



METAL STORM LIMITED
ACN 064 270 006

CEO Bulletin II

Brisbane, Australia – 26 June 2009: Metal Storm Limited (ASX trading code: MST, OTC Symbol: MTSXY).

Fellow Shareholders,

In this second part of the CEO Bulletin I want to share with you some of the recent advances with 3GL and MAUL™ products. I intend to cover more on FireStorm™ in future releases in the coming months.

In particular I'd like to provide some Q&A on MAUL™. We are very excited about this new weapon, but I believe that we need to explain more about why the military and law enforcement communities are giving such strong, positive feedback about its capabilities.

Before I do this, however, I would like to share some really good news on 3GL.

3GL Integration to Assault Rifle Cleared for Shoulder-Firing

In February this year we announced that we had completed safety certification of the stand alone 3GL for man-firing. Since then the team has been working on HE munition qualification, 3GL environmental testing and on the development of a strong, lightweight mounting system suitable for qualifying the weapon when integrated to an assault rifle. I am pleased to announce that we have now cleared the integrated weapon system for safe man-firing when mounted to an assault rifle.

Yesterday we completed a series of live fire trials of the 3GL integrated to an M16 at the Belmont range in Queensland. The test program included alternating rapid fire from the M16 and 3GL in a single action to demonstrate how easy it is to transition between the two weapons during a fire engagement. We also used high speed cameras to record how the two weapons interacted dynamically when shoulder fired.



I was particularly impressed with the results of the trials. The transition between firing the M16 rifle, then the 3GL and then back to the M16 again was seamless and ergonomically effective. Leaving the right hand on the assault rifle pistol grip, the left hand simply slides back a few centimetres from a barrel support grip onto the 3GL pistol grip. At the same time the eye moves onto the 3GL sight, all the while maintaining the eye contact with the target. Three 40mm grenades can then be delivered to the target in little over a second, and can be immediately followed by more 5.56mm from the assault weapon. Having performed several of the test firings personally, I can speak with authority on the overall performance of the integrated weapon.

With this step completed we are now able to demonstrate to customers the full firepower capability of a warfighter equipped with a 3GL as an integrated part of his primary weapon. It leaves no doubt as to the firepower advantage it provides to any force equipped with 3GL in its fire teams.

Video of the firing is currently being compiled and will be available at the following URL by close of business on Monday, 29th June (or sooner if possible):

<http://www.metalstorm.com/release/3GL-Assault-Weapon-Integration.html>

MAUL™ Questions and Answers

The firing of our weapons at the very recent International Infantry & Joint Services Small Arms Systems Symposium live firing demonstrations in Nevada, USA, has really given significant impetus and exposure to our current products. The theme this year was “Enhancing Small Arms Effectiveness in Current and Future Operations” and Metal Storm’s weapons certainly played to that well.

The response we have received, particularly since the launch of our MAUL™ weapon has been overwhelming and extremely positive. The enquiries we have received comes from customers and user agencies who really are seeking the capability that MAUL™ provides. Inquiries are coming from US military and law enforcement agencies, as well as a number of countries outside the US.

To let each of you get to know MAUL™ a little better we have compiled a series of questions and answers, which together provide a picture of what this impressive, compact weapon has to offer our customers and our business.

What is MAUL™?

MAUL™ is a lightweight, modular, 12 gauge, 5 shot, semi-automatic shotgun for military and law enforcement users. It has been designed to deliver non-lethal and lethal munitions. All this capability is delivered in a weapon weighing only 1.8 lb (800g), making it one of the lightest semi-automatic 12 gauge weapons in the world.

MAUL™ can fire 5 rounds as fast as the user can pull the trigger, and can be rapidly reloaded in one smooth movement by inserting another 5 round munition tube into the receiver.



What are the key capabilities of MAUL™?

MAUL™ rates as one of the most exciting weapon developments in the Company's history. It capitalises on Metal Storm's technology to deliver a wide range of capabilities in a weapon that is extremely light, silent in operation before firing, versatile, efficient in design, reliable and low cost. MAUL™ is a multi-role weapon that can adapt in real time to the dynamics of today's urban battlefield.

In the **military** setting, shotguns have been used in close quarter fighting and in jungle warfare for over a century. Shotguns have significant downsides however; the squad has to carry an extra weapon, adding unnecessary weight and potentially reducing the number of assault rifles available. With the introduction of MAUL™, the balance has shifted dramatically.

When mounted to an assault rifle, MAUL™, provides a real force multiplier. The combined weapon offers the warfighter a choice of 5.56mm and 12 gauge lethal munitions immediately available in a single lightweight weapon system. In addition to increased firepower, MAUL™ can be instantly re-loaded with door-breaching or less lethal munitions by swapping the munition tube. Importantly, if one barrel has a stoppage, the warfighter has another barrel he can rely on to defend himself and pursue the mission in an otherwise vulnerable situation.

In the **law enforcement** setting, MAUL™ provides a compact, versatile less lethal weapon system either combined with an assault rifle or on its own shoulder stock. MAUL™ provides law enforcement officers with the option of a scaled response to take control of a situation quickly. MAUL™'s silent operation before firing offers the stealth required to maintain element of surprise, while its range of munition capabilities can be instantaneously accessed to meet the evolving needs of the incident or mission.

MAUL™ will be offered with a range of less lethal munitions such as blunt impact, electro-muscular incapacitation, frangible nose chemical and marker munitions, together with lethal munitions including a buckshot round.

Who needs MAUL™?

MAUL™ is attractive to law enforcement agencies and military users.

Law enforcement agencies include police forces, homeland security, customs agencies and other government security forces. The value of MAUL™ to these agencies includes:

- MAUL™ can be used either as a compact, lightweight stand alone weapon or as a module on an assault rifle
- MAUL™ will offer a range of less lethal munitions including blunt impact, door breaching, non lethal frangible munitions and tag and track GPS munitions
- MAUL™ allows a scaled response to any situation. In other words a police officer can deploy less lethal munitions to control a situation, but move to a lethal response if less lethal is no longer an option
- Munition types can be changed instantly to suit rapidly changing incident dynamics, for example, changing from blunt impact to door breaching to electro-muscular incapacitation as the situation demands.



For the **military**, MAUL™ offers the following advantages:

- MAUL™ mounts on most military combat rifles.
- In complex urban environments in shorter range engagements it provides a semi-automatic less lethal response alternative in tandem with a lethal assault rifle. This allows the warfighter to operate within the rules of engagement where the threat is unclear or hidden among the civilian population.
- When loaded with lethal munitions MAUL™ provides a range of capabilities of particular benefit in urban and shorter range combat environments. When combined with an assault rifle MAUL™ adds a second lethal barrel which allows a soldier to remain active and lethal in a firefight if he has a stoppage in his main assault rifle.
- MAUL™ will offer a range of less lethal and lethal munitions. Lethal munitions include buckshot, lethal slug and other munitions for situations where a second lethal barrel is required to meet operational circumstances.
- Additionally MAUL™ provides door breaching capabilities which are so often required in today's operational environment.
- MAUL's™ semi-automatic capability goes a long way to overcoming the need to have a separate combat shotgun in the squad.



Why is it better than its competitors?

Unlike its legacy counterparts, MAUL™ is:

- Extremely lightweight
- Has a smaller physical profile
- No moving parts to jam
- Silent prior to firing
- No cocking or cycling required
- Quicker to reload and fire
- Munition tubes can be smoothbore or rifled to suit the munition



MAUL fits neatly under the M4 Barrel or standalone

Where are we now with MAUL™?

The US product launch and first public demonstration of MAUL™ was to a broad audience at the NDIA Small Arms Symposium in Las Vegas, Nevada in May this year. A number of additional demonstrations to various user groups have been arranged over the coming weeks.

Available munitions currently include a less lethal blunt impact round and a kinetic round. Several other munitions are currently in development and testing.

MAUL™ has been integrated with the M4 combat rifle and is also available with a stand-alone stock.

What's next for MAUL?

The next steps are quite clearly defined. We are actively developing additional munitions, prioritized by the needs of our customer base.

In parallel with the additional munitions, we are moving MAUL™ into a qualification process so that it meets the stringent requirements of the military and law enforcement communities.

We anticipate that MAUL™ will be qualified and available for our customers with a range of munition options within 18 months.

It's range of capabilities, combined with broad appeal of an ultra-light, versatile weapon in military and law enforcement markets makes MAUL™ a key product in Metal Storm's commercial future.

Summary

With our weapons having reached the level where they can be effectively demonstrated, the sales process is now ramping up significantly. Metal Storm is aggressively positioning itself as more than just an R&D company, but one that, with its partners, is capable of marketing, selling and delivering these weapon systems to military and law enforcement customers. Our partnerships remain strong, and complementary new ones are in process. Above all, we have proven our technology works, and are showing that Metal Storm can provide a genuine advance in capability in a focused but substantial area of the military and law enforcement market.

The Share Purchase Plan is currently open and its outcome critically important for the Company. I hope and trust that each one of you will consider participating, and I thank all you who have already contributed to this endeavour.

I look forward to providing you with more updates in the near future.

Dr. Lee Finniear
CEO
Metal Storm

Notes:

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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 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.

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.