



METAL STORM LIMITED

ACN 064 270 006

Equity & Debt Placement Update

Brisbane, Australia – Wednesday, 4 November 2009: Metal Storm Limited (ASX trading code: MST, OTC Symbol: MTSXY, PoMSOX Code: MSTG).

As previously advised to the market Metal Storm has entered into a legally binding Subscription Agreement with Assure Fast Holdings Limited BVI (AFHL) to provide new equity of USD17.5 million in two tranches, USD1.925 million initially, and a further USD15.575 million on shareholder approval. Additionally, Metal Storm previously advised that AFHL also intends to lend USD17.5 million as part of the overall funding arrangements, subject to final terms, issues of both tranches of equity and noteholder approval.

The Company has previously announced that the first tranche of equity for USD1.925 million would be completed yesterday, 3 November 2009.

Mr Robert Rivero, the principal in the transaction, is based in Manila, Philippines along with his associates and legal advisers. As you may have read in other media reports, Manila was struck by Cyclone Mirinae on Friday which reportedly caused widespread damage. This, combined with the bank holiday in Manila on Monday has delayed the processes necessary to complete the first equity tranche.

Given these circumstances Metal Storm did not receive the first equity tranche of USD1.925 million yesterday and has agreed to extend settlement of the first equity tranche to close of business on Friday, 6 November 2009.

Since the initial announcement of this contract Metal Storm and AFHL have been working together and separately on due diligence and other transfer related procedures. In the course of those processes, nothing has come to Metal Storm's notice that would indicate that the subscription will not, or cannot, proceed.

The loan documentation has now been negotiated and Metal Storm understands that it is agreed in form. The loan for USD17.5 million is unsecured, repayable in 5 years, carries interest of 3.25% p.a. and is denominated in USD. The Board is of the view that the loan is commercial and balanced. It requires Mr Rivero's signature which is expected today after which a further announcement will be released to the market.

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Notes:

Metal Storm's Australian Stock Exchange trading code: MST
Metal Storm's OTC Symbol: MTSXY

Company Contact:

Australia & USA

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About Metal Storm

Metal Storm Limited is a multi-national defence technology company engaged in the development of electronically initiated ballistics systems using its unique "stacked projectile" technology. The company is headquartered in Brisbane, Australia and incorporated in Australia. Metal Storm Limited technology and products are represented in the USA by Metal Storm Inc., which has offices in Arlington Virginia.

Metal Storm is working with government agencies and departments, as well as industry, to develop a variety of systems utilising the Metal Storm non-mechanical, electronically fired stacked ammunition system.

Metal Storm's weapon technology uses computer-controlled electronic ignition and a system of stacked projectiles, to achieve a completely non-mechanical gun that is very lightweight and compact, providing a very high firepower to weight ratio. The Metal Storm weapons system utilizes multiple barrels mounted together on one platform which allows varying munitions types to be deployed in a single, low cost, lightweight weapon system. Firing the weapons by electronic ignition requires no moving parts, allowing reliable long term unattended weapon operation.

Safe Harbour

Certain statements made herein that use the words "estimate", "project", "intend", "expect", "believe" and similar expressions are intended to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve known and unknown risks and uncertainties which could cause the actual results, performance or achievements of the company to be materially different from those which may be expressed or implied by such statements, including, among others, risks or uncertainties associated with the development of the company's technology, the ability of the company to meet its financial requirements, the ability of the company to protect its proprietary technology, potential limitations on the company's technology, the market for the company's products, government regulation in Australia and the US, changes in tax and other laws, changes in competition and the loss of key personnel. For additional information regarding these and other risks and uncertainties associated with the company's business, reference is made to the company's reports filed from time to time with the Securities and Exchange Commission, including the company's Form 20-F.