



# METAL STORM LIMITED

ACN 064 270 006

## CEO BULLETIN

**Brisbane, AUSTRALIA** – 17 May 2007: Metal Storm Limited (ASX trading code: MST and NASDAQ ticker symbol: MTSX).

All,

With the AGM coming up in a little over a week, I thought it appropriate to provide a short CEO Bulletin in advance of the meeting so that those who cannot attend also get a flavour of the activities that are underway here at Metal Storm. This will be a brief CEO Bulletin, and for that I apologise. However we are focusing on the tasks at hand and, as I am sure you appreciate, our timeframes are very important as we approach the Singapore Live Fire Trials.

### Singapore Live Fire Trials

In less than a week our weapons systems and munitions assemblies leave Australia for the STK Range facilities in Singapore for the most extensive firing trials ever performed by Metal Storm. Over the 6 week trial period we will be carrying out extensive live fire trials of Metal Storm modified high explosive, enhanced blast and low velocity airburst munitions, as well as comprehensive testing of the Redback™ and 3GL prototype systems. Our engineering team has made consistent and rapid progress towards these trials, with 5 3GL prototypes being constructed as well as 2 Redback™ prototype weapon pods. Our new facilities at Richlands, Queensland include a CNC machine shop and temporary range facilities. These facilities have allowed us to reduce engineering data analysis and modification cycles from weeks to hours, and have dramatically increased our engineering team's ability to prove up design enhancements prior to the Singapore trials.

The Singapore Trials have two main purposes. First, the data gathered from the trials will provide a substantial step forward on the path toward commercialising the Redback™ and 3GL products and their associated munitions. Second, the trials offer the opportunity to also prove that the prototypes meet the covenants of the Convertible Note holders before the 30 June deadline date. Based on what I have seen so far I believe that the company is well positioned to perform the trials and to meet the standards required by the covenants.

### Cash Covenants

In addition to the performance covenants with the convertible note holders, we also have a cash covenant for 30 June 2007. At this stage I am confident we will meet the 30 June 2007 cash covenant requirement.

### Sales and Marketing

As we progress our products toward commercialisation we are continuing to seek research and development contracts from the US Government and other agencies worldwide. It is clear that to be successful in doing this we need to refine and improve our sales and marketing activities.

To bring together the efforts of the US and Australian teams we have implemented the Salesforce.com customer relationship management system. This enables our team to collectively track opportunities as they arise, and to work together across both offices to ensure we respond more rapidly and accurately to the tasks necessary to win. Whilst CRM systems normally take significant time to establish, we have been able to move this system to beneficial operation in less than 4 weeks.

In the marketing arena it is clear that our current website needs work if we are to present ourselves professionally. We have engaged a company to assist us with the complete re-design of the Metal

Storm website so that we can send a clear, customer focused message to our worldwide audience. Prospects must know what they can purchase from us, why they should do so, and what steps they need to take to make this happen. These seem simple and obvious tasks for a website, but they are not ones that our current site facilitates. Complete website rebuilding takes time, and I will keep you informed of progress as we go forward.

Finally, in order to bring the cultures of the US and Australian organisations closer together we have completed the implementation of a high definition internet based videoconferencing system between the two facilities. Its performance is excellent and we have already recovered the cost of implementation through saved airfares. The high definition also allows our engineering teams to show and demonstrate technical components to each other which would otherwise be extremely difficult to explain.

The steps above may seem incongruent with the immediate demands of NOW. However, these are essential changes to improve our sales pipeline and position the company well as it moves from a research oriented business toward also being revenue focused product and solutions business.

### **NOW – NEXT – AFTER NEXT**

The first of three stages of strategic planning was completed last week by the Metal Storm management team. The two day workshop held in Richlands office provided core strategic positioning input for a subsequent Board level strategic planning meeting late in May. Output from the Board level meeting will feed into a more detailed strategic planning and implementation planning process which will be executed in June & July. I am pleased to say that so far that the strategies of the past year continue to be a core component of the future of Metal Storm as we continue to build our products and expertise in the 40mm space.

### **US Contracts**

Our existing contracts continue to be progressed in line with expectations and we will report material developments on these contracts as and when they are made.

### **A Final Note**

As I was typing this one of my engineering team came into my office and handed me a 3GL grenade launcher prototype mounted to a specially designed Metal Storm shoulder stock that has just come from the fabricator. To me it appears light, practical and impressive. We are indeed making good progress.

Lee Finniear  
17<sup>th</sup> May, 2007

#### **Notes:**

Metal Storm's Australian Stock Exchange trading code: MST

Metal Storm's NASDAQ Small Cap ticker symbol: MTSX

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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, with an office 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 utilizes 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.

#### **About Electro Optic Systems Limited**

EOS is a public company, specialising in the design, development and production of sophisticated laser technologies, including supporting software and electronic sub-systems. EOS' advanced technologies are applied to a variety of sighting and surveillance applications in the aerospace and defence markets.

The combat-proven EOS sensor and fire control systems are currently deployed in the US Army CROWS (Common Remotely Operated Weapons System) program which has been successfully fielded since 2003, and is used in operations in Iraq. The EOS integrated surveillance and fire control technology employs state-of-the-art multi-spectral sensors and fire control software for direct-fire ballistic weapons.

#### **About ST Kinetics**

ST Kinetics is the land systems arm of Singapore Technologies Engineering. It provides integrated systems, specialty vehicles and their related services for defence, government and commercial applications. This includes design and development, systems integration, production, operations & support and life cycle management. Through its subsidiary, Advanced Material Engineering Pte Ltd, ST Kinetics also designs and manufactures a comprehensive suite of 40 mm munition solutions, conventional and smart munitions, advanced protective materials as well as guided system components. It also provides consultancy, design and engineering services for homeland security solutions.

#### **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.