



# METAL STORM LIMITED

ACN 064 270 006

## Metal Storm Announces Share Purchase Plan

**Brisbane, Australia** – Monday, 11 May 2009: Metal Storm Limited (ASX trading code: MST, OTC Symbol: MTSXY, POMSOX code: MSTG).

Fellow shareholders,

Soon the Board will be asking you and all of our current shareholders for a small injection of capital through a Share Purchase Plan (**SPP**). The SPP will open around the middle of June and the Company is seeking a minimum of approximately \$2 million. Further information will be provided in due course.

There are good reasons why the Company is approaching the raising in this way and why we did not begin this process earlier. The Board has been working through the issues associated with raising additional capital and dealing with the convertible note debt. Further explanation of these issues is set out below.

We have made very good progress with our products. Our 3GL and MAUL have both been shoulder fired, our 40mm munitions is nearing qualification, and FireStorm has been operated by the US Marines during the recent Mission Payload Module demonstrations with a variety of munitions.

We recognise that times are very tough but Metal Storm needs your assistance to enable it to continue the progress which has brought us within sight of the commercialisation of a number of our weapons and 40mm munitions.

The current position of Metal Storm as at the date of this announcement is as follows:

- The Company has approximately \$2.5 million in cash. The Company's cash situation has been a matter of public record for some time. It is currently both technically and factually solvent. All creditors are and will continue to be paid.
- The Company is spending approximately \$0.6 million per month on the operations to support ongoing technical development of its intellectual property.
- Without a capital injection, the Company will exhaust its resources in about 4 months.
- The maturity date of the Notes is 1 September 2009 ("Maturity Date"), upon which the Company is liable to repay its Noteholders approximately \$20 million, unless the Noteholders opt to convert all their notes into ordinary shares, or agree to extend the Maturity Date.
- At the current share price and in the context of the current equities markets, it seems unlikely that a substantial number of Notes will be converted to ordinary shares.
- In that circumstance the Noteholders will be in a position to appoint an administrator who will deal with the Company's assets. In that situation shareholders rank behind Noteholders in priority for payments.

For some time the Board has been pursuing a major capital raising and seeking other sources of equity. Several of those opportunities are advancing but the reality in present capital markets is that there is no certainty about any funding until the money is in the bank and there is a strong chance that any major capital raising will not conclude before 31 August 2009.

The monies raised from the SPP are intended to assist the Company fund its operations while it seeks to conclude the concurrent restructuring of its finances.

It is clear to the Board that it could only seek further capital from our shareholders if it first ensures that the funds raised by an SPP can be used by Metal Storm as a viable ongoing entity. If not, there would be little point in raising capital unless the amount was substantially more than the amount owed to the Noteholders (\$20 million) plus further development funds. It is the view of the Board, based on past experience, that we would not be able to raise an amount of that size from current shareholders.

As advised to the market on 20 February 2009, Metal Storm and the major noteholder have been in discussions to explore various funding options. Whilst the discussions with that particular noteholder remain ongoing, subject to certain conditions to be fulfilled to its satisfaction, the major noteholder intends to support the Company in seeking the noteholders' approval to extend the Note Maturity Date for a further two years, i.e. until 1 September 2011. Further details on the extension of the Maturity Date will be announced in due course.

An overview of the SPP is as follows:

- The SPP will allow each shareholder to invest amounts ranging from \$1,000 to \$10,000. The issue price will be 80% of the volume weighted average price of the Company's shares for the 5 business days immediately prior to the date shares are issued under the SPP offer.
- The Board has set this price per share on the basis that this raising must get done, and the share price remains under pressure. The market has recently valued the stock at between 3.0 to 3.5 cents per share.
- To preserve the ability of the funds raised by this SPP to be used for the paramount purpose of advancing the technology, your subscription monies will be held in trust until the Noteholders have met and formally agreed to an extension of the Maturity Date of the Notes. If this does not occur, your subscription monies will be returned to you.
- Further if insufficient funds are received under the SPP, the Company may not put the proposal to Noteholders and your subscription monies will be returned to you.

If the Company cannot either secure the necessary Noteholder approval or raise sufficient funds, the Board will have an extremely difficult task preserving the Company as a going concern.

I indicated above that the Company has been active in seeking other sources of equity. The Company will therefore continue to seek to finalise the best appropriate additional funding it can source. It does not regard this SPP as an alternative to further equity.

We have made tremendous progress over the last 2 years towards converting our technology into practical weapons systems. I urge you to support the Company by participating in this Share Purchase Plan.

Yours faithfully

Terry O'Dwyer  
Chairman

**Notes:**

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

**Company Contact:**

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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.