



**Metal Storm Limited**

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27 August 2010

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Dear Shareholder

**METAL STORM RIGHTS ISSUE - REMINDER**

We are pleased to inform you that the closing date for the Metal Storm Rights Issue has been extended to 5.00 pm on Monday 6 September 2010 (**Closing Date**). There will be no further extension to the Closing Date.

The Board commends the Rights Issue to you and encourages you to carefully consider taking up your right to subscribe for shares and options before the Closing Date if you have not already done so.

The issue price of shares under the Rights Issue is \$0.01 per share. If you participate, you will also receive three options (at an exercise price of \$0.015) for every share allotted for no additional consideration. The options are exercisable for three years, and there is no obligation to exercise them by paying the exercise price unless you wish to be issued further shares.

On 3 August, Metal Storm announced its first volume production weapons contract for 500 MAUL™ weapons plus 50,000 rounds of ammunition with the Correctional Service of Papua New Guinea. The contract remains subject to ratification through the usual government protocols; however, upon ratification the Company will bring its MAUL weapon and ammunition into manufacture in order to fulfill this order. The Company's first volume production weapons contract is an important milestone in the Company's history and will allow the Company to market these products aggressively with the aim of securing additional volume weapons orders.

The Rights Issue allows you to apply for more shares than your 1:4 entitlement. By oversubscribing you may be issued additional shares (with three options for every additional share allotted for no additional consideration) if other shareholders do not take up their full entitlement.

Remember, Monday 6 September is the Closing Date. If you wish to participate in the Rights Issue, the Board encourages you to submit your application as soon as possible to ensure it is received by the Closing Date. If you require a new application form, please contact Computershare Investor Services Pty Limited during business hours on 1300 552 270 within Australia or +61 3 9415 4000 outside Australia.

On behalf of the Board, I thank you for your support and look forward to your participation.

Sincerely,

**Mr Peter R Wetzig**  
Company Secretary  
Metal Storm Limited