



METAL STORM LIMITED

ACN 064 270 006

Equity & Debt Placement Update

BRISBANE, 16 December 2009 – Metal Storm Limited (ASX trading code: MST, OTC Symbol: MTSXY, PoMSOX code: MSTG).

Metal Storm has previously announced the signing of an Equity Subscription Agreement and a Loan Facility Agreement for an investment of US\$35 million by Assure Fast Holdings Limited BVI (**AFHL**).

The first tranche of approximately \$2.1 million (US\$1.9 million) of equity capital (**First Tranche**) was initially scheduled to close on 3 November but had been extended subsequently until 7pm on 10 December. The Board gave a formal notice to AFHL on last Friday requiring AFHL to remedy its non-compliance with the Subscription Agreement namely, the failure to provide the First Tranche funding.

That failure was not remedied by the expiry of the notice period and accordingly the Company is entitled to terminate the Subscription Agreement. Metal Storm reserves its rights with regard to the breach. The Company considers a successful completion of the Subscription Agreement by AFHL to be unlikely and it will now pursue the alternative equity opportunity, which is progressing in accordance with earlier Announcements.

Separately, the Company is pleased to confirm that the Company has now entered into a formal Subscription Agreement with a private investor, committing to an equity placement of \$200,000 by close of business on Friday this week, followed by a further \$300,000 on or before 5th January 2010.

ENDS

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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 utilises 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.

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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.