

asx announcement

MESOBLAST RAISES NEW CAPITAL TO EXPAND CLINICAL PROGRAMS

MELBOURNE, Australia; 10 December 2007: Australia's adult stem cell company, Mesoblast Limited (ASX:MSB, USOTC:MBLTY), today announced that it had completed a capital raising of \$13.44 million from Australian institutional and sophisticated investors.

Mesoblast Founder, Professor Silviu Itescu, said he was especially pleased with the strong support the company had received during this capital raising from its existing, as well as new, institutional shareholders.

"With the support of our investor base we can now expand our clinical focus to new areas where our technology has shown great promise" Itescu said.

The capital will be used to commence additional Phase 2 Clinical Trials in the United States and Australia in the areas of bone and cartilage repair and regeneration using Mesoblast's proprietary allogeneic, or "off-the-shelf", adult stem cells.

The company intends to file additional Investigational New Drug (IND) submissions to the United States Food and Drug Administration (FDA) by early-mid 2008 for clearance to commence the trials.

These trials will proceed in parallel to Mesoblast's ongoing clinical trial of NeoFuse™, its allogeneic stem cell product for spinal fusion. This trial is currently enrolling patients with degenerative intervertebral disc disease, and is based at New York's Hospital for Special Surgery, a world leading center for orthopaedic, rheumatologic and rehabilitation treatments. The Company also expects to report interim results from this trial in early-mid CY2008.

Under the placement, 10.5 million shares will be issued at \$1.28, a discount of approximately 5% to the closing price of the company's shares on 6 December 2007. The placement was managed by specialist institutional house Lodge Corporate.

About Mesoblast

Mesoblast Limited (ASX:MSB;USOTC:MBLTY) is an Australian biotechnology company committed to the development of novel treatments for orthopaedic conditions, including the rapid commercialisation of a unique adult stem cell technology aimed at the regeneration and repair of bone and cartilage. Our focus is to progress through clinical trials and international regulatory processes necessary to commercialise the technology in as short a timeframe as possible. Mesoblast Limited has the worldwide exclusive rights for a series of patents and technologies that have been developed over more than 10 years and which relate to the identification, extraction and culture of adult Mesenchymal Precursor Cells (MPCs). The company has also acquired a substantial interest in Angioblast Systems Inc, an American company developing the platform MPC technology for the treatment of cardiovascular diseases, including repair and regeneration of blood vessels and heart muscle. Mesoblast and Angioblast are jointly funding and progressing the core technology. Mesoblast's strategy is to maximise shareholder value through both corporate partnerships and the rapid and successful completion of clinical milestones.

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