

## asx announcement

# FURTHER INVESTMENT IN ANGIOBLAST TO COMPLETE A PHASE II CARDIOVASCULAR TRIAL

### Key points:

- The Independent Directors of Mesoblast recommend a further investment of \$8.5 million in Angioblast Systems Inc to complete a Phase II clinical trial using the proprietary adult stem cell technology for an agreed cardiovascular indication
- A joint AGM and EGM to be held 23 November 2006 to, amongst other matters, review Mesoblast operations, approve financial statements for the year ended 30 June 2006 and to seek approval for a further investment in Angioblast
- Funds associated with the proposed further investment in Angioblast will be paid by Mesoblast in tranches to achieve critical Phase II clinical trial milestones
- The further investment will provide Mesoblast with a total shareholding in Angioblast of approximately 39.2% on a fully diluted basis
- Shareholder rights associated with the proposed further investment include substantial provisions to protect Mesoblast's investment including anti-dilution and the appointment of a second Director to the Angioblast Board
- Combined with the proposed investment is a 15-month option for Mesoblast to acquire a further \$5 million in Angioblast preferred stock on substantially similar terms and pricing.

Importantly, the investment will enable both Mesoblast and Angioblast to focus on delivering significant shareholder value through completion of Phase II clinical trials. Equally, the investment is intended to provide both companies with a position of strength in any potential discussions with large, third party, medical device and pharmaceutical companies.

**Melbourne, Australia; 21 September 2006:** The Independent Directors of Mesoblast Limited (ASX:MSB) today announced that the company, subject to shareholder approval, had entered into a stock purchase agreement with its sister company, Angioblast Systems Inc in the United States, to acquire additional preference shares to a value of \$8.5 million.

This new investment will bring Mesoblast's total holdings in Angioblast to approximately 39.2% of total shares issued on a fully diluted basis.

Since listing in December 2004, Mesoblast together with Angioblast, have worked closely in developing preclinical and clinical data for the submission of an Investigational New Drug (IND) application to the Food and Drug Administration (FDA) in the United States. Clearly the partnership between the two companies has worked well, as important milestones have been accomplished several months ahead of schedule.

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Most recently, updated results from this collaboration in the cardiovascular field were provided to the market and underlined the significant progress that has been made to date. As announced by Mesoblast, the first patients in the ongoing Cardiac Pilot Trial treated with the proprietary adult stem cells have shown substantial and sustained improvement in their heart function, while recently completed large animal studies showed up to a mean of 50% improvement in heart function for animals treated with the company's frozen, pre-cultured stem cells when compared with untreated animals.

Both companies have disclosed that they have entered into collaborative agreements with large, global medical companies. These collaborations have proven to be valuable to both companies and lay a foundation for ongoing discussion and collaboration to develop further our adult stem cell technology through to commercialisation.

The proposed further investment by Mesoblast in Angioblast will enable both companies to continue their focus on delivering clinical trial results and shareholder value, whilst enabling a further strengthening of our relationships.

Mesoblast Directors, independent of any material interest in Angioblast, have negotiated a performance oriented stock purchase agreement. Further details of the agreement are to be provided to shareholders in due course for Mesoblast shareholder approval.

In summary, the terms include:

- A schedule of periodic payments aimed at the completion of an agreed Phase II clinical trial in the United States for a cardiovascular indication
- Various protective clauses including terms associated with the non-dilution of Mesoblast interests
- The appointment of a further Mesoblast Board member to the Angioblast Board of Directors
- Various shareholder rights which prevent or restrict Angioblast from dealing with the underlying adult stem cell technology.

Included in the proposed investment terms is the granting of a free option to Mesoblast to acquire an additional \$5 million in preference shares over a 15-month period under substantially those terms agreed to as part of the proposed transaction. It is anticipated that further funding will be sourced should Mesoblast decide to exercise its option.

It should be noted that the proposed transaction is deemed a related party transaction and requires shareholder approval. Accordingly your Board declares that an Extraordinary General Meeting of shareholders will be held on 23 November 2006 to consider and, if appropriate, approve the proposed transaction. On the same date the Directors will convene an Annual General Meeting of shareholders to review the company's operations for the financial year ended 30 June 2006 and to amongst other matters approve the company's annual financial report.



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### **About Mesoblast**

Mesoblast Limited aims to bring its unique low-cost, high margin cell therapy products to global markets for the regeneration and repair of bone and cartilage. Mesoblast's proprietary technology relates to the identification, extraction and culture of potent adult Mesenchymal Precursor Cells (MPCs).

*For further information, please contact:*

Julie Meldrum  
Corporate Communications Director  
Mesoblast Limited  
T: + 61 (03) 9639 6036  
E: [julie.meldrum@mesoblast.com](mailto:julie.meldrum@mesoblast.com)  
[www.mesoblast.com](http://www.mesoblast.com)