



METAL STORM LIMITED

ACN 064 270 006

Metal Storm obtains \$1.7M in investment commitments

Brisbane, Australia – 27 August 2010: Metal Storm Limited (ASX trading code: MST, OTC Symbol: MTSXY).

Defence Technology specialist Metal Storm is pleased to announce that it has entered into subscription agreements with two existing shareholders and one former shareholder to subscribe for up to \$1.7M in Metal Storm shares and options.

The terms of the subscription agreements allow Metal Storm, at its sole discretion, to require the investors to subscribe for up to a maximum of \$1.7M worth of shares at an issue price of \$0.01 per share, with Metal Storm to issue the investors with three options (exercisable for \$0.015) for every share allotted for no additional consideration. These terms are the same as the terms of the Rights Issue set out in Metal Storm's Rights Issue Prospectus dated 3 August 2010 and released to ASX on that date.

The Rights Issue is currently open for applications and is due to close on Monday 6 September 2010.

Within three months of the Rights Issue closing, Metal Storm intends to use the subscription agreements to place all or part of the shortfall of securities under the Rights Issue.

Metal Storm is not required to pay any fees or other consideration to the investors under the subscription agreements.

The issue of securities under one of the subscription agreements may result in an existing shareholder acquiring a holding of more than 5%, but less than 20%, of Metal Storm shares on issue. If this occurs, further disclosure will be provided. In any event, after the close of the Rights Issue, Metal Storm will announce the total amount of funds raised under the Rights Issue and the subscription agreements.

Metal Storm CEO, Dr Lee Finniear, welcomed the investor commitments.

"These subscription agreements allow the Company to guarantee that it can raise at least \$1.7M after the close of the Rights Issue," he said. "All eligible shareholders should note that their investment in the Rights Issue will join up to \$1.7M already committed outside of the Rights Issue subscription process."

"I would also like to remind all eligible shareholders that they are able to oversubscribe by applying for additional securities in excess of their entitlements should they wish to do so."

"I thank all shareholders for their continuing support for the Company as we move into the production phase of our life-cycle."

ENDS

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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 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.

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.