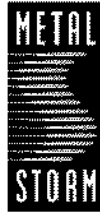


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RM:JM:20

30 January 2007

The Manager
Company Announcements Office
Australian Stock Exchange Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

Update RE: Potential US Navy Contract

On 17 November 2006, the Company advised the market of a potential contract with the US Navy for the production of one (1) anti-personnel unattended weapons pod system utilising Electronic Ballistic Technology (EBT) and one (1) operator unit. At that time the Company expected to be advised of the outcome of this potential contract by 30 December 2006.

In a response to an ASX letter dated 3 January 2007 concerning a price query, the Company advised that it then expected advice of the outcome of this potential contract by mid January 2007. Following further recent discussions with the US Navy, the Company's understanding is that it will now be advised by mid to late February 2007.

Regards

A handwritten signature in black ink, appearing to read "Jim MacDonald".

Jim MacDonald
Chief Financial Officer/Company Secretary
Metal Storm Limited
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Email: jmacdonald@metalstorm.com