



METAL STORM LIMITED

ACN 064 270 006

Metal Storm – Potential Contract with US Marine Corps

BRISBANE, AUSTRALIA – 10 May 2006 – Metal Storm Limited (ASX trading code: MST and NASDAQ Small Cap ticker symbol MTSX).

Metal Storm advises that the US Marine Corps (USMC) Systems Command, on behalf of the USMC Warfighting Laboratory has placed a notice on the US Federal Business Opportunities website, <http://www.fbo.gov/spg/DON/USMC/M67854/M6785406Q9049/Attachments.html>, that it intends to award a Sole Source research and development Contract to Metal Storm for the design and fabrication of a stacked round firing system for FIN Stabilized High Explosive Ammunition.

The USMC is required to place such a notice where it intends to solicit and negotiate with only one source before confirming a contract award. The amount currently set aside for this contract is approximately US\$331,000, subject to negotiation.

Metal Storm expects to be advised of the outcome of this process, and whether USMC will proceed to the negotiating and awarding of the proposed contract, by mid-June 2006.

Metal Storm will advise the ASX and NASDAQ markets once it has been notified by the USMC of a confirmed contract award.

Notes:

Metal Storm's Australian Stock Exchange trading code: MST
Metal Storm's NASDAQ Small Cap ticker symbol: MTSX

Company Contact:

Investor queries: Ian Gillespie, Chief Operating Officer – Metal Storm Limited - Ph: +61 (0) 7 3221 9733

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.

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.

