

Appendix 4C

Quarterly 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

Quarter ended ("current quarter")

30 June 2009

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	767	1,244
1.2 Payments for		
(a) staff costs	(876)	(1,932)
(b) advertising and marketing	-	-
(c) research and development	(365)	(776)
(d) leased assets	(27)	(72)
(e) other working capital	(818)	(1,104)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	32	159
1.5 Interest and other costs of finance paid	(490)	(984)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net operating cash flows	(1,777)	(3,465)

+ See chapter 19 for defined terms.

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	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)		
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	(69)	(77)
(e) other non-current assets	(558)	(1,047)
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	(627)	(1,124)
1.14 Total operating and investing cash flows	(2,404)	(4,587)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	(306)	(2,442)
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	(49)	(49)
Net financing cash flows	(355)	(2,491)
Net increase (decrease) in cash held	(2,759)	(7,080)
1.21 Cash at beginning of quarter/year to date	3,250	7,571
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	491	491

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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 quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	59
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

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- 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	18,354	18,354
3.2	Credit standby arrangements	-	-

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Reconciliation of cash

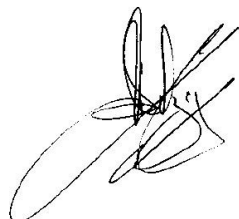
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	491	3,250
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	491	3,250

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: 31 July 2009

Print name: Peter Ronald 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.

As previously announced to the market, the Company has been taking several concurrent approaches to achieve its funding objectives.

The first of these was a Share Purchase Plan (SPP) which closed on 3 July and raised \$2.6m. More information on the SPP can be found in the Share Purchase Plan Documentation released to the market on 15 June 2009. The funds raised under the SPP will be held on trust pending the outcome of the noteholder and shareholder meetings discussed below. If the necessary resolutions are not passed, the funds raised under the SPP will be returned to investors.

The Company has also called a meeting of noteholders to be held today where it will put forward a resolution to amend the terms of the Convertible Note Trust Deed and in the process extend the maturity date of the notes. For the resolution to be passed by noteholders, 75% of votes must be cast in favour of the resolution. The largest noteholder, who holds 66% of the notes, has indicated their intention to vote in favour of the resolution at the meeting.

The resolution of noteholders is conditional upon the Company's shareholders also approving the amendment of the terms of the convertible notes. A meeting of shareholders will also be held today to put this resolution. The resolution must be passed as an ordinary resolution by shareholders.

Based on the proxy votes received, the Directors are confident the noteholder and shareholder meetings will be successful.

The Company is also working towards raising a more substantial amount of capital. The Board believes the most likely path to success is through the targeting of organisations and individuals that have both the necessary capital resources and a strategic interest in the Company's potential outcomes. A number of these negotiations are currently active. Based on discussions to date the Company believes there is a reasonable likelihood that one or more of these activities will deliver a successful outcome.

On balance, the Directors believe that the Company will be able to raise the required funds but would stress, particularly in light of the current economic climate, that a successful capital raise is not assured.

With all these factors 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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