

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 July 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current Month \$A'000	Year to date (7 months) \$A'000
1.1 Receipts from customers	413	1,058
1.2 Payments for		
(a) staff costs	(334)	(2,310)
(b) advertising and marketing	-	-
(c) research and development	(78)	(217)
(d) leased assets	-	-
(e) other working capital	(494)	(2,282)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	8
1.5 Interest and other costs of finance paid	-	(216)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net operating cash flows	(492)	(3,959)

+ See chapter 19 for defined terms.

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	Current Month \$A'000	Year to date (7 month) \$A'000
1.8 Net operating cash flows (carried forward)	(492)	(3,959)
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.	189	3,302
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	447	831
1.18 Repayment of borrowings	(112)	(171)
1.19 Dividends paid	-	-
1.20 Other	-	-
Net financing cash flows	524	3,962
Net increase (decrease) in cash held	32	3
1.21 Cash at beginning of Month/year to date	38	67
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of Month	70	70

+ 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	25,000
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	17,434	17,434
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	70	38
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of Month (item 1.23)	79	38

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 August 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 22 June 2010, the Company signed an equity line agreement with Dutchess Opportunity Funds II for a total facility of \$25 million. The facility allows the Company, at its sole discretion, to draw down up to \$200,000 every 5 days. Whilst the Company can issue draw down notices for up to \$200,000, in certain circumstances the level of funding received under the Agreement is variable. For example, certain adjustment events, such as the share price trading below the floor price, can reduce the draw down by 1/5 for every day an adjustment event occurs. The Dutchess agreement replaces the GEM agreement as set out in the Explanatory Memorandum to Shareholders dated 19 July 2010.

On 3 August 2010, the Company announced a one for four rights issue offer of one new share and three attaching options, at an issue price of \$0.01, for every four shares eligible shareholders hold. Shareholders may also apply for additional new shares beyond their entitlement. If fully subscribed the offer would raise approximately \$3.1 million. The Rights Issue, unless extended, closes on 6 September 2010 and the final amount raised will not be known until after this date. However, on 27 August 2010, the Company signed subscription agreements for a total amount of up to \$1.7 million to be used to fund any shortfall in Rights Issue subscriptions up to \$1.7 million. Refer to note 8 for further details of the Rights Issue Prospectus lodged with ASIC on 3 August 2010.

The Company entered into its first product sales contract on 3 August 2010. The contract with the Correctional Services of Papua New Guinea, is to supply 500 MAUL weapons and 50,000 rounds of non-lethal ammunition for a total value of US\$3,365,000. The Company expects to complete this contract over the course of the next 18 months following receipt of the initial deposit of US\$673,000 due within 90 days of the contract date.

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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