

Appendix 4C

Monthly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

Metal Storm Limited

ABN

99 064 270 006

Month ended ("current Month")

31 May 2010

Consolidated statement of cash flows

Cash flows related to operating activities

	Current Month \$A'000	Year to date (5 months) \$A'000
1.1 Receipts from customers	15	592
1.2 Payments for		
(a) staff costs	(353)	(1,607)
(b) advertising and marketing	-	-
(c) research and development	(23)	(133)
(d) leased assets	-	-
(e) other working capital	(190)	(1,548)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	7
1.5 Interest and other costs of finance paid	-	(106)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net operating cash flows	(549)	(2,795)

+ See chapter 19 for defined terms.

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	Current Month \$A'000	Year to date (5 month) \$A'000
1.8 Net operating cash flows (carried forward)	(549)	(2,795)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.14 Total operating and investing cash flows	-	-
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	79	2,590
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	275
1.18 Repayment of borrowings	(1)	(58)
1.19 Dividends paid	-	-
1.20 Other	-	-
Net financing cash flows	79	2,807
Net increase (decrease) in cash held	(470)	12
1.21 Cash at beginning of Month/year to date	549	67
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of Month	79	79

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current Month \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	10
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Directors' fees.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

-

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

-

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	16,702	16,702
3.2	Credit standby arrangements	-	-

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Reconciliation of cash

Reconciliation of cash at the end of the Month (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current Month \$A'000	Previous Month \$A'000
4.1 Cash on hand and at bank	79	549
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of Month (item 1.23)	79	549

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	-	-
5.2 Place of incorporation or registration	-	-
5.3 Consideration for acquisition or disposal	-	-
5.4 Total net assets	-	-
5.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:
 (Director/Company secretary)

Date: 30 June 2010

Print name: Peter R Wetzig

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Notes

The Company recognises that its current cash balance is unlikely to be sufficient to fund operations for another two quarters without being supplemented by additional capital. The results reported in this Appendix 4C were in line with Company expectations.

On 31 December 2009, the Company entered into an agreement for an equity line of credit with UK based investment fund Global Emerging Markets (GEM) Global Yield Fund for GEM to provide a source of working capital for the Company. The agreement was terminated and replaced by an agreement with Dutchess Global Yield Fund Ltd on 22 June 2010.

Under the agreement this Company may access up to \$25 million over a three year period. The Company will issue Shares in consideration for the amount it is paid by Dutchess.

The Company can choose to initiate draw downs at a frequency of up to one draw down per 5 trading days for amounts of up to \$100,000.

The facility provides Metal Storm with a continuous funding stream for approximately 24 to 36 months, depending on the size of each draw down. The split between compliance, administrative and product development/marketing (“commercialisation”) costs will also vary based on the size of each draw down. However, if the facility performs as expected, the Company anticipates that approximately 60% of the drawn down funds will be channelled into commercialisation.

The Company also entered into share placements for \$250,000 on 22 June 2010.

With this information in mind the Directors believe the Company to be a going concern and therefore in compliance with listing rule 12.2.

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