, but not limited to: (i) that no event that has had or could reasonably be expected to have a Material Adverse Effect has occurred and is continuing; (ii) that the representations and warranties set forth in the Agreement are and 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; (iii) that each Loan Party is in compliance with all the terms and provisions set forth in each Loan Document on its part to be observed or performed; and (iv) that as of the Advance Date, no fact or condition exists that would (or would, with the passage of time, the giving of notice, or both) constitute an Event of 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:

Complete street and mailing address, including county	**Name of Loan Party**

Addresses where a Loan Party owns, leases, or occupies real property or maintains equipment, inventory, or other property at such address:

Complete street and mailing address, including county	**Name of Loan Party**

EXHIBIT B

SECURED TERM PROMISSORY NOTE

$[_____] Advance Date: ___ __, 20[ ]

Maturity Date: _____ ___, 20[ ]

FOR VALUE RECEIVED, Mesoblast, Inc., a Delaware corporation (the "***Borrower***") hereby promises to pay to [NovaQuest Pharma Opportunities Fund V, L.P.][NovaQuest Pharma Opportunities Fund V (Delaware), L.P] and its registered assigns (the "***Lender***") at 4208 Six Forks Road, Suite 920, Raleigh, NC 27609 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 Borrower, together with interest at a rate as set forth in Section 2.2(d) 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 and Security Agreement dated as of June 29, 2018, by and among the Borrower, the Guarantors, NQP SPV II, L.P. (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.

The Borrower waives presentment and demand for payment, notice of dishonor, protest and notice of protest under the UCC or any applicable law. The 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.

BORROWER:

[SIG BLOCK TO BE INSERTED]

EXHIBIT F

COMPLIANCE CERTIFICATE

NQP SPV II, L.P. (as "***Agent***")
Attention: Matthew Bullard; Robert Hester
4208 Six Forks Road, Suite 920
Raleigh, NC 27609
email: Matthew.Bullard@nqcapital.com; Robert.Hester@nqcapital.com
Telephone: 919-459-8620

Reference is made to that certain Loan and Security Agreement dated as of June 29, 2018 (the "***Loan Agreement***") by and among NQP SPV II, L.P., as agent for the Lender (the "***Agent***"), the several banks and other financial institutions or entities from time to time party thereto (collectively, the "***Lender***") and Mesoblast, Inc., a Delaware corporation (the "***Company***") as Borrower and each Guarantor party thereto and the Loan Documents (as defined therein) entered into in connection with such Loan and Security Agreement all as may be amended from time to time. 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 certifies, in such capacity, that in accordance with the terms and conditions of the Loan Agreement, except as set forth below, (i) each Loan Party is in compliance for the period ending _____ of all covenants, conditions and terms and (ii) hereby reaffirms that all representations and warranties contained therein are true and correct in all material respects on and as of the date of this Compliance Certificate 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. The undersigned further certifies the attached financial statements are prepared in accordance with GAAP or IFRS, as applicable (except for the absence of footnotes with respect to unaudited financial statement and subject to normal year-end adjustments) and are consistent from one period to the next except as explained below.

Exceptions: [●]

REPORTING REQUIREMENT	REQUIRED	CHECK IF ATTACHED
Unaudited Interim and Year-to-Date Financial Statements	Monthly within 30 days	
Unaudited Interim and Year-to-Date Financial Statements	Quarterly within 60 days	
Audited Financial Statements	FYE within 90 days	

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 NQP SPV II, L.P. (as "***Agent***").

RECITALS

A. Subsidiary's Affiliate, Mesoblast, Inc., a Delaware corporation ("***Company***") has entered/desires to enter into that certain Loan and Security Agreement dated as of June 29, 2018, with Company, each 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 Agreement (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 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 grants to Agent a security interest in all of Subsidiary's right, title, and interest in and to the Collateral and the Intellectual Property Collateral (as defined in the IP Security Agreement).

SUBSIDIARY:

_____

By:
Name:
Title:
Address:

Telephone:
email:

AGENT:

NQP SPV II, L.P.

By: NQ POF V GP, Ltd., its general partner

By: _____
Name:
Title:

Address:

4208 Six Forks Road, Suite 920
Raleigh, NC 27609
email: Matthew.Bullard@nqcapital.com; Robert.Hester@nqcapital.com
Telephone: 919-459-8620

EXHIBIT H-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 and Security Agreement dated June 29, 2018 (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, United Kingdom, Mesoblast, Inc., a Delaware corporation, Mesoblast International (UK) Limited, a company incorporated in England and Wales with registered number 09630007 whose registered address is 5 New Street Square, London, EC4A 3TW, United Kingdom, 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, NQP SPV II, L.P., 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 2.10 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 Borrower within the meaning of Section 871(h)(3)(B) of the Code and (iv) it is not a "***controlled foreign corporation***" related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Agent and the Borrower 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 Borrower and the Agent, and (2) the undersigned shall have at all times furnished the Borrower 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:

Confidential material omitted and filed separately with the Commission.

EXHIBIT H-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 and Security Agreement dated June 29, 2018 (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, United Kingdom, Mesoblast, Inc., a Delaware corporation, Mesoblast International (UK) Limited, a company incorporated in England and Wales with registered number 09630007 whose registered address is 5 New Street Square, London, EC4A 3TW, United Kingdom, 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, NQP SPV II, L.P., 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 2.10 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 Borrower within the meaning of Section 871(h)(3)(B) of the Code and (iv) it is not a "controlled foreign corporation" related to the Borrower 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:

Confidential material omitted and filed separately with the Commission.

EXHIBIT H-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 and Security Agreement dated June 29, 2018 (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, United Kingdom, Mesoblast, Inc., a Delaware corporation, Mesoblast International (UK) Limited, a company incorporated in England and Wales with registered number 09630007 whose registered address is 5 New Street Square, London, EC4A 3TW, United Kingdom, 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, NQP SPV II, L.P., 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 2.10 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 to 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 Borrower 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 Borrower 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:

Confidential material omitted and filed separately with the Commission.

EXHIBIT H-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 and Security Agreement dated June 29, 2018 (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, United Kingdom, Mesoblast, Inc., a Delaware corporation, Mesoblast International (UK) Limited, a company incorporated in England and Wales with registered number 09630007 whose registered address is 5 New Street Square, London, EC4A 3TW, United Kingdom, 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, NQP SPV II, L.P., 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 2.10 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 Borrower 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 Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Agent and the Borrower 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 Borrower and the Agent, and (2) the undersigned shall have at all times furnished the Borrower 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:

Confidential material omitted and filed separately with the Commission.

EXHIBIT I

****

(for illustrative purposes)

****

Confidential material omitted and filed separately with the Commission.

SCHEDULE 1.1

COMMITMENTS

LENDER	TRANCHE 1	TRANCHE 2	TOTAL TERM COMMITMENT
NovaQuest Pharma Opportunities Fund V, L.P.	$10,378,252.27	$3,459,417.42	$13,837,669.69
NovaQuest Pharma Opportunities Fund V (Delaware), L.P	$19,621,747.73	$6,540,582.58	$26,162,330.31
TOTAL COMMITMENTS	$30,000,000	$10,000,000	$40,000,000

Confidential material omitted and filed separately with the Commission.

Exhibit 4.24

Execution copy

****** INDICATES CONFIDENTIAL MATERIAL OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND FILED WITH THE SECURITIES AND EXCHANGE COMMISSION SEPARATELY WITH A REQUEST FOR CONFIDENTIAL TREATMENT.**

DEVELOPMENT AND COMMERCIALIZATION AGREEMENT

Between

Mesoblast Inc. and Mesoblast International Sàrl

and

Tasly Pharmaceutical Group Co., Ltd.

July 17, 2018

Confidential material omitted and filed separately with the Commission.

Table of Contents

CONFIDENTIAL

DEVELOPMENT AND COMMERCIALIZATION AGREEMENT

This DEVELOPMENT AND COMMERCIALIZATION AGREEMENT (the "**Agreement**") is made as of July 17, 2018 (the "**Signature Date**") by and between, on the one hand, Mesoblast Inc. with a place of business at 505 Fifth Avenue, Level 3, New York, NY 10017 ("**Mesoblast Inc.**") and Mesoblast International Sàrl, a Swiss societé a responsibilité limitée, with its principal place of business located at Route de Pre-Bois 20, c/o Accounting & Management Service SA, 1217 Meyrin, Switzerland ("**Mesoblast Sàrl**," and together with Mesoblast Inc., "**MSB**") and, on the other hand, Tasly Pharmaceutical Group Co., Ltd. with a place of business at Tasly TCM Garden, No. 2, Pujihe East Road, Beichen district, Tianjin, P. R. China 300410 ("**Tasly**" or "**Collaborator**"). MSB and Tasly are each referred to herein by name or, individually, as a "**Party**" or, collectively, as the "**Parties**."

BACKGROUND

A. Mesoblast Inc. owns and controls data, intellectual property and other rights in and to that certain proprietary mesenchymal precursor cell products (as defined in more detail below, "**Product**") being developed for the Field (as defined below) and Mesoblast Sàrl owns and controls the right to produce and manufacture the Product including data, intellectual property and other rights relating to the production and manufacture of the Product.

B. The Parties will collaborate to complete the development of Product and Tasly will obtain the right to Commercialize Product for the Field throughout the Territory (each capitalized term as defined below), all on the terms and conditions set forth herein below.

C. Tasly has acquired certain equity interests in Mesoblast Limited ("**Mesoblast Limited**"), the ultimate parent company of Mesoblast Inc. and Mesoblast Sàrl, pursuant to a separate Investment Agreement entered into by Tasly and Mesoblast Limited on or about the Signature Date hereof and which will become effective (if ever) at the same time as this Agreement becomes effective, which is independent from this Agreement (the "**Investment Agreement**").

NOW, THEREFORE, in consideration of the mutual covenants and agreements provided herein below and other consideration, the receipt and sufficiency of which is hereby acknowledged, Tasly and MSB hereby agree as follows:

ARTICLE 1
DEFINITIONS/CONDITIONS PRECEDENT

The following capitalized terms have the meanings given in this Article 1 when used in this Agreement:

"**Accounting Standards**" means, with respect to a Person, then current generally accepted accounting principles consistently applied by such Person across its operations, including United States GAAP, International Financial Reporting Standards and Chinese Accounting Standards.

"**ADR**" shall be defined in more detail in the SDE Agreement (to be entered into by the Parties pursuant to Section 7.5.1) to include any "Adverse Drug Responses" as defined in the then-current guidelines and regulations promulgated by the ICH (International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use) and "Adverse Drug Experience" as defined in the then-current 21 CFR Section 314.80.

"**Affiliate**" means with respect to a Person, any other Person controlling, controlled by or under common control with such first Person, for so long as such control exists. For purposes of this definition only, "control" means (a) direct or indirect ownership of fifty percent (50%) or more (or, if less than fifty percent (50%), the maximum ownership interest permitted by Applicable Law) of the stock or shares having the right to vote for the election of directors of such Person, or (b) the possession, directly or indirectly, of the power to direct, or cause the direction of, the management or policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"**Annual Net Sales**" means, with respect to a particular Annual Period, aggregate Net Sales of all Product throughout the Territory during such Annual Period.

"**Annual Period**" means (a) for the calendar year during which the first commercial sale of Product in the Territory occurs, the date of such first commercial sale and ending on December 31st of such year (or the date this Agreement is terminated if such termination is effective prior to December 31), (b) for each successive calendar year thereafter during the Term (other than the calendar year in which this Agreement is terminated) the period beginning on January 1st of such year and ending on December 31st of such year, and (c) for the calendar year in which this Agreement is terminated, the period beginning on January 1st of such calendar year and ending on the effective date of the termination of this Agreement.

"**Anti-Corruption Laws**" means any and all applicable anti-corruption laws and regulations, including those laws and regulations for combatting bribery of foreign public officials in the United States, Australia, Switzerland and the PRC under the United States Foreign Corrupt Practices Act, as amended, the UK Bribery Act 2010, as amended, the Organization for Economic Co-operation and Development (OECD) Convention.

"**Applicable Law**" means any and all laws, ordinances, orders, rules, rulings, directives and regulations of any kind whatsoever of any Regulatory Authority or other governmental authority within the applicable jurisdiction applicable to a Party's activities under this Agreement.

"**Assignee**" means any Person (other than MSB and Collaborator) that is assigned or transferred, or succeeds to, the rights and obligations under this Agreement.

"**Business Day**" means any day except a Saturday, Sunday or any other day on which commercial banks in Tianjin, PRC or Melbourne, Australia are authorized or required by law to remain closed.

"**CFDA**" means the China Food and Drug Administration, or any successor agency thereto.

"**cGxP**" means then-current good manufacturing, clinical or laboratory practices and quality system regulations, as applicable, promulgated by any applicable Regulatory Agency.

"**Collaborator Improvement Patent**" means any and all Collaborator Sole Patents that claim or disclose a Collaborator Sole Invention comprising an improvement, modification or enhancement of or to any Product or component of any Product or the use, Manufacture, delivery, Commercialization or formulation thereof.

"**Collaborator Know-How**" means any Know-How that (a) is generated by or on behalf of the Collaborator or its Affiliates from the activities conducted hereunder or (b) is used by or on behalf of the Collaborator or its Affiliates in the course of such activities and disclosed to MSB.

"**Collaborator Patents**" means the Collaborator Sole Patents and Collaborator's interest in the Joint Patents.

"**Commercialization**" means, with respect to a therapeutic product, any and all processes and activities conducted to establish and maintain sales for such therapeutic product, including obtaining and maintaining pricing, reimbursement, coding and patient access, offering for sale, detailing, selling (including launching), marketing (including pre-launch and launch, as well as advertising activities), promoting, storing, transporting, distributing, and importing such product, but shall exclude Development and Manufacture of such product. For clarity, Commercialization includes activities traditionally conducted by sales representatives (including field sales, institutional sales, pharmacy/trade sales and managed care sales representatives) and other individuals having similar functions. "**Commercialize**" and "**Commercializing**" shall have their correlative meanings.

"**Commercially Reasonable Efforts**" means, with respect to a Person, all diligent and active efforts and deployment of resources (including, without limitation, funding), consistent with the exercise of diligent and prudent scientific and business endeavors, acting in good faith, normally used by a company in the pharmaceutical industry for a biologic therapeutic product owned by it or to which it has rights (but no less than the efforts and resources the particular Person typically employs), which is of similar market potential at a similar stage in its development or product life,

taking into account issues of safety and efficacy, product profile, product portfolio management, with consideration to the competitiveness of the marketplace and the expected competitive position of the product within the marketplace, the proprietary position of the product (including both intellectual property protection of the product and Third Party intellectual property that may be relevant to the marketability of the product), the regulatory and reimbursement structure involved, the cost of scaling up a manufacturing process (including facility costs), the profitability of the applicable products and other relevant factors applicable to the pharmaceutical industry. As appropriate consistent with the foregoing, Commercially Reasonable Efforts shall require the applicable Party to: (a) promptly assign responsibilities for activities for which it is responsible to specific employee(s) who are held accountable for the progress, monitoring and completion of such activities, (b) set and seek to achieve meaningful objectives for carrying out such activities, and (c) make and implement decisions and allocate the resources necessary or appropriate to advance progress with respect to and complete such objectives. When determining its Commercially Reasonable Efforts, Tasly shall not take into its consideration the amounts payable to MSB hereunder.

"**Competing Product**" means any cellular therapy product intended for the Field (as shown by its Development or labeling), other than any Product.

"**Control**" means, with respect to any particular Know-How or a particular Patent, possession by the Party granting the applicable right, license, access or release to the other Party as provided herein of the power and authority, whether arising by ownership, license, or other authorization, to disclose and deliver the particular Know-How to the other Party, and to grant and authorize under such Know-How or Patent the right, license, access or release, as applicable, of the scope granted to such other Party in this Agreement without giving rise to any violation of the terms of any written agreement with any Third Party existing at the time such disclosure is first made or such right, license, access or release first comes into effect hereunder. "**Controlled**" and "**Controlling**" have their correlative meanings. Notwithstanding anything to the contrary in this Agreement, in the event that a Third Party merges or consolidates with or acquires a Party or an Affiliate of a Party, or a Party or an Affiliate of a Party transfers to a Third Party all or substantially all of its assets to which this Agreement relates (such Third Party and its Affiliates immediately prior to such merger, consolidation or transfer (the "**Acquisition Transaction**"), collectively, the "**Acquiring Entities**"), the following shall not be deemed to be Controlled by such Party or its Affiliates for purposes of this Agreement: (a) any subject matter owned or controlled by any Acquiring Entity immediately prior to the effective date of such Acquisition Transaction, and (b) any subject matter independently developed or acquired by or on behalf of any Acquiring Entity after an Acquisition Transaction, without accessing or practicing subject matter within the Product Technology or any other technology or information made available to such Party under this Agreement.

"**Data**" means any and all data of any kind including, preclinical data, pharmacology data, chemistry data (including analytical, product characterization, manufacturing, and stability data), toxicology data, clinical data (including investigator reports (both preliminary and final), statistical analyses, expert opinions and reports, safety and other electronic databases), analytical, process and quality assurance/control data and stability data, in each case together with supporting data.

"**Debarred Entity**" means a Person (other than an individual) that has been debarred by the United States Food and Drug Administration pursuant to 21 U.S.C. § 335a (a) or (b), or by another Regulatory Authority pursuant to a comparable statute, from submitting or assisting in the submission of any application for any abbreviated or other drug application/registration or generation or preparation of any data with respect thereto, or any affiliate of such Person.

"**Debarred Individual**" means an individual who has been debarred by the United States Food and Drug Administration pursuant to 21 U.S.C. § 335a (a) or (b), or by another Regulatory Authority pursuant to a comparable statute, from providing services in any capacity (including generation or preparation of data) to a Person that has an approved or pending drug application/registration.

"**Development**" means, with respect to a therapeutic product, any and all processes and activities conducted to obtain, maintain or expand Regulatory Approvals for such product, including preclinical testing, test method development and stability testing, toxicology, formulation, process development, quality assurance/control development, statistical analysis, clinical studies, quality of life assessments, pharmacoeconomics, post-marketing studies, label expansion studies, regulatory affairs, and further activities relating to development or preparation of such product for Commercialization. "**Develop**" and "**Developing**" have their correlative meanings.

"Development Plan" means the plan for the Parties' Development of Product for the Field in the Territory as amended from time to time in accordance with the terms of this Agreement.

"**Dollar**" means a United States dollar, and "$" shall be interpreted accordingly.

"**Effective Date**" means the date the Condition Precedent occurs or is waived by Collaborator pursuant to Section 1.3.2.

"**End Date**" means December 31, 2018; provided, however, if the Effective Date has not occurred, then at the written request of MSB the End Date shall be extended to June 30, 2019.

"**Ex-Field Product**" means any cellular therapy product (or combination product incorporating a cellular therapy product) comprising any allogeneic cell product Developed or Commercialized during the Term by or under authority of MSB or its Affiliates for applications outside of the Field (as shown by its Development or labeling); provided, however, that an Ex-Field Product excludes any Competing Product in the Territory.

"**Field**" means, individually and collectively, (a) with respect to MPC-150-IM, the treatment or prevention of chronic heart failure and (b) with respect to MPC-25-IC, the treatment or prevention of acute myocardial infarction.

"**Indemnified Taxes**" means Taxes imposed as a result of any assignment or transfer of any rights under this Agreement by any Party to any Assignee (including by merger, liquidation or reorganization) on the other Party (the "**Non-Assigning Party**"), or on any payment under this Agreement to the Non-Assigning Party, other than Taxes imposed on or with respect to the Non-Assigning Party or required to be withheld or deducted from a payment to the Non-Assigning Party that are (a) imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case (i) imposed as a result of the Non-Assigning Party being organized under the laws of, or having its principal office in, the jurisdiction imposing such Taxes (or any political subdivision thereof) or (ii) that are imposed as a result of a present or former connection between the Non-Assigning Party and the jurisdiction imposing such Tax (other than connections arising from the Non-Assigning Party 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 this Agreement), (b) attributable to the Non-Assigning Party's failure to comply with Section 8.3.1 and (c) any withholding Taxes, including Taxes imposed under the Foreign Account Tax Compliance Act (Sections 1471 through 1474 of 26 U.S.C., as of the Signature Date (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 26 U.S.C.). The term Indemnified Taxes includes penalties, fines and other additional statutory charges incidental or related to the imposition thereof, only to the extent not caused by the acts or omissions of the Non-Assigning Party.

"**Know-How**" means any and all information and materials comprising (a) ideas, discoveries, inventions (whether or not patentable), patent disclosures, improvements or trade secrets, (b) Data, (c) databases, practices, methods (including analytical methods), techniques, processes (including manufacturing and production process), specifications, formulations, formulae or knowledge, or (d) research materials, reagents or compositions of matter.

"**Knowledge**" means, with respect to a Party, the actual knowledge of the Party. For clarity, any representation or warranty to a Party's Knowledge regarding any Patents (including the non-existence or non-infringement thereof) shall not imply any obligation for such Party to conduct, or be construed that such Party has conducted, any search for Patents or other freedom to operate analysis.

"**MAA**" (Marketing Approval Application) means an application or submission for Marketing Approval filed with a Regulatory Authority to obtain marketing clearance or approval for a product in the applicable jurisdiction, including a filing for biologic drug registration filed with the CFDA pursuant to Chapter II of SFDA (CFDA) Order No. 28.

"**Manufacture**" means, with respect to any therapeutic product (or component thereof), any and all processes and activities conducted for the manufacture, production or processing of such product including the active biological ingredient(s) therein, including activities performed in support of CMC (chemistry, manufacturing and controls), formulating active biologic ingredients into the final dosage form for incorporation into such product, packaging, physical and regulatory labeling and other finishing activities, quality control and assurance testing, in each case with respect to such product. For clarity, Manufacturing shall include the manufacture of preclinical, engineering, validation, and clinical batches of such product. "**Manufacturing**" and "**Manufactured**" have correlative meanings.

"**Marketing Approval**" means, with respect to a product in a particular jurisdiction, approval (whether accelerated, conditional or unconditional) or other permission (excluding pricing approvals) by the applicable Regulatory Authorities sufficient to initiate marketing and sales of such product.

"**Medical Affairs Activities**" means medical support planning, medical affairs activities, medical education activities and activities traditionally conducted by medical scientific liaisons, health economics and outcomes researchers and other individuals having similar functions, including gathering and maintaining user feedback, medical and pharmacovigilence information and establishing and maintaining one or more call centers in connection therewith.

"**MPCs**" (mesenchymal precursor cells) means a population of cells that have been enriched for cells expressing STRO-1 or STRO-3 antigen(s).

"**MSB Improvements**" means any and all improvements, modifications or enhancements of Product, any component of Product, or the use, Manufacture, delivery, or formulation of Product Controlled by MSB. For clarity, Know-How comprising and Patents claiming MSB Improvements shall be included within Product Technology.

"**Net Sales**" means gross amounts invoiced by Collaborator or its Affiliates (each, a "**Selling Party**") for sales of Product (in final labeled and packaged form, together with any component, agent, delivery device, or dispensing device required by the applicable Marketing Approval) less the following: (a) actual bad debts related to Product; (b) normal and customary trade, quantity and cash discounts and any other adjustments, including granted on account of price adjustments, billing errors, rejected goods, damaged or defective goods, recalls, returns, rebates, chargeback rebates, reimbursements or similar adjustments granted or given to wholesalers or other distributors, buying groups, health care insurance carriers or other institutions, adjustments arising from consumer discount and patient assistance programs, in each case actually allowed and taken directly by the Third Party customer with respect to sales of Product; (c) any accrual in respect of sales of Product to any government (including any agency or department thereof) or with respect to any government-subsidized program or managed care organization; (d) sales taxes or similar Taxes, including duties or other governmental charges imposed on the sale of Product to the Third Party customer (including value added taxes or other governmental charges otherwise measured by the billing amount, but excluding any Taxes imposed on or measured by the net income or profits of the Selling Party), to

the extent included in the invoice price and not reimbursable, refundable or creditable to the Selling Party; and (e) prepaid freight, insurance and handling fees actually invoiced (to the extent that the Selling Party actually incurs the cost of freight, insurance and handling fees for Product and are not reimbursable, refundable or creditable to the Selling Party), in each case as determined from books and records of the Selling Party maintained in accordance with Accounting Standards. Sales of Product between or among Collaborator and its Affiliates shall be excluded from the computation of Net Sales except where such sales are solely intended for end use by the Selling Party, but Net Sales shall include the subsequent final sales to Third Party customers by a Selling Party. If a sale, transfer or other disposition with respect to Product involves consideration other than cash or is not at arm's length, then the Net Sales from such sale, transfer or other disposition shall be the arm's length fair market value that would have been invoiced by Collaborator or its Affiliates, which generally will mean the Selling Party's average sales price for the Quarterly Period. Any amount described in clauses (a) through (e), inclusive, shall only be deducted once regardless of whether such amount is described in more than one (1) clause under this definition.

All of the foregoing shall be calculated in accordance with the Accounting Standards. With respect to each Annual Period for which Net Sales are calculated, there shall be included appropriate accruals for all of the items listed in clauses (a) through (e) of the immediately preceding paragraph, calculated in accordance with the Accounting Standards, as increased or decreased (as applicable) by the difference between actuals and accruals for all such items in the prior Annual Period. A sale of a Product is deemed to occur in accordance with the Accounting Standards.

If a Product is sold in combination with any one or more other products in the Territory, and if such Product is also sold separately on a commercial basis in the Territory ("**Bundled Product**"), then the Net Sales attributable to sales of such Bundled Product shall be determined by multiplying the total Net Sales (as described above) of the Bundled Product by the ratio of (a) the average price at which Product is sold separately in such country for such Annual Period to (b) the invoiced amount for such Bundled Product; otherwise any attribution of sale of a Bundled Product between Product and any other component shall be mutually agreed. An example calculation for Bundled Products is attached hereto as Exhibit 1.

"**Non-Product-Specific Patent**" means any Product Patent that is not a Product-Specific Patent.

"**Patent**" means any of the following, whether existing now or in the future anywhere in the Territory: (a) any issued patent, including inventor's certificates, substitutions, extensions, confirmations, reissues, re-examination, renewal, supplemental protection certificates, any counterparts claiming priority therefrom, or any like governmental grant for protection of inventions, and any patents resulting from any post-grant proceeding involving any of the foregoing; and (b) any pending patent application (or application for any of the foregoing), including any continuation, divisional, substitution, continuation-in-part, provisional and converted provisional applications.

"**Person**" means any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization or government or political subdivision thereof.

"**Product**" means, individually and together, (a) that certain formulation of rexlemestrocel-L (USAN), known as MPC-150-IM ("**MPC-150-IM**") and (b) that certain formulation of rexlemestrocel-L (USAN), known as MPC-25-IC ("**MPC-25-IC**"), in each case, (a) and (b), as described further in the Product Memorandum.

"**Product Know-How**" means any and all Know-How Controlled by MSB or its Affiliates during the Term that is necessary or useful for the Development, Manufacture or Commercialization of, or conduct of Medical Affairs Activities for, Product (including, for the avoidance of doubt, the cell line of MPCs used to formulate Product and any such Know-How relating to methods of isolating, preparing, culturing, purifying, proliferating, and enhancing MPCs and MPC preparations and populations) for the Field in the Territory in accordance with this Agreement. For clarity, Product Know-How shall include Know-How comprising (a) MSB Sole Inventions, (b) MSB's interest in Joint Inventions and (c) MSB Improvements.

"**Product Memorandum**" means that certain memorandum referencing this Agreement and setting forth certain matters with respect to Product and the payments with respect thereto and provided by MSB to Collaborator on the Signature Date, as such memorandum may be amended from time to time by mutual written agreement of the Parties.

"**Product Patents**" means any and all Patents in the Territory Controlled by MSB or its Affiliates during the Term claiming (a) the composition of Product, (b) any method, composition or apparatus for the Manufacture of Product, (c) any method of treatment or use with respect to Product for the Field, (d) methods of isolating, preparing, culturing, purifying, proliferating, and enhancing MPCs and MPC preparations and populations, or (e) any MSB Improvement. For clarity, Product Patents shall include (i) MSB Sole Patents in the Territory, (ii) Patents claiming MSB Improvements in the Territory and (iii) MSB's interest in Joint Patents in the Territory. A list of Product Patents is Product Memorandum, and MSB will periodically update the list to reflect changes thereto during the Term.

"**Product-Specific Patent**" means any Product Patent that (a) is listed in the Product Memorandum as such (MSB shall periodically update the list to reflect changes thereto during the Term; provided, however, that MSB shall not remove any Patents from the list except with written agreement of Collaborator), (b) is created (via claim amendments, continuing application or otherwise) pursuant to Section 9.2.4 or (c) contains only Product-Specific Claims.

"**Product-Specific Claim**" means any Patent claim with only one or more of the following within its scope and no other subject matter: (i) Product or one or more components thereof specifically, (ii) any method of treatment or use with respect to Product specifically, or (iii) any method, composition or apparatus for the Manufacture of Product specifically. For clarity, Product-Specific Claims do not include claims with any of the following within its scope: (A) Product or biologic components thereof generically, (B) any method of treatment or use with respect to any biologic product other than Product, (C) any method, composition or apparatus for the Manufacture of any biologic product other than Product or (D) any cells other than MPC-150-IM or MPC-25-IC

or methods of isolating, preparing, culturing, purifying, proliferating, or enhancing cells other than MPC-150-IM or MPC-25-IC or preparations or populations of cells other than MPC-150-IM or MPC-25-IC.

"**Product Technology**" means Product Patents and Product Know-How.

"**Proprietary Materials**" means those materials or components described in the Product Memorandum, which are Controlled by MSB or its Affiliates and necessary for the Manufacture of Product hereunder.

"**Prosecution and Maintenance**" means, with respect to a Patent, (a) the preparing, filing, prosecuting and maintenance of such Patent (including conducting all correspondence and interactions with any government office or court having jurisdiction over the same), including the right to apply for Patents pursuant to The Agreement on Trade-Related Aspects of Intellectual Property Rights or pursuant to any other convention, treaty, agreement or understanding and (b) seeking, conducting or defending re-examinations, reissues, requests for Patent term extensions and the like with respect to such Patent, together with the conduct of interferences, inter partes reviews, post-grant reviews, the defense of oppositions and other similar proceedings with respect to the particular Patent (whether before or after issuance); and "**Prosecute and Maintain**" and "**Prosecuting and Maintaining**" have their correlative meanings.

"**Quarterly Period**" means a three (3) month period of each calendar year ending on March 31, June 30, September 30 or December 31.

"Regulatory Approval" means, with respect to a therapeutic product in a particular jurisdiction, any Marketing Approval, pricing approval and all clearances, approvals, licenses, registrations or authorizations necessary for the Development or Manufacture of such product in such jurisdiction, including any tissue bank licenses for the Manufacture of such product. Regulatory Approvals include approvals (or other clearance) of applications or submissions filed with or submitted to any Regulatory Authority necessary to initiate or conduct any clinical study in conformance with the requirements of such Regulatory Authority.

"**Regulatory Authority**" means any federal, national, multinational, state, provincial or local regulatory agency, department, bureau or other governmental entity with authority over the Development, Manufacture or Commercialization or other use or exploitation (including the granting of Regulatory Approvals) of Product in any jurisdiction, including the CFDA.

"**Regulatory Materials**" means regulatory applications (including MAAs), submissions, notifications, communications, correspondence, registrations, Regulatory Approvals or other filings made to, received from or otherwise conducted with the CFDA or other relevant Regulatory Authority (including minutes of meeting with any Regulatory Authority) that are necessary or relate to the Development, Manufacture or Commercialization of, or conduct of the Medical Affairs Activities for, Product for the Field in the Territory.

"**Tax**" or "**Taxes**" means any and all taxes, duties, imposts, charges, withholdings, rates, levies and other governmental impositions and other taxes of any kind whatsoever imposed, assessed or charged.

"**Taxing Authority**" means any governmental authority responsible for the imposition, assessment or collection of any Tax.

"**Territory**" means the People's Republic of China ("**PRC**"), including Hong Kong, Macau.

"**Third Party**" means any Person other than MSB, Collaborator or their respective Affiliates.

"Trademark" means any trademark, trade name, service mark, service name, brand, domain name, trade dress, logo, slogan or other indicia of origin or ownership in or available in the Territory, including registrations and applications therefor and the goodwill and activities associated with each of the foregoing.

1.1 Additional Definitions. Each of the following definitions shall have the meanings defined in the corresponding sections of this Agreement indicated below:

Defined Term	Section	Defined Term	Section
Agreement Wind-Down Period	12.9.2	Manufacturing Technology Transfer Plan	6.1.1
Agreement	Preamble	Mesoblast Inc.	Preamble
Alliance Manager	2.7	Mesoblast Limited	Recitals
Challenge	12.4	Mesoblast Sàrl	Preamble
Co-Chair	2.3	Milestone Event	8.1.2
Collaborator Indemnitees	11.5.1	Milestone Payment	8.1.2
Collaborator Rights	3.1.1	MSB Improvement Patents	9.1
Collaborator Sole Inventions	9.1	MSB Indemnitees	11.5.2
Collaborator Sole Patents	9.1	MSB Mark	5.5.2(a)
Commercialization Criteria	5.2	MSB Rights	3.2.1
Commercialization Plan	5.2	MSB Sole Inventions	9.1
Committee	2.3	MSB Sole Patents	9.1
Competing Activities	3.5.1	MSB	Preamble
Competing Product	Article 1	MWG	2.2.2
Condition Precedent	1.3.1	Other Dispute	13.3
Confidential Information	10.1	Party, or Parties	Preamble
Control Affiliate	3.5.2(a)	PRC Agency	1.3.1
Control Transaction	3.5.2(a)	PRC Approvals	1.3.1
Control, Controlled, or Controlling	Article 1	Prior Understandings	10.3
Controlled Party	3.5.2(a)	Product Marks	5.5.1
CWG	2.2.3	Regulatory Materials Transfer Request	12.9.3
Defending Party	9.3	Royalty	8.1.3
Dispute	13.1	Royalty Term	8.1.3
Divest	3.5.2(c)	SDE Agreement	7.5.1
Divestiture	3.5.2(c)	Senior Executive	2.5
DWG	2.2.1	Solicitation Action	10.7
Signature Date	Preamble	Soliciting Party	10.7
Enforcement Action	9.4.2	Subject Affiliate	3.5.2(b)
Enforcing Party	9.4.4	Subject Party	3.5.2(b)
Ex-Agreement Patents	12.9.4	Subject Transaction	3.5.2(b)
Indemnify	11.5.1	Tasly	Preamble
Initial Regulatory Meeting	4.2.1	Taxed Party	8.3.3
Investment Agreement	Background	Term	12.1
Joint Inventions	9.1	Third Party Project Technology Agreements	11.3.1
Joint Patents	9.1	Third-Party Claim	11.5.1
JSC	2.1.1	Transfer Taxes	8.3.4
Losses	11.5.1	Working Group	2.2
Manufacturing Plan	6.1.2		

1.2 Interpretation. The captions and headings to this Agreement are for convenience only, and are of no force or effect in construing or interpreting any of the provisions of this Agreement. Unless specified to the contrary, references to Articles, Sections or Exhibits mean the particular Articles, Sections or Exhibits to this Agreement and references to this Agreement include all Exhibits hereto. Unless context otherwise clearly requires, whenever used in this Agreement: (a) the words "include" or "including" shall be construed as incorporating, also, "but not limited to" or "without limitation;" (b) the word "day" or "year" means a calendar day or year unless otherwise specified; (c) the word "notice" means notice in writing (whether or not specifically stated) and shall include notices, consents, approvals and other communications contemplated under this Agreement; (d) the words "hereof," "herein," "hereby" and derivative or similar words refer to this Agreement (including any Exhibits); (e) the word "or" shall be construed as the inclusive meaning identified with the phrase "and/or;" (f) provisions that require that a Party, the Parties or a Committee hereunder "agree," "consent" or "approve" or the like shall require that such agreement, consent or approval be specific and in writing, whether by written agreement, letter, approved minutes or otherwise; (g) words of any gender include the other gender; (h) words using the singular or plural number also include the plural or singular number, respectively; (i) references to any specific law, rule or regulation, or article, section or other division thereof, shall be deemed to include the then-current amendments thereto or any replacement law, rule or regulation thereof; (j) each accounting term not otherwise defined in this Agreement has the meaning assigned to it in accordance with Accounting Standards and any particular cost or expense shall be accounted for only once; and (k) neither Party or its Affiliates shall be deemed to be acting "on behalf of" or "under authority of" the other Party.

1.3 Conditions Precedent.

1.3.1 Conditions Precedent. The Effective Date (and associated obligations hereunder) is subject to (a) the Collaborator having obtained all relevant approvals, registrations and authorizations (collectively, "**PRC Approvals**") from the applicable PRC governmental agencies (including PRC's Ministry of Commerce and National Development and Reform Commission and the State Administration of Foreign Exchange, or their respective local bureaus) (each, a "**PRC Agency**") necessary to consummate: (i) this Agreement and (ii) the Collaborator's proposed investment in Mesoblast Limited as contemplated under the Investment Agreement; and (b) Mesoblast Limited and the Collaborator (or its subsidiary) having validly executed the Investment Agreement ("**Condition Precedent**").

1.3.2 Waiver of Condition Precedent. The Condition Precedent in Section 1.3.1 may only be waived by the Collaborator giving written notice to MSB.

1.3.3 Obligations to satisfy Condition Precedent. (a) Each Party must use all reasonable endeavours to ensure that the Condition Precedent in Section 1.3.1 is satisfied promptly, and in any event prior to the End Date. (b) Each Party must keep the other informed of any circumstances which may result in the Condition Precedent not being satisfied in accordance with its terms. Accordingly, (i) Collaborator shall file, as soon as practicable after the Signature Date, with each applicable PRC Agency such materials and documents necessary or appropriate to obtain PRC

Approvals (the "**PRC Filing**") and any supplemental information requested by any PRC Agency in connection therewith; and (ii) MSB shall furnish to Collaborator such necessary information and reasonable assistance as Collaborator may request in connection with its preparation of the PRC Filing.

1.3.4 Notice of satisfaction or waiver of Condition Precedent. The Collaborator must notify MSB in writing within one Business Day after the satisfaction, or waiver of the Condition Precedent under this Section 1.3.

1.3.5 Expenses. Each Party shall be responsible for its own costs, expenses, and filing fees associated with the PRC Filing and obtaining PRC Approvals.

1.3.6 Effectiveness prior to PRC Approvals. Other than the provisions of this Section 1.3 and Sections 10.5.1, 12.3, 12.4, 12.5 and 12.7 and Articles 13and 14 (other than Section 14.10), which shall be in full force and effect as of the Signature Date, the rights and obligations of the Parties under this Agreement shall not become effective until the Condition Precedent is satisfied or waived as set forth above, at which time such rights and obligations shall be immediately effective.

ARTICLE 2
GOVERNANCE

2.1 Joint Steering Committee.

2.1.1 Establishment. Promptly after the Effective Date, Collaborator and MSB shall establish a joint steering committee (the "**JSC**") to oversee, review and coordinate the activities of each Party under this Agreement, including the Development, Manufacture and Commercialization of and Medical Affairs Activities for Product for the Field in the Territory as described below.

2.1.2 Responsibilities. The JSC shall be responsible for:

(a) Providing strategic direction to and coordinating the Parties' respective activities with respect to matters pertaining to (i) the Development, Manufacture, Commercialization of and Medical Affairs Activities for Product for the Field for the Territory, and (ii) the filing for, obtaining and maintaining of Regulatory Approvals for Product for the Field for the Territory;

(b) Reviewing and approving (i) the Development Plan (including the protocols for each clinical study to be conducted by either Party pursuant to the Development Plan) and (ii) the Manufacturing Plan, and in each case (i) and (ii) any modifications or amendments thereto in accordance with this Agreement;

(c) Reviewing and monitoring the Development and Manufacture of Product and each Party's activities under the Development Plan and Manufacturing Plan and the progress thereof;

(d) Reviewing and approving certain regulatory matters as provided in Section 7.2.2 (including proposed labeling for Product);

(e) Reviewing and providing feedback on the Commercialization Plan (other than the Commercialization Criteria, which will be subject to the review and approval of the JSC) and any modifications or amendments thereto in accordance with this Agreement;

(f) Reviewing and monitoring the Commercialization of and the Medical Affairs Activities for Product and other of Collaborator's activities under the Commercialization Plan and the progress thereof;

(g) Reviewing and auditing the performance, processes and quality in connection with the Manufacture of Product;

(h) Except as prohibited by Applicable Law, reviewing and providing feedback on pricing (including pricing and discretionary deductions (including rebating, coding, copay, wholesaler and managed care discount strategies)) for Product, including review of discounts or other adjustments Collaborator or its Affiliate provides to Third Parties to whom it sells Product and also sells or otherwise provides other products or services, in respect of Product and such other products or services;

(i) Facilitating the transfer and exchange of Know-How (including the transfer of Know-How pursuant to the Manufacturing Technology Transfer Plan and determining when the activities under the Manufacturing Technology Transfer Plan have been completed) and Regulatory Materials as provided herein (including establishing appropriate procedures therefor); and

(j) Performing such other duties as are specifically assigned to the JSC in this Agreement.

2.2 Working Groups. The JSC may, from time to time, establish working groups, including the working group described in this Section 2.2 (each, a "**Working Group**") to perform certain duties of the JSC as expressly delegated by the JSC to such Working Group. Each such Working Group shall report into and be subordinate to the JSC. Accordingly, each Working Group shall keep the JSC regularly informed of the activities that it is tasked with overseeing or otherwise carrying out, both through in-person and written reporting as reasonably necessary for the JSC to fulfill its responsibilities with respect to such activities and Product for the Field.

2.2.1 Promptly after the establishment of the JSC, the JSC shall establish a Development working group (the "**DWG**") to (a) facilitate and coordinate the updating of the Development Plan and submitting such plan to the JSC for approval as described herein, (b) oversee and coordinate clinical Development activities and (c) conduct such other activities as specifically assigned by the JSC to such Working Group hereunder.

2.2.2 Promptly after the establishment of the JSC, the JSC shall establish a Manufacturing working group (the "**MWG**") to (a) oversee and coordinate the transfer of MSB Know-How related to the Manufacture of Product pursuant to the Manufacturing Technology Transfer Plan, (b) reviewing and auditing the facilities at which the Manufacture of Product will be or is conducted to ensure such facilities meet all applicable cGxP (including associated quality systems) and other Applicable Laws, (c) reviewing and auditing the quality of the Product to ensure Product meets the specification therefor (including as may be set forth in any Regulatory Materials) and (c) conduct such other activities as specifically assigned by the JSC to such Working Group hereunder.

2.2.3 At least twenty-seven (27) months in advance of the projected receipt of the first Marketing Approval for Product in the Territory, the JSC shall establish a Commercial working group (the "**CWG**") to (a) facilitate and coordinate the establishment of an initial Commercial Plan and thereafter reviewing and updating the Commercialization Plan, (b) reviewing Commercial activities and Medical Affairs Activities for Product and (c) conduct such other activities as specifically assigned by the JSC to such Working Group hereunder.

2.3 Membership. The JSC and each Working Group created by the JSC pursuant to Section 2.2 (each a "**Committee**") shall consist of an equal number of representatives from each of MSB and Collaborator, and unless otherwise agreed such number, with respect to the JSC, shall be three (3) representatives appointed by each of MSB and Collaborator (with one (1) of such representatives appointed by each of MSB and Collaborator being the Alliance Manager appointed by each of MSB and Collaborator), and with respect to each Working Group, shall be one (1) representative, in each case, appointed by each of MSB and Collaborator. Either Party may replace its respective representative(s) to any Committee at any time with prior notice to the other Party, provided that such replacement is of comparable authority and scope of responsibility within that Party's organization as the individual he or she is replacing, but may have different area of responsibility. Unless otherwise agreed by the Parties, each Committee shall have at least one (1) representative with relevant decision-making authority from each Party such that the Committee is able to effectuate all of its decisions within the scope of its responsibilities. Without limiting the foregoing, each Party shall appoint one of its representatives to the JSC to co-chair the meetings of the JSC (each, a "**Co-Chair**"). The Co-Chairs, working together, shall (a) coordinate and prepare the agenda (which agenda shall include all matters requested by a JSC representative from either Party) and ensure the orderly conduct of the JSC's meetings, (b) each attend (subject to the below) each meeting of the JSC, and (c) alternating between the Co-Chairs, prepare and issue minutes of each meeting within ten (10) Business Days thereafter accurately reflecting the discussions and decisions of the JSC at such meeting. Such minutes from each JSC meeting shall be finalized only when the Co-Chair from each Party has reviewed and confirmed the accuracy of such minutes in writing. The Co-Chairs shall solicit agenda items from the other JSC representatives and provide an agenda along with appropriate information for such agenda reasonably in advance (to the extent possible) of any meeting. The Parties agree that unless the Co-Chair from each Party agrees otherwise, at each meeting of the JSC, the JSC shall review the progress of the activities, if any, under (i) the Development Plan (until completed), (ii) the Manufacturing Technology Transfer Plan (until completed) and (ii) Commercialization Plan. In the event the Co-Chair or another representative of the JSC from either Party is unable to attend or participate in any meeting of the JSC, the Party who appointed such Co-Chair or representative may appoint a substitute Co-Chair or other representative for the meeting.

2.4 Meetings. Each Committee shall hold meetings (either in person or by teleconference) at such times and places as the Parties may mutually agree as necessary for such Committee to conduct its responsibilities, *provided* that, unless the Parties otherwise agree, the JSC shall meet at least quarterly with an in person meeting at least annually. Each Party shall bear its own costs associated with attending such meetings. As appropriate, a reasonable number of other employees of a Party or its Affiliate may attend Committee meetings as nonvoting observers, but no Third Party personnel may attend unless expressly agreed by the Parties. Each Party may also call for special meetings to address matters requiring prompt attention with at least five (5) Business Days (or such shorter period as necessary to address exigent matters) to resolve particular matters identified by such Party in such notice.

2.5 Decision Making. Decisions of each Committee shall be made by consensus, with each Party having one (1) vote. Each Party shall work in good faith to reach consensus on matters and act in the general spirit of cooperation (taking into consideration the scope of such Committee's authority and the principles set forth in Section 2.6.2) and in no event shall either Party unreasonably withhold, condition or delay any approval or other decision of a Committee hereunder. In the event a Working Group fails to reach consensus with respect to a particular matter within its authority, then upon request by either Party, such matter shall be referred to the JSC for resolution. In the event that the JSC fails to reach consensus with respect to a particular matter within its authority, then either Party may, by notice to the other Party, have such matter referred to the Chief Executive Officer of Mesoblast Inc. and the Chairman of Collaborator (or in either case, his/her direct report, each, a "**Senior Executive**") for resolution by good faith discussions for a period of at least twenty (20) Business Days. If the Senior Executives cannot reach consensus within such twenty (20) Business Day period, then the Collaborator's Senior Executive shall have ********; provided that the Collaborator's Senior Executive may not exercise such decision-making right in a manner that, in ********, is likely to have a ********. For clarity, the Parties acknowledge that pricing for Products inside and outside the Territory may be materially different and such differences shall not be deemed to create a material adverse effect.

2.6 Committee Authority.

2.6.1 General. Notwithstanding the creation of the JSC and any Working Group, each Party retains the rights, powers and discretion granted to it hereunder, and no Committee shall be delegated or vested with rights, powers or discretion unless such delegation or vesting is expressly provided herein, or the Parties expressly so agree. No Committee has the power to (a) amend, modify or waive compliance with this Agreement or is otherwise inconsistent with the express terms of this Agreement, (b) to determine whether or not a Party has met its diligence or other obligations under the Agreement, or (c) to determine whether or not a breach of this Agreement has occurred, and no decision of any Committee shall be in contravention of any terms and conditions of this Agreement. It is understood and agreed that issues to be formally decided by the JSC and any Working Group, as applicable, are only those specific issues that are expressly provided in this Agreement to be decided by the JSC and any such Working Group, as applicable.

2.6.2 Guiding Principles. Each Committee shall perform its responsibilities under this Agreement, including with respect to Development, Manufacture of and Commercialization of Product for the Field in the Territory, consistent with good pharmaceutical practices (including applicable cGxP) and consistent with using Commercially Reasonable Efforts.

2.7 Alliance Managers. Promptly after the Effective Date, each Party shall appoint an individual to act as alliance manager for that Party (each, an "**Alliance Manager**"). Each Party's Alliance Manager shall be a member of the JSC. The Alliance Managers shall be the primary point of contact for the Parties with respect to the activities to be conducted under this Agreement. The name and contact information for the Alliance Managers, as well as any replacement(s) chosen by either Party in their sole discretion from time to time, shall be promptly provided to the other Party in writing.

2.8 Day-to-Day Responsibilities. Each Party shall: (a) be responsible for day-to-day implementation and operation of the activities hereunder for which it has or is otherwise assigned responsibility under this Agreement, provided that such implementation is not inconsistent with the express terms of this Agreement or the decisions of a Committee within the scope of its authority specified herein; and (b) keep the other Party informed as to the progress of such activities as reasonably requested by the other Party and as otherwise determined by the JSC.

ARTICLE 3
RIGHTS AND EXCLUSIVITY

3.1 Rights of Collaborator.

3.1.1 General. Subject to the terms and conditions of this Agreement, MSB hereby grants Collaborator the following rights under the Product Technology: (a) the exclusive (subject to MSB's reservation of rights as set forth herein) right to conduct Development of Product for the Field for the Territory; (b) the exclusive right to Commercialize (including to use, sell, offer for sale and import) and conduct Medical Affairs Activities for Product solely for the Field in the Territory; (c) the exclusive right to conduct regulatory activities in support of Collaborator's activities described in (a) and (b) of this Section 3.1.1 and Article 6; and (d) the right to Manufacture the Product to support the Commercialization of the Product for the Field in the Territory (such rights collectively, the "**Collaborator Rights**"). Collaborator's exercise of the Collaborator Rights (i) to conduct Development shall be in accordance with the Development Plan and Article 4; (ii) to conduct Commercialization and Medical Affairs Activities shall be in accordance with the Commercialization Plan and Article 5; (iii) to Manufacture the Product shall be in accordance with the Manufacturing Plan and Article 6; and (iv) to conduct regulatory activities shall be in accordance with Article 7. Furthermore, notwithstanding the exclusivity of the rights granted to Collaborator: (A) MSB shall continue to have the right to practice Collaborator Rights for purposes of performing the Development activities assigned to MSB under the Development Plan and the regulatory activities for which MSB is expressly responsible for or assigned to conduct under this Agreement and (B) MSB shall continue to have the right to Develop and Manufacture Product in the Territory to support the Development and Commercialization of Product outside the Territory as set forth in Section 6.2.

3.1.2 Use of Affiliates and Third Parties.

(a) Collaborator may exercise the Collaborator Rights through its Affiliates, and may grant to its Affiliates such Collaborator Rights under the Product Technology in connection therewith, provided that Collaborator shall guarantee and be responsible for each such Affiliate's compliance with the terms of this Agreement including all relevant restrictions, limitations and obligations.

(b) Neither Collaborator nor any of its Affiliates may exercise the Collaborator Rights in the Territory through any Third Party without the prior written consent of MSB; provided that no such consent shall be necessary for use of the Third Parties described in the Development Plan (including the contract research organizations and contract manufacturer named therein).

3.2 Rights of MSB.

3.2.1 General. Subject to the terms and conditions of this Agreement, MSB has the following rights (collectively, the "**MSB Rights**"): (a) the right to conduct those activities assigned to it under the Development Plan as described in Article 4; (b) conduct regulatory activities in support of MSB's activities described in (a) of this Section 3.2.1 pursuant to Article 7; and (d) the right to access and use (and grant Third Parties the right to access and use subject to Article 10) Regulatory Materials and Data generated with respect to Product for purposes of Developing, Manufacturing and Commercializing and conducting Medical Affairs Activities for Ex-Field Products in or outside the Territory or Product outside the Territory. For clarity, MSB reserves the right to, itself or through its Affiliates or Third Parties, Develop, Manufacture, Commercialize and conduct Medical Affairs Activities for Product for the Field for sale and use outside of the Territory.

3.2.2 Use of Affiliates and Third Parties.

(a) MSB may exercise the MSB Rights through its Affiliates, provided that MSB shall guarantee and be responsible for each such Affiliate's compliance with the terms of this Agreement, including all relevant restrictions, limitations and obligations and that, upon Collaborator's request, MSB shall identify those of its Affiliates that are exercising the MSB Rights.

(b) Neither MSB nor any of its Affiliates may exercise the MSB Rights described in Section 3.2.1(a) or (b) through any Third Party without the prior written consent of Collaborator, such consent not to be unreasonably withheld, conditioned or delayed; provided that no such consent shall be necessary for use of the Third Parties described in the Development Plan (including the contract research organizations and contract manufacturer named therein). For clarity, neither MSB nor any of its Affiliates shall be required to obtain any consent for use of Third Parties in exercising its or their rights under Section 3.2.1(c).

3.2.3 License to Collaborator Improvements. Subject to the terms and conditions of this Agreement, Collaborator hereby grants to MSB a perpetual, irrevocable, fully-paid, non-exclusive license, with the right to grant and authorize sublicenses (except as provided below), under the Collaborator Improvement Patents to make, have made, use, sell, offer for sale and/or import products and services and otherwise exploit the Collaborator Improvement Patents (a) outside the Field and (b) outside the Territory. The license granted pursuant to this Section 3.2.3 is in addition to any licenses that may be granted after the Term pursuant to Section 12.9.4.

3.3 No Contravention. MSB hereby covenants not to grant to any Third Party any right, authorization or license: that is in contravention or interferes with the Collaborator Rights including any license under the Product Technology with respect to Product for (a) the Field or (b) treatment or prevention of chronic heart failure or acute myocardial infarction, in each case (a) and (b), in the Territory. Similarly, Collaborator hereby covenants not to grant to any Third Party any right, authorization or license that is in contravention or interferes with MSB's license under the Collaborator Improvement Patents or that would prevent Collaborator from granting a license to MSB under the Collaborator Know-How or the Collaborator Patents pursuant to Section 12.9.4.

3.4 No Other Rights. Each Party acknowledges that the rights under this Article 3 and elsewhere in this Agreement are limited to the express scope thereof. Accordingly, except for the rights expressly granted under this Agreement, no right, title, or interest of any nature whatsoever is granted, whether by implication, estoppel, reliance, or otherwise, by either Party to the other Party. All rights with respect to Know-How, Patents or other intellectual property rights that are not specifically granted herein are reserved to the owner thereof.

3.5 Exclusivity of Efforts.

3.5.1 Competing Activities. From the Effective Date and for the Term, MSB agrees, on its behalf and on behalf of its Affiliates, not to (i) conduct, participate in or sponsor, directly or indirectly, the Development, Manufacture or Commercialization of a Competing Product in the Territory (collectively, such activities "**Competing Activities**") or (ii) appoint, license or otherwise authorize any Third Party, whether pursuant to license, appointment, or authorization or otherwise to perform any Competing Activities.

3.5.2 Post-Execution Transactions.

(a) In the event a Party (the "**Controlled Party**") enters into any transaction (a "**Control Transaction**") whereby a Third Party that is Developing or Commercializing a Competing Product acquires all or substantially all the assets or stock of the Controlled Party (such Third Party, a "**Control Affiliate**"), then the Controlled Party shall provide notice to the other Party within five (5) Business Days after the closing of the Control Transaction, specifying the identity of the Control Affiliate and describing in reasonable detail, to the extent permitted by Applicable Law and without disclosing any proprietary information, the Competing Product and a description of the Competing Activities such Control Affiliate is currently engaged in with respect to such Competing Product. Such notice shall also state whether the Controlled Party shall either: (i) Divest itself of the Competing Product; or (ii) isolate any Competing Activities

associated with the Competing Product to ensure that such activities are kept separate and independent of the Development, Manufacture and Commercialization of Product, including using Commercially Reasonable Efforts to ensure that no personnel involved in such Competing Activities have access to Know-How relating to Product (in the case of this clause (ii), any Know-How, Patent or other intellectual property right resulting from such Competing Activities shall not be included as Product Technology or Collaborator Know-How or Collaborator Patents under this Agreement, and nothing in this Agreement shall be construed to grant any rights or licenses to the other Party under such Know-How, Patent or other intellectual property right). Thereafter, the Controlled Party (itself or through the Control Affiliate) shall use diligent efforts to promptly implement (and in the case of isolation, maintain) such election. For clarity, neither the Controlled Party nor any Control Affiliate shall use, reference or practice any Product Technology or Collaborator Know-How or Collaborator Patents for the purpose of Developing or Commercializing any Competing Product.

(b) In the event a Party (the "**Subject Party**") enters into any transaction during the Term (a "**Subject Transaction**") whereby the Subject Party acquires an interest in, access to, or rights to a Competing Product through the acquisition of the assets or stock of a Third Party or other transaction (other than a Control Transaction) with a Third Party (such Third Party, a "**Subject Affiliate**"), then the Subject Party shall (i) provide notice to the other Party within five (5) Business Days after the closing of the Subject Transaction, specifying the identity of the Subject Affiliate and describing in reasonable detail, to the extent permitted by Applicable Law and without disclosing any proprietary information, the Competing Product and a description of the Competing Activities such Subject Affiliate is currently engaged in with respect to such Competing Product; and (ii) Divest itself of the Competing Product. Thereafter, the Subject Party (itself or through the Subject Affiliate) shall use diligent efforts to promptly implement such Divestiture. For clarity, neither the Subject Party nor any Subject Affiliate shall use, reference or practice any Product Technology or Collaborator Know-How or Collaborator Patents for the purpose of Developing or Commercializing any Competing Product.

(c) For purposes of this Section 3.5.2, "**Divest**" or "**Divestiture**" means, with respect to any Competing Product, (i) the sale, license or other transfer of all of the right, title and interest in and to such Competing Product for the Field in the Territory, including all technology, intellectual property and other assets relating solely thereto, to an independent Third Party (other than the Control Affiliate or Subject Affiliate), without the retention or reservation of any rights, license or interest (other than solely an economic interest and other customary reversionary rights) by the Controlled Party/Control Affiliate or Subject Party/Subject Affiliate (as applicable) in such Competing Product for the Field in the Territory and (ii) the complete shutdown of all development and commercialization activities with respect to such Competing Product so that no technology, intellectual property or other asset relating thereto is used by the Controlled Party/Subject Party or its Affiliates and delivery of written confirmation from the Controlled Party or Subject Party, as applicable, that it and its Affiliates covenant not to use any technology, intellectual property and assets solely relating to such Competing Product during the Term.

3.5.3 Product. During the Term, Collaborator agrees, on its behalf and on behalf of its Affiliates, not to (i) Develop or Commercialize any Product for any applications outside the Field in the Territory or (ii) appoint, license or otherwise authorize any Third Party to Develop or Commercialize any Product for any application outside the Field in the Territory. Accordingly,

Collaborator agrees that neither it, nor any of its Affiliates, will sell or provide Product to any Third Party if Collaborator or its relevant Affiliate knows, or has reason to believe, that Product, sold or provided to such Third Party would be sold or transferred, directly or indirectly, for use outside the Field or for use outside the Territory. Collaborator and its Affiliates shall promptly notify MSB in the event it or its Affiliate has reason to believe that any such Product sold or otherwise distributed has been or will be used outside the Field or outside the Territory. Collaborator shall promptly cease selling or providing Product to any Third Party that Collaborator or its relevant Affiliate knows, or has reason to believe, sells or provides such Product for use outside the Field or for use outside the Territory.

ARTICLE 4
DEVELOPMENT MATTERS

4.1 General. Subject to the oversight of the JSC, Collaborator and MSB shall collaborate to Develop Product to support filing for MAAs and obtaining and maintaining Regulatory Approvals for Product for the Field throughout the Territory, with each Party (itself or through its Affiliates or authorized Third Parties) using Commercially Reasonable Efforts to conduct the Development of Product for the Field for the Territory in accordance with the Development Plan. The Parties acknowledge that (a) Collaborator shall have the primary responsibility and take the lead for the conduct of all Development of Product for the Field for the Territory in accordance with the Development Plan and (b) at Collaborator's request, MSB agrees to reasonably assist with such Development subject to availability of resources (which shall include making available all material and resources that are reasonably required to support the Development of the Product in the Territory), provided that Collaborator agrees to compensate MSB at its then applicable rates as set out in the Product Memorandum and reimburse MSB's documented travel and other expenses incurred in performing providing such support within thirty (30) days of invoice therefor (which reimbursement shall be in addition to any payments under Section 4.6 and Article 8), it being understood that MSB shall not be obligated to conduct any such activity if the costs therefor are not pre-approved by Collaborator. MSB will at all times use Commercially Reasonable Efforts to minimize the cost for the Collaborator relating to any assistance provided by MSB to assist with Development. For clarity, neither Party shall conduct any Development with respect to Product for the Field for the Territory except pursuant to the Development Plan.

4.2 Development Plan.

4.2.1 Initial Regulatory Meeting. Promptly after the Effective Date, Collaborator shall submit a request to meet with the CFDA as soon as practicable (but not later than the applicable date set out in the initial Development Plan) to discuss the initial Development Plan (developed pursuant to Section 4.2.2) for each of MPC-150-IM and MPC-25-IC for the Field in the Territory and solicit feedback from the CFDA with respect thereto (such a meeting, the "**Initial Regulatory Meeting**"). Collaborator shall inform MSB with respect to such Initial Regulatory Meeting and MSB will have the right to participate therein, each as provided in Section 7.2.1.

4.2.2 Initial Development Plan. ******** after the Effective Date, the DWG shall have convened and developed an initial Development Plan and submitted such draft plan to the JSC for its review and comment/approval, which Development Plan (and each update thereto) shall contain at least the following information for each of MPC-150-IM and MPC-25-IC for the Field in the Territory:

(a) scope and timelines for the conduct of all studies (both non-clinical, if any, and clinical) designed to support filing for a MAA and obtaining Marketing Approval for such Product for the Field in the Territory;

(b) regulatory matters including Regulatory Materials to be filed with Regulatory Authorities, including estimated timing of meetings with Regulatory Authorities in support of activities described in Section 4.2.2(a); and

(c) target schedules for achieving milestones in Developing Product for the Field in the Territory.

4.2.3 Updates. Promptly after the Initial Regulatory Meeting, Collaborator shall circulate any minutes therefrom (whether initiated by the CFDA or Collaborator) to the DWG; and the DWG shall incorporate the comments of the CFDA into the initial Development Plan and recirculate such plan to the JSC for its further review and comment/approval within 3 months after the Initial Regulatory Meeting. If either Party learns that any Development activities not reflected in the then-current Development Plan that are necessary or likely to be necessary to support filing MAAs and obtaining Marketing Approvals for the Product for the Field in the Territory, it shall promptly inform the DWG of such activities. The Development Plan shall be reviewed by and, as necessary, updated by approval of the JSC at least annually. By September 1 (or the first Business Day thereafter if such day is not a Business Day) of each Annual Period, the Parties through the DWG shall submit to the JSC proposed updates to the Development Plan for the JSC's review and approval. The JSC shall endeavor to approve an updated Development Plan covering the following Annual Period by no later than October 15 (or the first Business Day thereafter if such day is not a Business Day) of the prior Annual Period.

4.3 Protocols and Clinical Studies. The DWG has the right to determine and finalize the protocols for each clinical study to be conducted under the Development Plan, and the Party responsible for such study shall ensure that such studies are conducted in a manner that strictly adheres to such protocols, as such protocols may be modified by the DWG and subject to the terms of approvals of the applicable institutional review board and ethics committee; provided, however, that if the Party responsible for such studies determines that a modification to such protocols is reasonably necessary due to circumstances related to patient safety and that notice to the other Party and approval of such modification by the DWG cannot be accomplished in a reasonable timeframe without risk to patient safety, such Party may change such protocols without having to provide them beforehand to the other Party for its review and comment hereunder; however, such Party shall promptly provide such changes to the other Party along with the rationale for such change.

4.4 Development Data, Regulatory Materials and Other Reporting Obligations. Each Party shall, through the DWG and JSC, keep the other Party appropriately and routinely informed regarding progress with respect to the activities assigned to it under the Development Plan, including all the study results and conclusions generated therefrom, provide the other Party access to all data tables and listings generated from the performance of such activities, including clinical, non-clinical and CMC reports and Regulatory Materials, and permit a reasonable number of representatives (based on the circumstances) of the other Party to monitor such Development activities upon such other Party's reasonable request and at reasonable times mutually agreed upon by the Parties to the extent such Party has the right to permit the other Party to so monitor. Without limiting the generality of the foregoing, Collaborator shall also provide such reports of the progress of the Development activities it controls as the JSC may request from time to time. Furthermore, Collaborator shall keep the JSC and MSB routinely informed of its activities conducted under Section 3.1 and any Collaborator Improvements created in connection therewith.

4.5 Conduct. Each Party shall use Commercially Reasonable Efforts to conduct those activities assigned to it under the Development Plan in a good scientific manner, in compliance Applicable Laws, cGxP and in accordance with the timelines therein; and unless the Parties otherwise agree all clinical Development activities with respect to the Product shall be set forth in the Development Plan. Each Party agrees that it will not knowingly infringe, misappropriate or otherwise violate any Patents, Know-How or other intellectual property of any Third Party in the conduct of the activities assigned to it under the Development Plan. The Party conducting activities under the Development Plan shall (a) keep records of such activities in compliance Applicable Laws and cGxP and (b) provide quarterly reports regarding the progress of activities; provided, that the JSC may, in its discretion, require more frequent reporting.

4.6 Development Costs. Unless and until ********, all costs (both internal and external) of carrying out the activities under the Development Plan shall be the responsibility of and borne by Collaborator, unless otherwise set out in the Development Plan.

ARTICLE 5
COMMERCIALIZATION AND MEDICAL AFFAIRS

5.1 General. Subject to the terms and conditions of this Agreement and the oversight of the JSC, Collaborator shall have the exclusive right to Commercialize and conduct Medical Affairs Activities for Product for the Field in the Territory. Collaborator shall be responsible for all Commercialization efforts and Medical Affairs Activities for Product for the Field in the Territory in accordance with the Commercialization Plan. Without limiting the foregoing, MSB will during the Term use Commercially Reasonable Efforts to support Collaborator, at Collaborator's reasonable request and expense, to successfully Commercialize the Products as contemplated by this Agreement.

5.2 Commercialization Plan.

5.2.1 General. At least twenty-four (24) months in advance of the projected launch of Product for the Field in the Territory, Collaborator (in consultation with MSB) shall propose and submit to the CWG for review and comment an initial draft plan for the Commercialization of and conduct of Medical Affairs Activities for Product for the Field in the Territory. After review of such draft plan by the CWG, Collaborator shall finalize such plan, as appropriate, taking into consideration in good faith any comments of MSB (through the JSC) with respect thereto (each, as updated from time to time, a "**Commercialization Plan**"). Subject to the review and feedback of the JSC, the Commercialization Plan shall be updated at least annually. The Commercialization Plan shall set forth in a level of detail consistent with practice in the biopharmaceutical industry (and in any event including at least the level of detail that Collaborator uses for its own internal planning purpose). Without limiting the foregoing, the Commercialization Plan shall include activities and resources consistent with Collaborator's obligations under Section 5.4 and will set forth certain objective Commercialization criteria, including call point identification, tier strategy, the number of sales personnel (including field sales, institutional sales, pharmacy sales and managed care sales representatives and medical scientific liaisons) to be established by the JSC with the intent to maximize the overall value of Product for the benefit of the Parties (each, a "**Commercialization Criteria**"). The Commercialization Plan shall also include a eighteen (18) months sales forecast that represents Collaborator's good faith estimate of Net Sales of Product for the Field in the Territory for the upcoming eighteen (18) months; provided if Collaborator has prepared such a forecast for a longer period, such longer forecast shall be included in the Commercialization Plan. Collaborator shall provide each such Commercialization Plan and any material modification or addition thereto to the CWG for its review and comment.

5.2.2 Achievement of Commercialization Criteria. In the event that Collaborator fails to achieve any material Commercialization Criteria within the timeframes set forth the Commercialization Plan or it is reasonably expected that any material Commercialization Criteria for a particular Annual Period will not be met, MSB and Collaborator shall, through the JSC, discuss and agree on a reasonable plan to increase Collaborator's efforts to Commercialize Product with the goal of achieving the Commercialization Criteria for such Annual Period.

5.3 Pricing. Collaborator shall establish pricing and reimbursement for Product consistent with general pharmaceutical industry practices in the Territory and the Commercialization Plan. To the extent allowable under Applicable Law, Collaborator shall keep the JSC reasonably informed and permit the JSC to review and comment on such pricing and reimbursement as described in Section 2.1.2(h) and Collaborator shall consider in good faith any such comments provided by MSB (through the JSC); provided, however, Collaborator shall have final decision-making authority with respect to pricing and reimbursement in accordance with this Agreement.

5.4 Diligence Obligations. Collaborator agrees to use Commercially Reasonable Efforts (a) to launch each of MPC-150-IM and MPC-25-IC as soon as reasonably practicable in the Territory (but no later than the applicable date set out in the Commercialization Plan) after receiving Marketing Approval for the Field in the Territory and (b) to Commercialize and conduct Medical Affairs Activities for Product for the Field in the Territory in accordance with the Commercialization Plans and otherwise meet the market demand for Product and maximize the Net Sales therefrom.

5.5 Trademarks.

5.5.1 Product Marks. Collaborator will be responsible for the selection (in consultation with MSB), registration, maintenance and defense of, and will solely own all right, title and interest in, all Trademarks (except the MSB Trademarks) for use in connection with the sale or marketing Product for the Field in the Territory (collectively, the "**Product Marks**"), as well as all expenses associated therewith. Collaborator will have the right to implement a branding strategy for Product, as outlined in the Commercialization Plan using such Product Marks.

5.5.2 MSB Mark.

(a) To the extent permitted by: (a) Applicable Law; (b) the Product's registration strategy developed by Collaborator for the Territory (which will not unreasonably exclude the use of the MSB Mark); and (c) applicable registration requirements of the relevant Regulatory Authority(ies) in the Territory; at MSB's election, the labels and packaging of Product hereunder shall include text identifying MSB or an Affiliate as the innovator of Product and a Trademark selected by MSB (the "**MSB Mark**") to be placed in a size and location reasonably agreed to by the Parties consistent with the practice in the biopharmaceutical industry; *provided* that the MSB Mark: (i) is used in a consistent and noticeable manner sufficient to constitute trademark usage under Applicable Law, (ii) is clearly identified as a trademark (i.e., through the use of a "®", "™" or other appropriate identifier), and (iii) is not used as combination marks with other marks or trademarks. Collaborator shall obtain MSB's review and approval prior to the first use of the MSB Mark in such labeling or packaging, such approval not to be unreasonably withheld, conditioned or delayed if the MSB Mark is used in a manner that is consistent with MSB's usage guidelines for such MSB Mark attached hereto as Exhibit 5.5.2.

(b) In connection with the foregoing, MSB hereby grants to Collaborator a fully-paid license to use the MSB Mark for the Commercialization (including packaging, labeling, marketing, promotion, distribution and sale) of and conduct of Medical Affairs Activities for Product for the Field in the Territory in accordance with this Agreement, and Collaborator shall have the right to exercise such license through its Affiliates, *provided* that Collaborator shall be responsible for the failure by its Affiliates to comply with the terms of this Agreement including all relevant restrictions, limitations and obligations. MSB shall own all right, title and interest in and to the MSB Mark and the registrations thereof and all goodwill from the use of the MSB Mark shall vest in and inure to the benefit of MSB.

5.6 Reporting. Without limiting any other provisions of this Agreement, Collaborator shall keep MSB reasonably informed through the JSC as to the progress of its activities with respect to the Commercialization of and conduct of Medical Affairs Activities for Product or otherwise under this Article 5 and provide such reports and information with respect thereto as designated by the JSC or as may be reasonably requested by the other Party. In addition, Collaborator shall promptly notify MSB if it anticipates or there are material deviations from any then-current Commercialization Plan and shall discuss in good faith and keep MSB informed as to any corrective actions that it intends or is taking to address such deviations.

5.7 Commercialization Costs. Unless and until ********, all costs (both internal and external) of carrying out the activities under the Commercialization Plan shall be the responsibility of and borne by Collaborator unless otherwise set out in the Commercialization Plan.

ARTICLE 6
MANUFACTURE / SUPPLY

6.1 General. Unless the Parties otherwise agree, subject to the oversight of the JSC and MWG, Collaborator shall have the right and be responsible for the Manufacture of Product to support the Commercialization of Product for the Field in the Territory in accordance with the Manufacturing Plan, subject to MSB's right to supply to Collaborator Proprietary Materials necessary to conduct all such Manufacture; provided, however, if Collaborator requests that MSB purchase any such Proprietary Material (or component thereof) from a Third Party specified by Collaborator for cost effectiveness, then provided that such Third Party can so supply such Proprietary Material or component to the necessary specification and quality, then MSB shall use Commercially Reasonable Efforts to obtain such Proprietary Material or component from such Third Party. Without limiting the foregoing, MSB shall authorize Collaborator to purchase the Proprietary Materials directly from its Third Party suppliers in the event that MSB fails to supply (whether as a result of change of control of MSB or otherwise) any quantities of such Proprietary Materials forecasted and ordered by Collaborator in accordance with Section 6.1.3.

6.1.1 Manufacturing Technology Transfer. ******** after the Effective Date, the MWG shall have convened and developed a plan (the "**Manufacturing Technology Transfer Plan**") for the reasonably prompt transfer by MSB to Collaborator (or if Collaborator requests to a Third Party (reasonably approved by MSB); provided that such Third Party enters into a confidentiality agreement with MSB at least as protective of MSB's Confidential Information as the provisions of Section 10.1 and provides for use of such Confidential Information solely for the purpose of supplying Product to Collaborator and its Affiliates for the purposes of this Agreement) of Data, technical information, documents, and materials (including Proprietary Materials in accordance with Section 6.1.3 and information necessary for Collaborator to source or produce the Proprietary Materials if MSB fails to do so), in each case Controlled by MSB and necessary for or used by MSB in the Manufacture of Product, using MSB's proprietary MPC manufacturing process in compliance with the applicable specifications, for Development and Commercialization. The Manufacturing Technology Transfer Plan must address the Collaborator's reasonable technology transfer criteria and requirements as provided to the MWG. The Manufacturing Technology Transfer Plan shall include, if requested by Collaborator, reasonable and customary on-site support by MSB at the Collaborator's manufacturing facilities, for which Collaborator agrees to compensate MSB at the rate specified in the Product Memorandum (except no such compensation shall be due with respect to time spent by MSB employees during ******** the implementation of the Manufacturing Technology Transfer Plan) and reimburse MSB's documented and agreed travel and other out-of-pocket expenses incurred in performing providing such support ******** therefor (which reimbursement shall be in addition to any payments under Section 4.6 and Article 8). MSB shall use Commercially Reasonable Efforts to cause that any Third Party engaged by MSB to assist in the implementation of the transfer contemplated by this Section 6.1.1, ********, fully cooperate and assist as required to give full effect to the Manufacturing Technology Transfer Plan.

6.1.2 Manufacturing Plan. Coincident with the development of the Manufacturing Technology Transfer Plan, the MWG shall develop and submit a draft plan for the Manufacture of Product to support the activities hereunder for the Field in the Territory (including establishing, validation and qualification of facilities and equipment used for such Manufacture and any customary auditing thereof) (the "**Manufacturing Plan**") to the JSC for its review and comment/approval. The Manufacturing Plan shall be reviewed by and, as necessary, updated by approval of the JSC at least annually. By September 1 (or the first Business Day thereafter if such day is not a Business Day) of each Annual Period, the Parties through the MWG shall submit to the JSC proposed updates to the Manufacturing Plan for the JSC's review and approval. The JSC shall endeavor to approve an updated Manufacturing Plan covering the following Annual Period by no later than October 15 (or the first Business Day thereafter if such day is not a Business Day) of the prior Annual Period.

6.1.3 Proprietary Materials. MSB shall use Commercially Reasonable Efforts to supply all quantities of Proprietary Materials forecasted and ordered by Collaborator to Manufacture Product necessary to support the Development and Commercialization of Product for the Field in the Territory and Collaborator shall acquire all such quantities from MSB (or its designee). As part of the initial Manufacturing Plan, the MWG will establish forecasting procedures for Collaborator's requirements of Proprietary Materials. It is anticipated that such forecasting procedures will include both short-term and long-term forecasting requirements on a rolling Quarterly Period basis, and that such procedures will include lead times intended to be sufficient to enable MSB to fulfill its supply obligations with respect thereto. In consideration of the supply of the Proprietary Materials, Collaborator shall reimburse ******** therefor (which reimbursement shall be in addition to any payments under Section 4.6 and Article 8) ******** incurred or accrued and allocable to the supply of such Proprietary Materials (********), including reasonable allocation of direct and indirect depreciation and overhead attributable such Proprietary Materials (which for clarity would exclude costs attributable to idle capacity or incurred as a result of the gross negligence or willful misconduct), all as calculated in accordance with Accounting Standards. The price of the Proprietary Materials as of the Signature Date is set forth in the Product Memorandum and MSB will at all times use Commercially Reasonable Efforts to minimize any increase in any of the internal and Third Party costs and expenses incurred or accrued and allocable to the supply of such Proprietary Materials. Further, at the request of Collaborator, the Parties shall negotiate and execute a mutually acceptable quality agreement, which allocates roles and responsibilities to each Party with respect to quality assurance and regulatory compliance with respect to the supply of the Proprietary Materials.

6.2 Manufacture for Ex-Territory. For clarity, nothing in this Agreement shall prevent MSB from Manufacturing Product and components thereof in the Territory for the purpose of Developing and Commercializing Product outside the Territory, and MSB shall ensure that no such Product or components thereof are used for the purpose of Commercializing Product inside the Territory. For further clarity, MSB shall use Commercially Reasonable Efforts to ensure that such supply does not interfere with the supply of Product for Development, Commercialization and use in the Territory in accordance with this Agreement. On commercial terms to be agreed, the Parties may agree that Collaborator, on behalf of MSB, shall Manufacture Product and components thereof in the

Territory for the purpose of MSB Developing and Commercializing Product outside the Territory, provided that the Parties acknowledge that the Collaborator shall prioritize the Development, Commercialization and use in the Territory in accordance with this Agreement; provided (a) neither Party shall have liability of any kind for any failure to agree on such commercial terms and (b) such obligation shall be subject to any existing obligations of MSB to Third Parties.

6.3 Manufacturing Costs. Unless and until ********, all costs (both internal and external) of carrying out the activities under the Manufacturing Plan shall be the responsibility of and borne by Collaborator unless otherwise set out in the Manufacturing Plan.

ARTICLE 7
REGULATORY AND RELATED MATTERS

7.1 Regulatory Matters.

7.1.1 Responsibility for Regulatory Filings. Except as otherwise expressly provided otherwise, each Party shall be responsible, at its expense, for filing, obtaining and maintaining Regulatory Approvals for those activities assigned to such Party hereunder in connection with the Development, Manufacture and Commercialization of and conduct of Medical Education Activities for Product for the Field in the Territory. The Parties acknowledge that unless the JSC designates otherwise, Collaborator shall have the right and responsibility for preparing, filing and defending MAAs for Product for the Field in the Territory, provided that MSB shall provide reasonable support to Collaborator with respect to such filings. All activities under this Section 7.1.1 shall be done subject to the oversight and in full consultation with the JSC and the DWG provided that the Collaborator will have the ultimate decision making right at the JSC on what registration strategy and route will be applied to the Product in the Territory. Without limiting the foregoing, prior to the filing any MAA for Product for the Field in the Territory, Collaborator shall provide a copy thereof to MSB for its review and comment (including any associated proposed labeling).

7.1.2 Right of Reference. Collaborator hereby grants MSB (and its designees) a right of reference and full use and access to Regulatory Materials of Collaborator and its Affiliates with respect to Product for purposes of obtaining and maintaining Regulatory Approvals for Product outside the Territory and (subject to Section 3.5) for allogenic cell products outside of the Field. Collaborator shall, at MSB's request and expense, take actions reasonably necessary to effect such grant of right of reference and use to MSB, including by making such filings as may be required with Regulatory Authorities in the Territory that may be necessary to record such grant.

7.2 Regulatory Cooperation. Subject to the oversight of the JSC and the DWG, Collaborator shall be responsible for liaising with and managing all interactions with applicable Regulatory Authorities with respect to Product for the Field in the Territory and MSB shall be entitled to participate in such interactions as provided in this Section 7.2.

7.2.1 Involvement of MSB. To the extent relating to the Product for the Field in the Territory, Collaborator shall provide MSB with:

(a) reasonable advance notice (and in no event less than twenty (20) Business Days' advance notice whenever feasible) of substantive meetings with any Regulatory Authority within the Territory that are either scheduled with, or initiated by or on behalf of, Collaborator or its Affiliates, and an opportunity to have a reasonable number (but at least two (2)) representatives participate in all substantive meetings with any Regulatory Authority, and in any case shall keep MSB informed as to all material interactions with Regulatory Authorities; and

(b) a copy of any material documents, information and correspondence submitted to any Regulatory Authority as soon as reasonably practicable.

7.2.2 JSC Approval. The JSC shall approve the overall strategy and positioning of all material Regulatory Materials (including product labeling) prior to their submission or filing, based upon reasonably detailed reports and summaries of such submissions and filings presented to the JSC by Collaborator. In connection with such review, Collaborator shall promptly provide to the DWG such additional information regarding a proposed filing as MSB may reasonably request.

7.2.3 Other Regulatory Matters. Each Party will promptly provide the other Party with copies of all material documents, information and correspondence received from any Regulatory Authority (including a written summary of any material communications in which such other Party did not participate) and, upon reasonable request, with copies of any other documents, reports and communications from or to any Regulatory Authority relating to Product for the Field in the Territory.

7.3 Exchange of Data. During the Term, each Party shall provide to the other Party all such Party's Data (i.e., in case of MSB, Data comprising Product Know-How, and in the case of Collaborator, Data comprising Collaborator Know-How) in each case with respect to Product that has not previously been provided hereunder, in each case promptly upon request by the other Party and necessary or useful for the other Party to conduct its activities under this Agreement. The Party providing such Party's Data shall provide the same in electronic form to the extent the same exists in electronic form, and shall provide copies as reasonably requested and an opportunity for the other Party or its designee to inspect (and copy) all other materials comprising such Data (including for example, original patient report forms and other original source data, to the extent access is allowed under Applicable Law). The Parties, through the DWG, will cooperate and reasonably agree upon formats and procedures to facilitate the orderly and efficient exchange of such Data.

7.4 Inspection Right.

7.4.1 Inspection by a Party. Each Party shall permit an independent (i.e., having no prior or existing relationship with either Party) Third Party quality/GMP consultant reasonably acceptable to the first Party (and subject to that independent Third Party entering into a confidentiality arrangement in favor of the inspected Party no less onerous than those set out in this

Agreement), to enter the relevant facilities of the first Party and its Affiliates during normal business hours and upon reasonable advance notice to inspect and verify compliance with applicable regulatory and other requirements as well as with this Agreement, with respect to matters relating to the Product for the Field in the Territory, all Data to be provided to the other Party pursuant to Section 7.3 and the activities with respect to the Development, Manufacture or Commercialization of or conduct of Medical Affairs Activities for the Product for the Field in the Territory. The inspected Party shall give such Third Party quality consultant all necessary and reasonable assistance for a full and correct conduct of the inspection. Such inspection shall not relieve the inspected Party of any of its obligations under this Agreement.

7.4.2 Third Parties. Each Party shall use Commercially Reasonable Efforts to secure for the other Party the rights set forth in Section 7.4.1 from Third Parties acting on its behalf, including study sites and other contractors with respect to the Product for the Field in the Territory. In the event a Party is unable to secure such inspection rights from any such Third Party, the Party agrees to secure such rights for itself and, if requested by the other Party, shall exercise such rights, at its own expense, for the other Party and fully report the results thereof to such other Party.

7.5 Reporting; Adverse Drug Reactions.

7.5.1 Safety Data Exchange Agreement. Prior to initiating any human clinical study hereunder, the Parties shall enter into a safety data exchange agreement (the "**SDE Agreement**") on reasonable and customary terms, including: (a) providing detail regarding the maintenance of core safety information and the exchange of safety data relating to Product (including ADR reporting) on a worldwide basis and providing that MSB will be responsible for establishing and maintaining the world-wide safety database and each Party will have access to and the right to use the data therein; (b) providing for the active, systematic, scientifically valid collection, analysis, and interpretation of data or other information about the Product including safety signal analysis and other post-marketing surveillance activities, and (c) ensuring compliance with the reporting requirements of all applicable Regulatory Authorities on a worldwide basis.

7.5.2 Adverse Event Reporting. Each Party will be responsible for interacting with users of Product for which Commercialization activities are conducted by or under its authority and promptly reporting all customer complaints and ADRs to the other Party and in all events sufficient in time to allow the other Party to meet its reporting requirements to any Regulatory Authority, and as more particularly set out in the SDE Agreement. Each Party shall be responsible for the timely reporting of all ADRs, complaints and safety data relating to Product for the Field in the Territory to applicable Regulatory Authorities in accordance with Applicable Law arising from activities of such Party hereunder, and as more particularly set out in the SDE Agreement.

ARTICLE 8
PAYMENTS

8.1 Fees and Royalty.

8.1.1 Upfront Fee. ******** after the Effective Date, Collaborator shall pay MSB the Upfront Fee set forth in the Product Memorandum.

8.1.2 Milestones. Collaborator shall pay to MSB the amounts set forth in the tables in the Product Memorandum (each, a "**Milestone Payment**") upon the achievement of the corresponding milestone event for Product (each, a "**Milestone Event**").The Milestone Payments set forth in this Section 8.1 shall each be due and payable to MSB ******** the achievement of the corresponding Milestone Event set forth in the tables in the Product Memorandum. Collaborator agrees to promptly notify MSB of its achievement of each Milestone Event.

8.1.3 Royalty. Beginning on the first commercial sale of Product and thereafter on a Product-by-Product basis until the earlier of (a) ******** and (b) ******** (with respect to such Product, the "**Royalty Term**"), provided that the Royalty Term for each Product shall not be less than through the end of the ******** Annual Period following the first commercial sale of such Product for the Field in the Territory and shall not be extend beyond the end of the ******** Annual Period following the first commercial sale of the Product in the Field in the Territory, Collaborator shall pay to MSB that percentage of Annual Net Sales set forth in the table in the Product Memorandum (the "**Royalty**"). ******** after the end of any Quarterly Period for which Royalty is owed, Collaborator shall provide MSB with a good faith estimate of the Royalty owed for such Quarterly Period. ******** after the end of each Quarterly Period for which Royalty is owed, Collaborator shall deliver to MSB a report setting out in detail the information necessary to calculate the Royalty due, including the following information: (i) units of each of MPC-150-IM and MPC-25-IC sold during the relevant Quarterly Period; (ii) gross amounts invoiced upon sales of each of MPC-150-IM and MPC-25-IC during the relevant Quarterly Period; (iii) all relevant deductions or credits with respect such gross amounts invoiced used to calculate Net Sales of each of MPC-150-IM and MPC-25-IC during the relevant Quarterly Period; (iv) all relevant exchange rate conversions in accordance with Section 8.6; and (v) the Royalty due to MSB with respect to such Net Sales.

8.2 Payment Method. All payments due under this Agreement to MSB shall be made by bank wire transfer in immediately available funds to one or more accounts designated by MSB and shall be non-refundable and non-creditable. All payments hereunder shall be made in Dollars. Except as otherwise provided herein, all payments due to MSB under this Agreement shall be due and payable ******** invoice from MSB.

8.3 Taxes.

8.3.1 The Parties agree that for income tax purposes in any jurisdiction they will treat the transaction under this Agreement, unless otherwise required by Applicable Law, as a collaboration agreement that does not constitute a partnership or a joint venture, and agree to not take (or cause any Person to take), any position on any Tax return or in the course of any audit, examination or other proceeding inconsistent with such treatment, unless otherwise required by Applicable Law and except upon a final determination of the applicable Taxing Authority.

8.3.2 Except as otherwise provided herein, any and all payments by or on account of any obligation of either Party under this Agreement shall be made without deduction or withholding for any Taxes; and accordingly, the paying Party shall be responsible for any such withholding Taxes.

8.3.3 Any Assignee shall indemnify the Non-Assigning Party, ******** 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 8.3) payable or paid by such Non-Assigning Party or required to be withheld or deducted from a payment to such Non-Assigning Party 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. Notwithstanding anything to the contrary in this Agreement, if a Party (the "**Taxed Party**") obtains a credit from any Tax Authority for any portion of any Indemnified Tax paid by the other Party, then the Taxed Party shall promptly reimburse the other Party the amount of such credit, and the Taxed Party shall use Commercially Reasonable Efforts to obtain available credits with respect to any such Indemnified Taxes.

8.3.4 All transfer, documentary, sales, use, excise, customs, charges, duties, ad valorem, value added, stamp, registration, recording, property and other such similar Taxes (other than, for the avoidance of doubt, Taxes assessed against income), and all conveyance fees, recording charges and other fees and charges (including any penalties and interest) lawfully assessed or charged in connection with any of the transactions contemplated under this Agreement (collectively, "**Transfer Taxes**") shall be paid and borne by the paying Party when due, and the Party responsible under such Applicable Law for paying such Transfer Taxes shall, at its own expense, file all necessary Tax returns and other documentation with respect to all such Transfer Taxes, and, if required by Applicable Law, the Parties will, and will cause their Affiliates to, join in the execution of any such Tax returns and other documentation.

8.4 Inspection of Records.

8.4.1 Collaborator shall, and shall cause its Affiliates to, keep full and accurate books and records setting forth (a) gross amounts invoiced of Product, Net Sales of Product, itemized deductions from gross amounts invoiced taken to calculate Net Sales and (b) other particulars necessary to calculate amounts payable to MSB under this Article 8. Collaborator shall permit MSB, by independent qualified public accountants engaged by MSB and reasonably acceptable to Collaborator (provided that the firms described on Exhibit 8.4.1 shall be deemed

acceptable), to examine such books and records at any reasonable time on reasonable prior notice, but not later than three (3) years following the rendering of any corresponding reports, accountings and payments pursuant to this Article 8. The foregoing right of review may be exercised only once during each Annual Period, unless there is a reasonable basis for exercise of such right of review more frequently. Such accountants may be required by Collaborator to enter into a reasonably acceptable confidentiality agreement.

8.4.2 If, as a result of any such examination, MSB reasonably concludes that Collaborator has underreported the Royalty or other amounts payable hereunder to MSB under this Article 8, MSB shall inform Collaborator of its disagreement with the calculation of Royalty or other amounts payable to MSB in a written notice setting forth MSB's calculation of Royalty or other amounts payable to MSB in reasonable detail. If the Collaborator does not dispute the calculations set forth in MSB's notice within thirty (30) days after of receipt of such notice from MSB, the calculations in MSB's notice shall be deemed the final Royalty or other amounts payable to MSB hereunder for such period.

8.4.3 In the event Collaborator disputes MSB's calculation of Royalty or other amounts payable to MSB as set forth in such notice, Collaborator shall within thirty (30) days after receipt of such notice from MSB, provide written notice to MSB of its disagreement with MSB's notice and the Parties will attempt thereafter to resolve such dispute amicably. If after thirty (30) days the Parties are unable to resolve such dispute, the Parties agree to submit the dispute for resolution to an independent Third Party accounting firm jointly selected by the Parties and the decision of such independent accounting firm as to as to the amount of Royalty or other amount for such audited period shall be final (absent clear error).

8.4.4 MSB shall bear the cost of any such examination and review (including the fees of the independent accounting firm jointly selected by the Parties); *provided* that if the inspection and audit shows an underpayment of more than the lesser ******** of the amount due for the applicable period and two hundred fifty thousand dollars ($250,000), then Collaborator shall promptly reimburse MSB for all costs incurred in connection with such examination and review. Collaborator shall promptly pay to MSB the amount of any underpayment revealed by an examination and review. Any overpayment by Collaborator revealed by an examination and review shall be fully-creditable against future payment owed by Collaborator to MSB under this Article 8.

8.5 Late Payment. Any payments or portions thereof due hereunder which are not paid when due shall bear interest equal to the lesser of (a) the rate equal to ******** U.S. dollar secured overnight financing rate (SOFR) effective for the date that payment was due, as published by The Wall Street Journal on its website at www.wsj.com on the date such payment was due, ********, or (b) the maximum rate permitted by Applicable Law, calculated on the number of days such payment is delinquent. This Section 8.5 shall in no way limit any other remedies available to MSB.

8.6 Currency Conversion. If any currency conversion shall be required in connection with the calculation of amounts payable hereunder, such conversion shall be made using the same exchange rates used by Collaborator for its own financial reporting purposes, or if none is used, then the average of the buying and selling rates on the last Business Day of the Quarterly Period to which the amount applies as published by The Wall Street Journal on its website at www.wsj.com.

8.7 Acknowledgement. The Parties acknowledge that the economic terms and conditions set forth herein were negotiated and agreed to and represent a fair and equitable allocation of the value from Product for the Field in the Territory. The Parties further acknowledge that there is considerable value in the Product Technology (including the Product Know-How) that is consistent with the economic terms and conditions herein.

ARTICLE 9
INTELLECTUAL PROPERTY

9.1 Ownership of Inventions. As between the Parties, all right, title and interest to inventions and other subject matter made (a) solely by or on behalf of MSB in the course conducting activities under this Agreement ("**MSB Sole Inventions**") and all intellectual property rights therein (including Patents claiming the same, the "**MSB Sole Patents**") shall be solely owned by MSB, (b) solely by or on behalf of Collaborator in the course conducting activities under this Agreement ("**Collaborator Sole Inventions**") and all intellectual property rights therein (including Patents claiming the same, the "**Collaborator Sole Patents**") shall be solely owned by Collaborator, and (c) made jointly by or on behalf of each Party in the course conducting activities under this Agreement ("**Joint Inventions**") and all intellectual property rights therein (including Patents claiming the same, the "**Joint Patents**") shall be jointly owned by Collaborator and MSB. In addition, as between the Parties, all MSB Improvements developed by either party, or jointly and all intellectual property rights therein (and Patents claiming the same "**MSB Improvement Patents**") shall be solely owned by MSB. During the Term, (a) MSB Improvements that are necessary or useful for the Development or Commercialization of Product, (b) MSB Sole Inventions and (c) MSB's interest in Joint Inventions shall be included in the Product Technology and subject to the rights granted to Collaborator under Section 3.1. For the avoidance of doubt, (a) MSB reserves the right to use, practice or otherwise exploit any and all MSB Improvements, MSB Sole Inventions and Joint Inventions subject to the rights granted under Section 3.1 and (b) Collaborator reserves the right to use, practice or otherwise exploit any and all Collaborator Sole Inventions and Joint Inventions subject to rights that may be granted to MSB under Section 3.2.Subject to the rights granted under this Agreement, it is understood that neither Party shall have any obligation to account to the other Party for profits, or to obtain any approval of the other Party to license, assign or otherwise exploit Joint Inventions or the intellectual property therein (including Joint Patents), and each Party hereby waives any right it may have under the Applicable Law of any jurisdiction to require any such approval or accounting.

9.2 Patent Prosecution.

9.2.1 Prosecution by MSB. Subject to Section 9.2.2, MSB (or its designee) shall control the Prosecution and Maintenance of Product Patents (including Joint Patents).

9.2.2 Back-Up Rights for Collaborator. In the event MSB determines to abandon any Product-Specific Patent or Joint Patent in any jurisdiction in the Territory (without initiation of the Prosecution and Maintenance of a substation therefor), MSB shall provide Collaborator with prompt written notice (in at least sixty (60) days prior to the date such abandonment would become effective), in which event Collaborator shall have the right, at its option, to assume control of the Prosecution and Maintenance of such Patent at its own expense in MSB's name in such jurisdiction. In the event MSB determines to abandon any Non-Product-Specific Patent in any jurisdiction in the Territory (without initiation of the Prosecution and Maintenance of a substation therefor), (a) MSB shall provide Collaborator with at least sixty (60) days' notice prior to the date such abandonment would become effective, (b) within fifteen (15) days after such notice, by written notice to MSB Collaborator shall have the right to require MSB to continue Prosecuting and Maintaining such Patent or permit Collaborator to assume control of the Prosecution and Maintenance of such Patent at its own expense in MSB's name and (c) within fifteen (15) days after MSB's receipt of such notice, MSB shall provide notice to Collaborator if MSB elects to continue to Prosecute and Maintain such Patent and if no such notice is provided by MSB, Collaborator shall have the right, at its option, to assume control of the Prosecution and Maintenance of such Patent at its own expense in MSB's name in such jurisdiction.

9.2.3 Cooperation. With respect to any Product Patent (including Joint Patents), the Party controlling the Prosecution and Maintenance shall (a) keep the other Party reasonably informed on such activities (including notifying the other Party of all material developments with respect to such activities in the Territory in a timely manner and providing the other Party copies of all material documents received and filed in connection with the Prosecution and Maintenance of such Product Patent), and (b) provide the other Party an opportunity to review and comment on material submissions and correspondence with any patent office and shall: (i) with respect to Non-Product-Specific Patents, in good faith, take into consideration the other Party's input with respect thereto; and (ii) with respect to Product-Specific Patents, incorporate such comments unless it has a reasonable basis not to do so, which basis is communicated to and discussed in good faith with the other Party.

9.2.4 Product-Specific Claims. MSB shall consider in good faith any reasonable request by Collaborator to separate Product-Specific Claims into a Product-Specific Patent, by filing appropriate divisional(s) or otherwise, to the extent it would not interfere with any other claims in or otherwise be detrimental to any Patent in which MSB has an interest.

9.2.5 Patent Costs. The Prosecution and Maintenance of Product Patents by MSB (or its designee) shall be at MSB's expense, except that Collaborator shall be responsible for reimbursing MSB ******** of the Third Party costs and expenses incurred by MSB or its Affiliate for

the Prosecution and Maintenance of Joint Patents within thirty (30) days after receipt of an invoice from MSB therefor. If Collaborator provides MSB with sixty-(60) days written notice specifying that it no longer desires to bear such costs and expenses with respect to a particular Joint Patent, then sixty (60) days after MSB's receipt of such notice, Collaborator shall not be responsible for any further costs or expenses under this Section 9.2.5 related to any such Joint Patent; provided however that Collaborator shall be responsible for any costs and expenses incurred up to and as of the date that is sixty (60) days after MSB receives such notice, and all right, title and interest in and to such Joint Patent (together with any Patents issuing thereon or therefrom) shall be and is hereby assigned, without further consideration, to MSB (subject to the rights granted under Section 3.1).

9.3 Defense of Third Party Infringement Claims. If Product becomes the subject of a Third Party's claim or assertion of infringement of a Patent with respect to the manufacture, use, sale, offer for sale or importation of Product for the Field in the Territory, the Party first having notice of the claim or assertion shall promptly notify the other Party, and the Parties shall promptly confer to consider the claim or assertion and the appropriate course of action. Unless the Parties otherwise agree in writing, each Party shall have the right to defend itself against a suit that names it as a defendant (the "**Defending Party**"). Neither Party shall enter into any settlement of any claim described in this Section 9.3 that adversely affects the other Party's rights or interests without such other Party's written consent, which consent shall not be unreasonably conditioned, withheld or delayed. In any event, the other Party shall reasonably assist the Defending Party and cooperate in any such litigation at the Defending Party's request and expense.

9.4 Enforcement.

9.4.1 Notice. Subject to the provisions of this Section 9.4, in the event that either Party reasonably believes that any Product Patent is being infringed by a Third Party for the Field in the Territory or is subject to a declaratory judgment action arising from such infringement, such Party shall promptly notify the other Party. In addition, each Party shall promptly notify the other Party in the event it receives any written claim contesting the validity, ownership or enforceability (as applicable) of any of the Product Technology.

9.4.2 By Collaborator for the Field. As between the Parties, Collaborator shall have the initial right (but not the obligation) to initiate and control at its expense any enforcement action with respect to any infringement of any Product-Specific Patent in the Territory, to defend any declaratory judgment action with respect to any Product-Specific Patent in the Territory, and to defend any claim contesting the validity, ownership or enforceability (as applicable) of any Product-Specific Patent in the Territory (each, an "**Enforcement Action**") provided that (a) such right to initiate or defend an Enforcement Action with respect to Non-Product-Specific Patents is subject to MSB's approval, not to be unreasonably withheld and (b) MSB, at its option, shall have the right, within sixty (60) days after commencement of a declaratory judgment action with respect to a Product-Specific Patent, to intervene and participate in the defense of the action at its own expense. In the event that Collaborator or its designee fails to commence an Enforcement Action with respect to any infringement of any Product Patent within ninety (90) days (or such shorter period necessary to

initiate and maintain full rights of enforcement under such action) of a request by MSB to do so, MSB or its designee may commence an Enforcement Action with respect to such infringement at its own expense. With respect to any Enforcement Action controlled by Collaborator under this Section 9.4.2, MSB agrees to join such Enforcement Action as a party, or to permit Collaborator to add MSB as a party, upon Collaborator's request, in the event and to the extent Collaborator reasonably believes such joinder is necessary to fully enforce rights under, and obtain remedies in respect of, any Product Patent.

9.4.3 Other Enforcement Actions. As between the Parties, MSB or its designee shall have the sole right (but not the obligation) to initiate and control at its expense any enforcement action with respect to infringement of any Non-Product-Specific Patent in the Territory, to defend any declaratory judgment action with respect to any Non-Product-Specific Patent, and to defend any claim contesting the validity, ownership or enforceability (as applicable) of any Product Technology other than Product-Specific Patents in the Territory. In the event that (a) MSB or its designee fails to commence an enforcement action or defense pursuant to this Section 9.4.3 with respect to any such matters for the Field in the Territory (which actions or defense shall also be considered an Enforcement Action) within ninety (90) days of its receipt of Collaborator's written request for initiation of such an action (or within such shorter period as may be necessary to initiate and maintain full enforcement rights under such an action), (b) there is a reasonable likelihood of success on the merits for such an action or defense; provided that in the event the Parties do not agree on whether there is a reasonable likelihood of success on the merits, such matter shall be referred to an independent patent attorney(s) mutually agreed by the Parties (which attorney shall have at least twenty five (25) years of biopharmaceutical patent litigation experience in the Territory) for resolution, (c) MSB is not enforcing any other Product Patent against such Third Party infringer in respect of infringement of such Product Patent in the Territory and for the Field, and (d) there is not a Product-Specific Patent that Collaborator could enforce against such Third Party infringer; then after consulting with MSB regarding Collaborator's reasons for believing that failure to commence or defend such action may have a material adverse impact on any of the Collaborator Rights or the Collaborator's exercise or enjoyment thereof and considering in good faith any concerns that MSB may have regarding commencement or defense of such action, Collaborator or its designee may commence an enforcement action or defense with respect to such infringement for the Field or defense of such Non-Product-Specific Patent, and shall have the sole right to control any such action at its own expense; provided that MSB, at its option, shall have the right at any time to participate in such action at its own expense. MSB agrees to join any such enforcement action as a party, or to permit Collaborator to add MSB as a party, upon Collaborator's request, in the event and to the extent Collaborator reasonably believes such joinder is necessary to fully enforce rights under, and obtain remedies in respect of, such infringement.

9.4.4 Cooperation. The Party commencing, controlling or defending any Enforcement Action under this Section 9.4 (the "**Enforcing Party**") shall keep the other Party reasonably informed of the progress of any such Enforcement Action, and such other Party shall have the right to participate with counsel of its own choice at its own expense. In any event, the other Party shall reasonably cooperate with the Enforcing Party, including providing information and

materials, at the Enforcing Party's request and expense. The Enforcing Party shall also have the right to control settlement of such Enforcement Action; *provided, however,* no settlement shall be entered into without the consent of the other Party if such settlement would materially and adversely affect the interests of the other Party. The Enforcing Party shall carefully and duly consider any comments the other Party provides regarding such Enforcement Action.

9.4.5 Recoveries. Any recovery received as a result of any Enforcement Action to enforce any Product Patent pursuant to this Section 9.4 shall be used first to reimburse each Party for the costs and expenses (including court, attorneys' and professional fees) incurred in connection with such Enforcement Action, and the remainder of the recovery shall be shared as set forth in the Product Memorandum.

9.4.6 Entity. In this Section 9.4, a reference to MSB shall mean (a) Mesoblast Inc. to the extent the relevant Patent is owned or Controlled by Mesoblast Inc., and (b) Mesoblast Sàrl to the extent the relevant Patent is owned or Controlled by Mesoblast Sàrl.

9.5 Regulatory Exclusivity. In the event that either Party reasonably believes that exclusivity rights under any Marketing Approval for any Product for the Field in the Territory are being violated (whether by making, using, offering, for sale or selling any biosimilar equivalent of Product, or otherwise) by a Third Party, such Party shall promptly notify the other Party. For clarity, as holder of the Marketing Approval for a Product, Collaborator shall have the first right to bring any action to enforce such exclusivity rights arising from a Marketing Approval for any Product for the Field in the Territory.

9.6 Patent Marking. Collaborator shall mark (or cause to be marked) Product Commercialized hereunder, in those countries in which such notices impact recoveries of damages or remedies available with respect to infringements of Patents, with appropriate Product Patent numbers or indicia consistent with Applicable Law.

ARTICLE 10
CONFIDENTIALITY

10.1 Confidentiality; Exceptions. Except to the extent expressly authorized by this Agreement or otherwise agreed by the Parties in writing, the Parties agree that the receiving Party shall keep confidential and shall not publish or otherwise disclose or use for any purpose other than as provided for in this Agreement any confidential or proprietary information or materials furnished to it by the other Party pursuant to this Agreement (collectively, "**Confidential Information**"). Notwithstanding the foregoing, Confidential Information shall not be deemed to include information or materials to the extent that it can be established by written documentation by the receiving Party that such information or material:

10.1.1 was already known to or possessed by the receiving Party without any obligation of confidentiality, at the time of its disclosure to the receiving Party hereunder;

10.1.2 was generally available to the public or otherwise part of the public domain at the time of its disclosure to the receiving Party hereunder;

10.1.3 became generally available to the public or otherwise part of the public domain after its disclosure hereunder other than through any act or omission of the receiving Party in breach of this Agreement;

10.1.4 was independently developed by the receiving Party without use of or reference to the other Party's Confidential Information as demonstrated by documented evidence prepared by the receiving Party contemporaneously with such independent development; or

10.1.5 was disclosed to the receiving Party, other than under an obligation of confidentiality, by a Third Party not known by the receiving Party to have an obligation to the disclosing Party not to disclose such information to others.

10.2 Authorized Use and Disclosure. Each Party may disclose Confidential Information of the other Party to the extent such disclosure is reasonably necessary in the following situations:

10.2.1 Prosecuting and Maintaining Patents in accordance with Section 9.2;

10.2.2 complying with the requirement of Regulatory Authorities with respect to filing for, obtaining and maintaining Regulatory Approvals for Product in accordance with this Agreement (including conducting Development of Product);

10.2.3 prosecuting or defending litigation as contemplated by, or arising out of, this Agreement;

10.2.4 complying with Applicable Laws and regulations promulgated by security exchanges, court order or administrative subpoenas or orders or otherwise submitting information to Tax Authorities and other governmental authorities; provided that the receiving Party has provided prior notice of such disclosure to the disclosing Party (unless prohibited by Applicable Law) and afforded the disclosing Party the opportunity to resist or obtain protections in respect of such disclosure*;*

10.2.5 disclosure to its or its Affiliates' employees, consultants, advisors (including financial advisors, lawyers and accountants) and others on a need to know basis, for the sole purpose of performing its or its Affiliates' obligations or exercising its or its Affiliates' rights under this Agreement, *provided* that in each case the recipient of such Confidential Information are bound by written obligations of confidentiality and non-use at least as equivalent in scope as those set forth in this Article 10 prior to any such disclosure; and

10.2.6 disclosure to existing and potential merger partners, investors, acquirers or licensees, including their respective consultants and professional advisors (including financial advisors, lawyers and accounts), solely on a need-to-know basis in order to evaluate an actual or

potential investment, acquisition or business transactions; and *provided* that in connection with such disclosure, the disclosing Party shall inform each disclosee of the confidential nature of such information and cause each disclosee to treat such information as confidential consistent with the nature of the Confidential Information so disclosed.

10.3 Prior Agreements. This Agreement supersedes (a) the Confidentiality Agreement between Mesoblast Limited and Collaborator dated April 26, 2016 (as extended by such Persons) and (b) that certain term sheet between Mesoblast Limited and Collaborator dated May 4, 2018 (the "**Prior Confidentiality Agreement**") with respect to Part 4 thereof (together with the Prior Confidentiality Agreement, the "**Prior Understandings**"). The Prior Confidentiality Agreement shall continue in full force and effect during the period between the Signature Date and the Effective Date. All such information or materials disclosed or provided by MSB or its Affiliates to Collaborator or its Affiliates (or their representatives) under the Prior Understandings shall be deemed Confidential Information of MSB (subject to the exceptions set forth herein) and shall be subject to Collaborator's confidentiality obligations under this Article 10. All such information disclosed by Collaborator or its Affiliates to MSB or its Affiliates (or their representatives) under the Prior Understandings shall be deemed Confidential Information of Collaborator (subject to the exceptions set forth herein) and shall be subject to MSB's confidentiality obligations under this Article 10.

10.4 Scientific Publications. Each Party shall submit to the other Party any proposed publication or public disclosure containing clinical or scientific results relating to Product for the Field in the Territory at least thirty (30) days in advance (subject to a Party's right to make disclosures described in Section 10.2.4) to allow that Party to review such proposed publication or disclosure. The reviewing Party shall notify the requesting Party in writing during such thirty (30)-day reviewing period if the reviewing Party wishes to (a) remove its Confidential Information from such proposed publication or presentation, in which event the reviewing Party shall remove such Confidential Information from its proposed publication or presentation; or (b) request a reasonable delay in publication or presentation in order to protect patentable information, in which event the requesting Party shall delay the publication or presentation for a period of no more than ninety (90) days to enable patent applications to be filed in accordance with Section 9.2 protecting inventions disclosed in such publication or presentation. For clarity, if the reviewing Party fails to notify the requesting Party during the thirty (30)-day reviewing period as provided under this Section 10.4, the requesting Party shall be free to proceed with the proposed publication or presentation.

10.5 Publicity.

10.5.1 Confidential Terms. Each Party agrees not to disclose to any Third Party the terms and conditions of this Agreement without the prior approval of the other Party, except to consultants, advisors, and existing and potential merger partners, investors, acquirers or licensees, (including their respective consultants, financial advisors, lawyers and accountants) and others on a need to know basis, in each case under circumstances that reasonably protect the confidentiality thereof, to the extent necessary to comply with the terms of agreements with Third Parties, or to the

extent required by Applicable Law, including securities laws. Notwithstanding the foregoing, the Parties have agreed upon a joint press release to announce the execution of this Agreement, which is attached hereto as Exhibit 10.5.1; thereafter, MSB and Collaborator may each disclose to Third Parties the information contained in such press release without the need for further approval by the other.

10.5.2 Publicity Review. The Parties acknowledge the importance of supporting each other's efforts to publicly disclose results and significant developments regarding Product for the Field in the Territory and other activities in connection with this Agreement, beyond what may be strictly required by Applicable Law and the rules of recognized stock exchanges, and each Party may make such disclosures from time to time consistent with such Party's own disclosure practices. Such disclosures may include achievement of significant events in the Development (including regulatory process and occurrence of Marketing Approval for Product for the Field in the Territory) or Commercialization of Product for the Field in the Territory hereunder; provided, that, in the event that such disclosure is not strictly required by Applicable Law or the rules of recognized stock exchanges with respect to a Party, the other Party shall have the right to prohibit such disclosure if the other Party reasonably determines that such disclosure would be detrimental to such other Party by notifying the Party proposing such disclosure, which notice shall include the basis for the expected detriment. Unless otherwise requested by MSB, Collaborator shall indicate that MSB is the owner and innovator of Product and the Product Technology in each public disclosure issued by Collaborator regarding Product. When a Party elects to make any such public disclosure under this Section 10.5.2, it will give the other Party at least 48 hours advanced written notice to review and comment on such statement. The principles to be observed in such disclosures shall be accuracy, compliance with Applicable Law and regulatory guidance documents, reasonable sensitivity to potential negative reactions of applicable Regulatory Authorities and the need to keep investors and others informed regarding the requesting Party's business, including as required by the rules of recognized stock exchanges.

10.6 Common Interest. The Parties acknowledge that as a result of their activities under this Agreement they may desire to share information or materials for which attorney-client privilege or similar privileges or doctrines may apply, including pursuant to Article 9, and in such case at the request of either Party, the Parties shall agree on and enter into a "common interest agreement" on standard and customary terms and conditions wherein the Parties will document such common interest and the appropriate protections for such information and materials.

10.7 Nonsolicitation. Each Party (for purposes of this Section 10.7, a "**Soliciting Party**") agrees that, during the Term, such Soliciting Party will not solicit for employment or consultancy, employ or engage as a consultant or solicit the termination of employment or consultancy with the other Party (a "**Solicitation Action**"), any individual that at the time of such Solicitation Action (a) is an officer or employee of the other Party or a consultant that is devoting a majority of such individual's time to the business of the other Party and (b) is or was actively involved in the other Party's performance of its obligations hereunder; provided, however, that the foregoing shall not prohibit (i) any advertisement or general solicitation (or hiring or engagement as an employee or consultant as a result thereof) for employment or consultancy not specifically directed at any such individual; (ii) the hiring or engagement as an employee or consultant of any such individual who

initiates employment or consultancy discussions with such Soliciting Party, provided that such initial discussions are not encouraged or solicited by such Soliciting Party; or (iii) any Solicitation Action with respect to any individual following the cessation of such individual's employment with (or service as a consultant that is devoting a majority of such person's time to the business of) the other Party without any solicitation or encouragement by such Soliciting Party.

ARTICLE 11
REPRESENTATIONS, WARRANTIES AND COVENANTS; INDEMNIFICATION

11.1 Collaborator Representations and Warranties. Collaborator represents and warrants to MSB that as of the Signature Date:

11.1.1 it is duly organized and validly existing under the Applicable Law of the jurisdiction of its incorporation, and has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof;

11.1.2 it is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder, and the individual executing this Agreement on its behalf has been duly authorized to do so by all requisite corporate action;

11.1.3 this Agreement is legally binding upon it and enforceable in accordance with its terms and the execution, delivery and performance of this Agreement by it does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, nor violate any material Applicable Law, , except to the extent that the enforceability thereof may be limited by (a) applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar laws from time to time in effect affecting generally the enforcement of creditors' rights and (b) general principles of equity;

11.1.4 it has not granted, and shall not grant during the Term, any right to any Third Party which would conflict with the rights granted to MSB hereunder;

11.1.5 to Collaborator's Knowledge there is no action, suit or inquiry or investigation instituted by any Person which questions or threatens the validity of this Agreement or Collaborator's ability to perform its obligations under this Agreement; and

11.1.6 neither Collaborator nor any of its Affiliates, nor, to Collaborator's Knowledge, any of its subcontractors, employees or agents has ever been, is currently, or is the subject of a debarment proceeding that could lead to that party becoming, as applicable, a Debarred Entity or Debarred Individual.

11.2 MSB's Warranties. Each of Mesoblast Inc. and Mesoblast Sàrl represents and warrants to Collaborator that as of the Signature Date:

11.2.1 it is duly organized and validly existing under the Applicable Law of the jurisdiction of its incorporation, and has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof;

11.2.2 it is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder, and the individual executing this Agreement on its behalf has been duly authorized to do so by all requisite corporate action;

11.2.3 this Agreement is legally binding upon it and enforceable in accordance with its terms and the execution, delivery and performance of this Agreement by it does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, nor violate any material Applicable Law, except to the extent that the enforceability thereof may be limited by (a) applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar laws from time to time in effect affecting generally the enforcement of creditors' rights and (b) general principles of equity;

11.2.4 MSB has not granted, and will not grant during the Term, rights to any Third Party under the Product Technology that conflict with the rights granted to Collaborator hereunder;

11.2.5 to MSB's Knowledge there is no action, suit or inquiry or investigation instituted by any Person which questions or threatens the validity of this Agreement or ability to perform its obligations under this Agreement; and

11.2.6 neither MSB nor any of its Affiliates, nor, to MSB's Knowledge, any of its subcontractors, employees or agents has ever been, is currently, or is the subject of a debarment proceeding that could lead to that party becoming, as applicable, a Debarred Entity or Debarred Individual.

11.3 MSB Product Technology Warranties and Covenants. In addition to its other obligations under this Agreement in respect of Product Technology each of Mesoblast Inc. and Mesoblast Sàrl represents, warrants and covenants to Collaborator as of the Signature Date as follows, except as set forth in the Product Memorandum:

11.3.1 MSB has prior to the Signature Date disclosed to Collaborator a complete and accurate copy of all agreements between MSB or any of its Affiliates with any Third Party pursuant to which MSB or its Affiliate has acquired rights (whether by license, assignment or other transfer) to any Product Technology from any Third Party and pursuant to which MSB or its Affiliate has any continuing obligations, financial or otherwise, to such Third Party in respect of such Product Technology (such agreements the "**Third Party Project Technology Agreements**"). During the Term, MSB shall comply, and shall cause its Affiliates to comply with their respective obligations under any Third Party Project Technology Agreement.

11.3.2 (a) MSB (either Mesoblast Inc., Mesoblast Sàrl or an Affiliate) Controls the Product Patents described in the Product Memorandum, (b) no Product Patent has been invalidated or held unenforceable and there are no facts that will cause any Product Patent to be invalid or unenforceable, and (c) MSB has not misrepresented or failed to disclose any facts or circumstances in any application for any Product Patent that it or its Affiliate owns, prosecutes or maintains or has the authority to prosecute or maintain that would constitute fraud or a material misrepresentation with respect to such application and that would affect the enforceability of any granted or subsequently granted patent of such Product Patent.

11.3.3 there are no Third Party Patents or Know-How that MSB would need to acquire rights (whether by license, assignment or other transfer) under to Develop and Manufacture Product as currently contemplated by MSB or to Commercialize the Product, in each case for the Field in the Territory, and all such rights that are Controlled by MSB are included in the Product Technology.

11.3.4 MSB has not received any claim by any Person contesting the validity, ownership or enforceability (as applicable) of any Product Technology or alleging that any Development activities in respect of Product conducted by or on behalf of MSB or its Affiliates infringes, misappropriates or otherwise violates any Patents, Know-How or other Third Party intellectual property and MSB is not aware of any such claim having been threatened.

11.3.5 none of the Development activities in respect of Product conducted by or on behalf of MSB or its Affiliates has infringed, misappropriated or otherwise violated any Patents, Know-How or other intellectual property of any Third Party, whether directly, as a contributory infringer, through inducement or otherwise.

11.3.6 none of the Development, Manufacture or Commercialization of Product (including, for the avoidance of doubt, methods of isolating, preparing, culturing, purifying, proliferating, and enhancing MPCs and MPC preparations and populations) for the Field in the Territory, as currently contemplated by MSB, will infringe, misappropriate or otherwise violate, any Patents, Know-How or other the intellectual property of any Third Party, whether directly, as a contributory infringer, through inducement or otherwise.

11.3.7 to MSB’s Knowledge no Third Party is infringing, misappropriating or otherwise violating any Product Technology in the Territory for the Field in any commercially material manner.

11.3.8 MSB and its Affiliates have taken, and during the Term shall continue to take Commercially Reasonable Efforts to maintain and protect Product Technology, including taking reasonable steps, to maintain and protect the confidentiality of the Product Know-How consistent with its past practice.

11.4 Disclaimer of Warranties. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT AND THE EXPRESS WARRANTIES OF ANY OTHER TRANSACTION AGREEMENT (ONCE EXECUTED), MSB AND COLLABORATOR EXPRESSLY DISCLAIM ANY WARRANTIES OR CONDITIONS, EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, WITH RESPECT TO THE SUBJECT MATTER OF THIS AGREEMENT (INCLUDING THE PRODUCT AND PRODUCT TECHNOLOGY), INCLUDING ANY WARRANTY OF MERCHANTABILITY, NONINFRINGEMENT, OR FITNESS FOR A PARTICULAR PURPOSE.

11.5 Indemnification.

11.5.1 Indemnification by MSB. MSB hereby agrees to defend, hold harmless and indemnify (collectively, "**Indemnify**") Collaborator and its Affiliates, and its and their agents, directors, officers and employees (the "**Collaborator Indemnitees**") from and against any liability or expense (including reasonable legal expenses and attorneys' fees) (collectively, "**Losses**") resulting from suits, claims, actions and demands, in each case brought by a Third Party (each, a "**Third-Party Claim**") against any Collaborator Indemnitee arising out of (a) MSB's breach of this Agreement including any of MSB's respective representations and warranties under Section 11.2 or Section 11.3 (provided that with respect to any breach of Section 11.3.3, 11.3.5 or 11.3.6, the Indemnification shall be (i) the sole remedy for such a breach and (ii) limited to circumstances where (A) the breach has is or reasonably expect to have a material adverse impact on the financial standing of MSB and (B) such breach is identified within eighteen (18) months after the Signature Date; provided further, that the foregoing limitations, (i) and (ii), shall not apply if MSB had Knowledge of such circumstances as of the Signature Date), (b) MSB's gross negligence or intentional misconduct, (c) MSB's conduct of activities under this Agreement or (d) MSB's failure to timely make any payments due in accordance with the terms of the Third Party Project Technology Agreements. MSB's obligation to Indemnify the Collaborator Indemnitees pursuant to this Section 11.5.1 shall not apply to the extent that any such Losses are Losses for which Collaborator is obligated to Indemnify MSB Indemnitees pursuant to Section 11.5.2.

11.5.2 Indemnification by Collaborator. Collaborator hereby agrees to Indemnify MSB and its Affiliates, and its and their agents, directors, officers and employees (the "**MSB Indemnitees**") from and against any and all Losses resulting from Third-Party Claims arising out of: (a) Collaborator's breach of this Agreement, including any of Collaborator's representations and warranties under Section 11.1, (b) Collaborator's gross negligence or intentional misconduct or (c) Collaborator's conduct of activities under this Agreement. Collaborator's obligation to Indemnify MSB Indemnitees pursuant to the foregoing sentence shall not apply to the extent that any such Losses are Losses for which MSB is obligated to Indemnify the Collaborator Indemnitees pursuant to Section 11.5.1.

11.5.3 Procedure. To be eligible to be Indemnified hereunder, the indemnified Party shall provide the indemnifying Party with prompt notice of the Third-Party Claim giving rise to the indemnification obligation pursuant to this Section 11.5 and, except as provided below, the exclusive

ability to defend (with the reasonable cooperation of the indemnified Party) or settle any such claim; *provided, however*, that the indemnifying Party shall not enter into any settlement that admits fault, wrongdoing or damages without the indemnified Party's written consent, such consent not to be unreasonably withheld, conditioned or delayed. The indemnified Party shall have the right to participate, at its own expense and with counsel of its choice, in the defense of any claim or suit that has been assumed by the indemnifying Party, *provided* that the indemnifying Party shall have no obligations with respect to any Losses resulting from the indemnified Party's admission, settlement or other communication without the prior written consent of the indemnifying Party. If: (a) the indemnifying Party does not assume the defense of any such claim or legal proceeding in accordance with the terms hereof within thirty (30) days after the first to occur of its receipt of notice thereof from the indemnified Party, (b) a good faith and diligent defense is not being or ceases to be conducted by the indemnifying Party, or (c) if Collaborator is the indemnified Party, if the claim or legal proceeding involves allegations that the Product or its manufacture, use, sale, offer for sale or importation for the Field in the Territory infringes a Patent and for this clause (c) Collaborator notifies MSB that it will control the defense of such Third-Party Claim at the time it provides notice of such Third-Party Claim, the indemnified Party shall have the right (but not the obligation) to defend or settle (and control the defense of) such claim or legal proceeding, and in such event, the indemnifying Party shall cooperate, at its own expense, with the indemnified Party in the defense and/or settlement of such claim or legal proceeding and shall pay, as they become due, all reasonable costs, expenses and fees incurred by either Party in connection with such defense and settlement (in addition to any indemnification obligations hereunder); provided that if Collaborator elects to control the defense of a Third-Party Claim as described in clause (c), Collaborator shall not enter into any settlement that admits fault, wrongdoing or damages without MSB's written consent, such consent not to be unreasonably withheld, conditioned or delayed and Collaborator shall use commercially reasonable efforts to limit the costs, expenses and fees incurred by it in connection with such defense and settlement in a manner consistent with the defense and settlement of similar claims in which Collaborator bears such costs, expenses and fees.

11.5.4 Unavailability of Indemnification. If the indemnification provided for in this Section 11.5 is held by a court of competent jurisdiction to be unavailable to an Person who would otherwise receive indemnification hereunder with respect to any Loss, then the indemnifying Party shall, in lieu of indemnifying such indemnified Person hereunder, contribute to the amount paid or payable by such indemnified Person as a result of such Loss in such proportion as is appropriate to reflect the relative fault of, and relative benefit enjoyed by, the Indemnifying Party, on the one hand, and the relative fault of, and relative benefit enjoyed by, the indemnified Person, on the other hand, in connection with the actions or omissions that resulted in such Loss as well as any other relevant equitable considerations.

11.6 Limitation of Liability. EXCEPT TO THE EXTENT ARISING AS A RESULT OF A PARTY'S BREACH OF ITS OBLIGATIONS UNDER ARTICLE 10 OR TO THE EXTENT AWARDED TO A THIRD PARTY BY A COURT OF COMPETENT JURISDICTION IN A THIRD PARTY CLAIM FOR WHICH SUCH PARTY IS RESPONSIBLE TO INDEMNIFY THE OTHER PARTY, NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY SPECIAL,

CONSEQUENTIAL, INCIDENTAL, PUNITIVE, OR INDIRECT DAMAGES ARISING FROM OR RELATING TO THIS AGREEMENT, REGARDLESS OF ANY NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. NOTWITHSTANDING THE FOREGOING, NOTHING IN THIS SECTION 11.6 IS INTENDED TO OR SHALL LIMIT OR RESTRICT THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF ANY PARTY UNDER SECTION 11.5.

ARTICLE 12
TERM AND TERMINATION

12.1 Term. This Agreement (other than those Sections and Articles set forth in Section 1.3.6 that are effective as of the Signature Date) shall become effective as of the Effective Date and, unless earlier terminated pursuant to the other provisions of this Article 12, shall continue in full force on a Product-by-Product basis from and after the launch of such Product hereunder until the expiration of the Royalty Term for such Product (the "**Term**"). Upon the expiration (but not earlier termination) of this Agreement with respect to a Product (a) the rights granted to Collaborator pursuant to Section 3.1 with respect to such Product shall become fully-paid, perpetual and, subject to paragraph (b) below, non-exclusive and (b) for a period of **** after such expiration with respect to such Product, MSB shall not: (i) Commercialize or authorize any other Person to Commercialize a generic version of such Product for the Field in the Territory; or (ii) exercise any of the Collaborator Rights or authorize any other Person to exercise any of the Collaborator rights.

12.2 Certain Discretionary Termination Rights. Beginning on the later of (a) third anniversary of the Effective Date and (b) receipt of Marketing Approval in the Territory for each of MPC-150-IM or MPC-25-IC, Collaborator may terminate this Agreement in its entirety without cause upon twelve (12) months prior notice to MSB.

12.3 Termination for Breach. Either Party may terminate this Agreement in the event the other Party materially breaches this Agreement (except where such breach is due to a force majeure event as described in Section 14.10), and, if such breach is capable of being cured such breach shall have continued **** after notice thereof was provided to the breaching Party by the non-breaching Party. Any such termination shall become effective upon notice thereof to the extent such breach is not capable of being cured or otherwise at the end **** unless the breaching Party has cured any such breach prior to the expiration ****. Notwithstanding the foregoing, in the event of a first material breach by Collaborator for which MSB provides notice under this Section 12.3, but for which money damages are adequate to compensate MSB for the associated damages resulting from such breach, then at the written request of Collaborator, MSB shall not have the right to terminate and the Parties shall establish the damages (which would not be limited by Section 11.6) in accordance with the procedure set forth in Section 13.3.

12.4 Termination for Patent Challenge. If, without the prior consent of MSB and except as provided below, Collaborator or any of its Affiliates challenges under any court action or proceeding, or before any patent office, the validity, patentability, enforceability, scope or non-infringement of any Product Patent, or initiates a reexamination of any Product Patent, or assists any Third Party to conduct any of the foregoing activities (each, a "**Challenge**"), MSB will have the right to immediately terminate this Agreement. In any event, Collaborator shall notify MSB ****

prior to initiating any such Challenge. However the foregoing shall not apply to: (i) any such action or proceeding brought in response to an action brought against Collaborator, its Affiliate for infringement of any Product Patent or (ii) any ordinary course Prosecution and Maintenance matters (i.e., those intended to cause a Product Patent to issue or strengthen an already issued Product Patent or that are approved by MSB) controlled by Collaborator in accordance with 9.2.

12.5 Termination for Insolvency. Each Party shall have the right to terminate this Agreement upon delivery of written notice to the other Party in the event that (a) such other Party files in any court or agency pursuant to Applicable Law a petition in bankruptcy or insolvency or for reorganization or similar arrangement for the benefit of creditors or for the appointment of a receiver or trustee of such other Party or its assets, (b) such other Party is served with an involuntary petition against it in any insolvency proceeding and such involuntary petition has not been stayed or dismissed ********, or (c) such other Party makes an assignment of substantially all of its assets for the benefit of its creditors.

12.6 Termination for Competing Activities. If any of Collaborator or its Affiliates engages in any Competing Activities, then MSB will have the right to immediately terminate this Agreement. In any event, Collaborator shall notify MSB ******** prior to initiating any such Competing Activities.

12.7 Termination for No Occurrence of the Condition Precedent. If despite Collaborator's best endeavors to obtain PRC Approvals, the Condition Precedent has not occurred on or before the End Date, then the either Party shall have the right to terminate this Agreement in its entirety upon notice to the other Party referencing this Section 12.7. For clarity, it is understood that if the Condition Precedent occurs prior to termination of the Agreement pursuant to this Section 12.7, this Agreement shall become effective in its entirety without further action of either Party.

12.8 General Effects of Expiration or Termination.

12.8.1 Accrued Obligations. Expiration or termination of this Agreement for any reason shall not release either Party of any obligation or liability which, at the time of such expiration or termination, has already accrued to the other Party or which is attributable to a period prior to such expiration or termination.

12.8.2 Non-Exclusive Remedy. Notwithstanding anything herein to the contrary, termination of this Agreement by a Party shall be without prejudice to other remedies such Party may have at law or equity.

12.8.3 General Survival. Articles 1, 13 and 14 (excluding Section 14.11) and Sections 3.2.3, 3.4, 7.1.4, 9.1, 10.1, 10.2, 10.3, 10.5.1, 10.6, 10.7 (for a period of twelve (12) months after expiration or the effective date of termination) 11.4, 11.5, 11.6, 12.8, 12.9 (to the extent and subject to the limitations therein) and 12.10 and Sections 8.1.3 – 8.6, inclusive (with respect to Royalties and other payments during the Term or any Wind-down Period) shall survive expiration or termination of this Agreement for any reason (provided that in the case of termination of this Agreement pursuant to Section 12.7 such Articles and Sections shall survive only to the extent they

were effective prior to termination of this Agreement pursuant to Section 12.7). Upon expiration or termination of this Agreement and except as otherwise provided in this Article 12, all other provisions of this Agreement shall terminate.

12.9 Additional Effects of Certain Terminations. If this Agreement is terminated, in its entirety or with respect to a country, pursuant to this Article 12 (other than a termination by Collaborator pursuant to Section 12.3 for the uncured, material breach of MSB), then:

12.9.1 Ongoing Studies. If there are any ongoing clinical studies with respect to the Product being conducted by or on behalf of Collaborator (or its Affiliate) at the time of notice of termination, Collaborator agrees to (a) promptly transition to MSB or its designee some or all of such clinical studies and the activities related to or supporting such studies or (b) terminate such clinical studies, in each case as requested by MSB. In addition, if this Agreement is terminated by MSB pursuant to Section 12.3, 12.4, 12.5 or 12.6 or by Collaborator pursuant to Section 12.2.1, Collaborator shall if requested by MSB, continue to conduct such clinical studies for a period requested by MSB up to a maximum of six (6) months after the effective date of such termination. If this Agreement is terminated by MSB pursuant to Section 12.3, 12.4, 12.5 or 12.6 or by Collaborator pursuant to Section 12.2.1, Collaborator shall be responsible for the costs of such transition and any ongoing activities; in all other events, MSB shall be responsible for the costs of such transition and any ongoing activities. If MSB terminates this Agreement pursuant to Section 12.3, 12.4 or 12.5 and there are any ongoing clinical studies with respect to the Product for the Territory being conducted by or on behalf of MSB (or its Affiliate), Collaborator shall continue to be obligated to fund the conduct of such studies pursuant to Section 4.6 for six (6) months after MSB provides Collaborator notice of such termination.

12.9.2 Commercialization. If this Agreement is terminated after receipt of a Marketing Approval for a Product for the Field in the Territory by MSB pursuant to Section 12.3, 12.4 or 12.5 or by Collaborator pursuant to Section 12.2.1, then if requested by MSB, Collaborator and its Affiliates shall continue to distribute and sell the Product in each country of the Territory for which Marketing Approval therefor has been obtained, in accordance with the terms and conditions of this Agreement, for a period requested by MSB not to exceed six (6) months from the effective date of such expiration or termination (the "**Agreement Wind-Down Period**"); *provided* that MSB may terminate this Agreement Wind-Down Period ******** to Collaborator. Notwithstanding any other provision of this Agreement, during this Agreement Wind-Down Period, Collaborator's, its Affiliates' rights with respect to the Product (including the rights granted under Section 3.1) shall be non-exclusive, and MSB shall have the right to engage one or more other partner(s) or distributor(s) of the Product in all or part of the Territory. The Product sold or disposed by Collaborator or its Affiliates during this Agreement Wind-Down Period shall be subject to payment of the Royalty. After the Agreement Wind-Down Period, Collaborator and its Affiliates shall not sell the Product or make any representation regarding their status as a licensee of or distributor for MSB for the Product.

12.9.3 Regulatory Materials. At MSB's request (the "**Regulatory Materials Transfer Request**"), Collaborator shall promptly assign and transfer to MSB all Regulatory Materials for the Product that are held or controlled by or under authority of Collaborator or its Affiliates, and shall take such actions and execute such other instruments, assignments and documents as may be necessary to effect the transfer of rights under the Regulatory Materials to MSB. In the event of a Regulatory Materials Transfer Request, the (a) Collaborator shall cause each of its Affiliates to transfer any such Regulatory Materials to MSB if this Agreement terminates (provided, if Applicable Law prevents or delays the transfer of ownership of a Regulatory Material to MSB, Collaborator shall grant, and does hereby grant, to MSB an exclusive and irrevocable right of access and reference to such Regulatory Material for the Product, and shall cooperate fully to make the benefits of such Regulatory Materials available to MSB or its designee(s)); (b) ******** after such Regulatory Materials Transfer Request, Collaborator shall provide to MSB copies of all such Regulatory Materials, and of all preclinical and clinical data (including raw data, original records, investigator reports, both preliminary and final, statistical analyses, expert opinions and reports, safety and other electronic databases) that is then in existence and in Collaborator's Control. MSB shall be free to use and disclose such Regulatory Materials and other items in connection with the exercise of its rights and licenses under this Section 12.9.3.

12.9.4 Technology Licenses. At MSB's request Collaborator will grant (and does hereby grant) to MSB, effective upon the notice of termination under Section 12.2 or the effective date of such termination under Section 12.3, Section 12.4 or Section 12.5, a non-exclusive, irrevocable, fully paid-up license, with the right to sublicense, under (a) any Patent Controlled by Collaborator or its Affiliates Covering the Product (or any component thereof) that was Developed or Commercialized by or under authority of Collaborator (such Patents other than the Collaborator Patents, the "**Ex-Agreement Patents**"), (b) Collaborator Sole Patents and Collaborator's interest in Joint Patents, (c) any Collaborator Know-How and (d) Data with respect to the Product that is Controlled by Collaborator; in each case to Develop, Manufacture and Commercialize and conduct Medical Affairs Activities for the Product for the Field. If Collaborator provides MSB notice that MSB's exercise of such license under any Ex-Agreement Patent is subject to payment or other obligation to a Third Party (which notice shall specify any amounts that may become due and other obligations to such Third Party as a result of exercise by MSB of such license by the Development, Manufacture and Commercialization or conduct Medical Affairs Activities for the Product for the Field), then unless MSB provides Collaborator notice of it election to not be licensed under such Ex-Agreement Patent (in which case such Ex-Agreement Patent shall not be included in such license to MSB), (i) MSB shall pay Collaborator for such amounts that become due ******** prior to the due date for such payments (with the Parties cooperating to determine a mechanism that permits such payment to be paid in advance by MSB to the extent it is reasonably possible to do so) and (ii) if requested by either Party, the Parties shall reasonably cooperate to transfer or assign such Third Party license to MSB solely with respect to the Product for the Field. MSB shall indemnify and hold Collaborator harmless for any and all Losses to the extent resulting from MSB's failure to timely pay Collaborator for any amounts that become due in respect to an Ex-Agreement Patent (which indemnification shall be subject to the rights and procedures described in Section 11.5.3) and, upon any such failure to pay any such undisputed amounts that is not cured ******** of Collaborator's notice thereof to MSB, such Ex-Agreement Patent shall cease to be included in such license to MSB.

12.9.5 Trademarks / Internet Presence. At MSB's request in the event of a termination under Section 12.2, 12.3, Section 12.4 or Section 12.5, Collaborator hereby assigns and shall cause to be assigned to MSB all worldwide rights in and to any and all (a) Product Marks and (b) any website/Internet presence relating to Product (including all content and copyright associated therewith). It is understood that such assignment shall not include the Collaborator's name or trademark for the Collaborator's company itself.

12.9.6 Provision of Product.

(a) Upon termination of this Agreement by Collaborator pursuant to Section 12.3 or 12.5 or in the event MSB terminates the Agreement Wind-Down Period, MSB shall purchase from Collaborator and Collaborator shall transfer to MSB all quantities of the Product in its or its Affiliates' Control that are suitable for commercial sale with more than twenty-four (24) months of shelf-life remaining, within thirty (30) days after the termination of this Agreement or end of this Agreement Wind-Down Period, as applicable, at the price Collaborator or its Affiliate paid for such Product.

(b) If this Agreement is terminated by MSB pursuant to Section 12.3, 12.4 or 12.5 or by Collaborator pursuant to Section 12.2.1, then upon request by MSB or its designee, Collaborator shall transfer to MSB some or all quantities of the Product in its or its Affiliates' Control (as requested by MSB), within thirty (30) days after the end of this Agreement Wind-Down Period at a price to be agreed upon by the Parties.

(c) If the Product was Manufactured by any Third Party for Collaborator, or Collaborator had contracts with vendors which contracts are necessary or useful for MSB to take over responsibility for the Product in the Territory, then Collaborator shall to the extent possible and requested in writing by MSB, assign all of the relevant Third Party contracts (including its rights under the Tripartite Supply Agreement) to MSB, and in any case, Collaborator agrees to cooperate with MSB to ensure uninterrupted supply of the Product, including by using reasonable efforts to obtain agreement from such Third Party to assign such Third Party contracts as requested by MSB. If Collaborator or its Affiliate is Manufacturing the Product or component thereof at the time of termination, then Collaborator (or its Affiliate) shall continue to provide for Manufacturing of such Product or component thereof for MSB, at its fully-burdened manufacturing cost therefor (as determined in accordance with applicable Accounting Standards), from the date of notice of such termination until such time as MSB is able, using Commercially Reasonable Efforts to do so but no longer than the expiration of the Agreement Wind-Down Period, to secure an acceptable alternative commercial Manufacturing source from which sufficient quantities of the Product may be procured and legally sold in the Territory.

12.9.7 General Assistance. Each Party agrees to fully cooperate with the other Party and its designee(s) to facilitate a smooth, orderly and prompt transition of the Development, Manufacture and Commercialization of and Medical Affairs Activities for the Product to the other Party or its designee(s) during this Agreement Wind-Down Period. Without limiting the foregoing, Collaborator shall promptly provide MSB (a) copies of customer lists, customer data and other

customer information relating to the Product, (b) pricing methodologies and supporting documentation and assumptions relating to the Product and (c) Manufacturing Data and other information (including protocols for the production, packaging, testing and other Manufacturing activities) relating to the Product in Collaborator's control, which in each case MSB shall have the right to use and disclose for any purpose during this Agreement Wind-Down Period and thereafter.

12.9.8 Costs and Expenses. Except as expressly provided herein, Collaborator shall perform its obligations under this Section 12.9 at its own costs without consideration from MSB. MSB shall be responsible for its own costs of performing its activities under this Section 12.9.

12.9.9 Termination Payment. Without limiting the provisions of Sections 12.9.3, 12.9.4 and 12.9.5, in the event of a termination of this Agreement by Collaborator pursuant to Section 12.2, 12.3 or 12.5 and MSB elects its rights under Section 12.9.3, 12.9.4 and/or 12.9.5, then MSB will pay Collaborator ******** Products sold by or under authority of MSB for the Field in the Territory (with the definition of Net Sales and the provisions of Sections 8.2 – 8.6, inclusive, applying thereto *mutatis mutandis*), provided that such payment obligation shall expire once MSB has so paid Collaborator a cumulative amount equal to (a) ******** of the documented Third Party costs incurred by Collaborator for the Development of Products hereunder if MSB elects its rights under either Section 12.9.3 or Section 12.9.4 (but not both), (b) ******** of the documented Third Party costs incurred by Collaborator for the Development of Products hereunder if MSB elects its rights under both Section 12.9.3 and Section 12.9.4 and (c) ******** of the documented Third Party costs incurred for filing for and protecting the Product Marks and generating any website/Internet content relating to Product (accordingly, Collaborator shall provide a MSB an accounting of such costs ********).

12.10 Termination Press Releases. In the event of termination of this Agreement for any reason, the Parties shall cooperate in good faith to coordinate public disclosure of such termination and the reasons therefor, and shall not, except to the extent required by Applicable Law or the rules of a recognized stock exchange, disclose such information without the prior approval of the other Party, such approval not to be unreasonably withheld, conditioned or delayed. To the extent possible under the situation, the terminating Party shall provide the non-terminating Party with a draft of any such public disclosure it intends to issue three (3) Business Days in advance and with the opportunity to review and comment on such statement, it being understood that if the non-terminating Party does not notify the terminating Party in writing within such three (3) Business Day period (or such shorter period if required by Applicable Law or the rules of a recognized stock exchange) of any reasonable objections, such disclosure shall be deemed approved, and in any event the Parties shall work diligently and reasonably to agree on the text of any such proposed disclosure in an expeditious manner. The principles to be observed in such disclosures shall be accuracy, compliance with Applicable Law and regulatory guidance documents, reasonable sensitivity to potential negative reactions to such news and the need to keep investors and others informed regarding the Parties' business and other activities. Accordingly in such situation, the non-terminating Party shall not withhold, condition or delay its approval of a proposed disclosure that complies with such principles.

ARTICLE 13
DISPUTE RESOLUTION

13.1 Dispute Resolution. The Parties agree that any dispute arising with respect to the interpretation, enforcement, termination or invalidity of this Agreement, or the failure of the JSC or any Working Group to reach unanimous agreement on any issue within its respective authority under this Agreement, any alleged failure to perform, or breach of, this Agreement, or any issue relating to the interpretation or application of this Agreement (each, a "**Dispute**"), shall be resolved through the procedures set forth in this Article 13.

13.2 Committee Disputes. Disputes as to matters within the authority of the JSC or any Working Group will be resolved as set forth in Section 2.5; provided that any dispute as to the application of such Section 2.5 shall be subject to the provisions of this Article 13.

13.3 Other Disputes. All Disputes other than those Disputes resolved as described in Section 13.2 (each, an "**Other Dispute**") shall be subject to the provisions of Sections 13.3.1 and all Other Disputes other than those described in Section 13.4 shall be subject to the provisions of Section 13.3.2, if applicable.

13.3.1 Initial Escalation. With respect to all Other Disputes, if the Parties are unable to resolve any such Other Dispute within thirty (30) days after such Other Dispute is first identified by either Party in writing to the other, either Party shall have the right to refer such Other Dispute to the Senior Executives for attempted resolution by written notice to the other Party referencing the particular Other Dispute and this Section 13.3.1. In such case, the Senior Executives shall conduct good faith negotiations and seek to resolve the Other Dispute within thirty (30) days after such notice is received, including having at least one (1) in-person meeting of the Senior Executive within twenty (20) days after such notice is received. If the Senior Executives resolve such Other Dispute, a memorandum setting forth their agreement to resolve the Other Dispute will be prepared and signed by both Parties if requested by either Party. In all events, the Parties shall cooperate in an effort to limit the issues for consideration in such manner as narrowly as reasonably practicable in order to resolve the Other Dispute.

13.3.2 Binding Arbitration. If the Senior Executives are not able to resolve such Other Dispute referred to them under Section 13.3.1 within the time period set forth in Section 13.3.1, then unless such Other Dispute is described in Section 13.4, such Other Dispute shall be resolved through binding arbitration, which arbitration may be initiated by either Party by written notice to the other Party referencing the particular Other Dispute and this Section 13.3.2 at any time after the conclusion of such period, on the following basis:

(a) The place of arbitration shall be Hong Kong and all proceedings and communications shall be in English.

(b) The arbitration shall be administered by International Chamber of Commerce pursuant to the Rules of Arbitration of the International Chamber of Commerce (including expedited procedure provisions, when applicable) then in effect.

(c) The arbitration shall be conducted by a single arbitrator mutually agreed by the Parties, or if the Parties are unable to agree on a single arbitrator, then a panel of three arbitrators. In each case, the arbitrators shall be neutral, independent individuals with experience in the biopharmaceutical business related to the matter of the Other Dispute. Within thirty (30) days after the notice initiating the arbitration, each Party shall appoint one arbitrator meeting the foregoing criteria by written notice to the other Party and the two Party-appointed arbitrators shall select the third arbitrator within thirty (30) days of their appointment. If the Party-appointed arbitrators are unable to agree upon the third arbitrator, the third arbitrator shall be appointed by International Chamber of Commerce in Hong Kong.

(d) Judgment upon the award rendered by such arbitrator(s) shall be binding on the Parties and may be entered by any court or forum having jurisdiction.

(e) Either Party may apply to the arbitrator(s) for interim injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Further, either Party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any injunctive or provisional relief necessary to protect the rights or property of such Party pending the arbitration award.

(f) The arbitrator(s) shall have no authority to award punitive or any other type of damages not measured by a Party's compensatory damages; except as allowed under Section 11.6.

(g) Each Party shall bear its own costs and expenses and attorneys' fees and an equal share of the arbitrator(s)' and any administrative fees of arbitration, unless the arbitrator(s) determine that a Party has incurred unreasonable expenses due to vexatious or bad faith position taken by the other Party, in which event, the arbitrator may make an award of all or any portion of such expense so incurred.

(h) Reasons for the arbitrators' decision should be complete and explicit, including determinations of law and fact. The written reasons should also include the basis for any damages awarded and a statement of how the damages were calculated. Such written decision should be rendered by the arbitrator(s) following a full comprehensive hearing, as soon as practicable but in no event later than twelve (12) months following the selection of the arbitrator(s) under Section 13.3.2(c).

(i) Except to the extent necessary to confirm an award or as may be required by law, neither Party nor any arbitrator may disclose the existence, content, or results of an arbitration without the prior written consent of both Parties.

(j) In no event shall an arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the dispute, controversy or claim would be barred by the applicable statute of limitations; *provided* that such limitation shall be tolled as of the date a Party notifies the other Party of such Other Dispute pursuant to this 13.3.

13.4 Patent and Trademark Dispute Resolution. Other than disputes described in Section 9.4.3, any dispute, controversy or claim between the Parties relating to the ownership, scope, validity, enforceability or infringement of any Patent rights Covering the manufacture, use or sale of any Product or of any Trademark rights relating to any Product shall be submitted to a court of competent jurisdiction in which such Patent or Trademark rights were granted or arose.

13.5 Interim Relief. Notwithstanding anything in this Article 13 to the contrary, Collaborator and MSB shall each have the right to apply to any court of competent jurisdiction for appropriate interim or provisional relief, as necessary to protect the rights or property of that Party, pending the selection of the arbitrator or arbitrator's determination of the merits of any Dispute.

ARTICLE 14
MISCELLANEOUS

14.1 Governing Law. This Agreement and any dispute arising from the performance or breach hereof shall be governed by and construed and enforced in accordance with the laws of the State of Victoria, Australia without reference to conflicts of laws principles.

14.2 Assignment. This Agreement shall not be assignable by either Party to any Third Party without the written consent of the other Party and any such attempted assignment shall be void. Notwithstanding the foregoing, either Party may assign this Agreement, without the written consent of the other Party, (a) to an Affiliate of such Party (in whole or in part), provided that such Party shall remain responsible for such Affiliate's conduct or (b) to an entity that acquires all or substantially all of the stock, business or assets of such Party (whether by merger, reorganization, acquisition, sale, operation of law or otherwise). No assignment or transfer of this Agreement shall be valid and effective unless and until the Assignee agrees in writing to be bound by the provisions of this Agreement. The terms and conditions of this Agreement shall be binding on and inure to the benefit of the permitted successors and assigns of each Party. Except as expressly provided in this Section 14.2, any attempted assignment or transfer of this Agreement shall be null and void.

14.3 Notices. Any notice, request, delivery, approval or consent required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been sufficiently given if delivered in person, transmitted by facsimile or email (receipt verified) or by express courier service (signature required) or five (5) days after it was sent by registered letter, return receipt requested (or its equivalent), provided that no postal strike or other disruption is then in effect or comes into effect within two (2) days after such mailing, to the Party to which it is directed at its address or facsimile number shown below or such other address or facsimile number as such Party will have last given by notice to the other Party.

If to MSB, addressed to:

Mesoblast Limited
55 Collins Street, Level 38
Melbourne 3000
Victoria Australia
Attention: Peter T. Howard, General Counsel
Telephone: +61 3 8662 1710
Facsimile: +61 3 9639 6030

With a copy to:

Wilson Sonsini Goodrich & Rosati
Professional Corporation
650 Page Mill Road
Palo Alto, CA 94304-1050
United States
Attention: Ian B. Edvalson, Esq.
Telephone: (650) 493-9300
Facsimile: (650) 493-6811

If to Collaborator, addressed to:

Attention: Yongjin Xu, Legal Counsel
Address: Tasly Pharmaceutical Group Co., Ltd., Tasly TCM Garden, No. 2, Pujihe East Road, Beichen District, Tianjin, P. R. China 300410
Facsimile: +86 022 26736721

14.4 English Language. This Agreement is written and executed in the English language. Any translation into any other language shall not be an official version hereof, and in the event of any conflict in interpretation between the English version and such translation, the English version shall control. All notices, correspondence, minutes by either Party and other interactions between the Parties under or in connection with this Agreement shall be in English and to the extent that any document provided is in another language a translation thereof into English shall be provided.

14.5 Waiver. Neither Party may waive or release any of its rights or interests in this Agreement except in writing. The failure of either Party to assert a right hereunder or to insist upon compliance with any term or condition of this Agreement shall not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition. No waiver by either Party of any condition or term in any one or more instances shall be construed as a continuing waiver of such condition or term or of another condition or term.

14.6 Severability. If any provision hereof should be held invalid, illegal or unenforceable in any jurisdiction, the Parties shall negotiate in good faith a valid, legal and enforceable substitute provision that most nearly reflects the original intent of the Parties and all other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in order to

carry out the intentions of the Parties as nearly as may be possible. Such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of such provision in any other jurisdiction. If a Party seeks to avoid a provision of this Agreement by asserting that such provision is invalid, illegal or otherwise unenforceable, the other Party shall have the right to terminate this Agreement upon sixty (60) days prior written notice to the asserting Party, unless such assertion is eliminated and cured within such sixty (60) day period. If such termination is by MSB, it shall be deemed a termination under Section 12.2.1, and if such termination is by Collaborator, it shall be deemed a termination under Section 12.3 by reason of a breach by MSB.

14.7 No Third Party Beneficiaries. Except for the rights to indemnification provided for certain Third Parties as specified in Section 11.5, all rights, benefits and remedies under this Agreement are solely intended for the benefit of Collaborator and its Affiliates and MSB and its Affiliates, and except for such rights to indemnification expressly provided pursuant to Section 11.5, no Third Party shall have any rights whatsoever to (a) enforce any obligation contained in this Agreement (b) seek a benefit or remedy for any breach of this Agreement, or (c) take any other action relating to this Agreement under any legal theory, including, actions in contract, tort (including but not limited to, negligence, gross negligence and strict liability), or as a defense, setoff or counterclaim to any action or claim brought or made by either Party.

14.8 Entire Agreement/Modification. This Agreement, including its Exhibits and the Product Memorandum sets forth all the covenants, promises, agreements, warranties, representations, conditions and understandings between the Parties and supersedes and terminates all prior agreements and understandings between the Parties including the LOI and the Prior CDA. No subsequent alteration, amendment, change or addition to this Agreement shall be binding upon the Parties unless reduced to writing and signed by the respective authorized officers of each Party. It is understood that the Investment Agreement is independent from this Agreement.

14.9 Relationship of the Parties. The Parties agree that the relationship of MSB and Collaborator established by this Agreement is that of independent contractors. Furthermore, the Parties agree that this Agreement does not, is not intended to, and shall not be construed to, establish a partnership or any other fiduciary relationship. Except as may be specifically provided herein, neither Party shall have any right, power or authority, nor shall they represent themselves as having any authority to assume, create or incur any expense, liability or obligation, express or implied, on behalf of the other Party, or otherwise act as an agent for the other Party for any purpose.

14.10 Force Majeure. Neither Party shall be liable to the other for failure or delay in the performance of any of its obligations under this Agreement for the time and to the extent such failure or delay is caused by earthquake, riot, civil commotion, war, terrorist acts, strike, flood, or governmental acts or restriction, or other cause that is beyond the reasonable control of the respective Party. The Party affected by such force majeure will provide the other Party with full particulars thereof as soon as it becomes aware of the same (including its best estimate of the reasonably expected extent and duration of the interference with its activities), and will use Commercially Reasonable Efforts to overcome the difficulties created thereby and to resume performance of its obligations as soon as practicable. If the performance of any such obligation under this Agreement is delayed owing to such a force majeure for any continuous period of more than one hundred eighty (180) days, the Parties will consult with respect to an equitable solution, including the possibility of the mutual termination of this Agreement.

14.11 Compliance with Applicable Law; Anti-Corruption.

14.11.1 General. Notwithstanding anything to the contrary contained herein, all rights and obligations of MSB and Collaborator are subject to prior compliance with, and each Party shall comply with, all Applicable Law. In addition, each Party shall conduct, and shall require Persons acting on its behalf or under its authority to conduct, activities under this Agreement in accordance with good scientific and business practices and Applicable Law.

14.11.2 Anti-Corruption. Each Party represents, warrants and covenants that (a) it has complied and will comply with Anti-Corruption Laws, in all material respects; (b) it has not permitted and will not knowingly permit any Person acting on its behalf to violate any Anti-Corruption Law; and (c) its and its Affiliates and their employees, agents and contractors will not make any payments or transfer of value which have the purpose or effect of public or commercial bribery, acceptance of or acquiescence in extortion, kickbacks, or other unlawful or improper means of obtaining or retaining business or any other improper advantage. Each Party will promptly report to the other Party if there is a government or judicial determination of a violation of Anti-Corruption Laws by such Party.

14.12 Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed an original, and all of which together, shall constitute one and the same instrument.

[The remainder of this page intentionally left blank; the signature page follows.]

IN WITNESS WHEREOF, the Parties have executed this Agreement in duplicate originals by their duly authorized representatives.

MESOBLAST INC.

By: _____

Name: _____

Title: _____

MESOBLAST INTERNATIONAL SÀRL

By: _____

Name: _____

Title: _____

TASLY PHARMACEUTICAL GROUP CO., LTD.

By: _____

Name: Kaijing Yan

Title: Chairman of the Board

Confidential material omitted and filed separately with the Commission.

List of Exhibits:

- Exhibit 1—Example Bundled Product Calculation
- Exhibit 5.5.2—Trademark Usage Guidelines
- Exhibit 8.4.1—Acceptable Accounting Firms
- Exhibit 10.5.1—Execution Press Release

Confidential material omitted and filed separately with the Commission.

EXHIBIT 1
EXAMPLE BUNDLED PRODUCT CALCULATION

If a Product comprised of (1) **** and (2) **** during a particular period; and during that same period in the Territory, ****, then the portion that would be attributable as ****. Therefore, if the total ****, then the amount attributable to **** and subject to the applicable Royalty under Section 8.1.3.

Confidential material omitted and filed separately with the Commission.

EXHIBIT 5.5.2
TRADEMARK GUIDELINES

MSB’s trademark usage guidelines as provided from time to time.

Confidential material omitted and filed separately with the Commission.

EXHIBIT 8.4.1
ACCEPTABLE ACCOUNTING FIRMS

None specified.

Confidential material omitted and filed separately with the Commission.

EXHIBIT 10.5.1
PRESS RELEASE

Confidential material omitted and filed separately with the Commission.

Exhibit 8.1

Subsidiaries of Mesoblast Limited

Legal Entity	Jurisdiction of Organization
Mesoblast International Sarl	Switzerland
Mesoblast UK Limited	United Kingdom
Mesoblast, Inc.	United States

Exhibit 10

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form F-3 (No. 333-219210) and Form S-8 (Nos. 333-210935 and 333-220988) of Mesoblast Limited of our report dated August 30, 2018 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 30, 2018

Exhibit 12.1

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 30, 2018

By: /s/ Silviu Itescu
Silviu Itescu
Chief Executive Officer

Exhibit 12.2

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, Josh Muntner, 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 30, 2018

By: /s/ Josh Muntner
Josh Muntner
Chief Financial Officer

Exhibit 13.1

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, 2018 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 30, 2018

By: /s/ Silviu Itescu

Silviu Itescu
Chief Executive Officer

Exhibit 13.2

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, 2018 as filed on the date hereof (the "Report"), I, Josh Muntner, 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, Josh Muntner, 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 30, 2018

By: /s/ Josh Muntner

Josh Muntner
Chief Financial Officer

Appendix 4E

Preliminary final report for the twelve months to 30 June 2018

Name of entity

MESOBLAST LIMITED **ABN 68 109 431 870**

1. Reporting period

Report for the financial year ended	30 June 2018
Previous corresponding period is the financial year ended	30 June 2017

2. Results for announcement to the market

	Up/down	% change		Amount reported for the year ended 30 June 2018 USD'000
Revenues from ordinary activities *(item 2.1)*	Up	618.9%	to	17,341
Loss from ordinary activities after tax attributable to members (*item 2.2*)	Down*	54.1%	to	35,290
Net loss for the period attributable to members *(item 2.3)*	Down*	54.1%	to	35,920

**decrease in loss*

There are no dividends being proposed or declared for the period *(item 2.4 and 2.5)*

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 2018.

3. Net tangible assets per security

	30 June 2018	30 June 2017
Net tangible asset/(liability) backing per ordinary security (in USD cents)	4.88 cents	10.11 cents

A large proportion of the company's assets are intangible in nature, consisting of intellectual property and goodwill relating to the acquisition of Mesoblast, Inc and culture-expanded Mesenchymal Stem Cells technology. These assets and the associated provision for contingent consideration are excluded from the calculation of net tangible assets per security. The deferred tax liability has also been excluded from the calculation to the extent it relates to future tax obligations as a result of the intellectual property assets deriving revenue at some point in the future. This deferred tax liability has arisen as a result of the intellectual property being acquired.

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 See subheading – "Business strategies and prospects for future years"
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 Directors and Senior Management See subheading – "Board of Directors"
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 2018

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(i) in the financial report, which indicates that the Group incurred net cash outflows from operations of $75,012,000. As a result, the Group is dependent on funding from the strategic alliance with Tasly Pharmaceutical Group, commercial partnering transactions or equity-based financing, together with maintaining implemented cost containment and deferment strategies. These conditions, along with other matters set forth in Note 1(i), indicate the existence of material uncertainty that may cast significant doubt about 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 2018 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.