Fellow Shareholders,

The last three months have delivered an unprecedented level of customer demand for Metal Storm products. The US Marines have placed product orders with us and have awarded us an important program that we have been tracking for several years - the Mission Payload Module – Non-Lethal Weapon System.

Meanwhile interest in the defence and law enforcement communities is also growing strongly. Not since the early years of Metal Storm technology have we seen as much activity in the press and positive feedback to the Company. This time it is what we are capable of delivering now rather than what might be possible in the future that is exciting the readers.

After over a decade of development our military and law enforcement customers are firing all our weapon systems in a production representative form. Our sales team has at last the ability to hand each of our weapons to the customer and have him experience it as is. Finally our customers can feel what it is like to use the weapons and to see how they will satisfy their existing capability gaps – the response has been outstanding.

We now have customer demand growing rapidly – next we need to transition the products to manufacturing so that we can start to sell them.

So, let me expand on these points:


I will be issuing a separate CEO Bulletin on the MPM System Development Contract in the coming days as soon as I get appropriate approvals. However, most importantly:

- MPM is a “program of record”; a real weapons procurement program to equip the US Marines with 312 new weapon systems mounted to Transparent Armor Gun Shields on “Humvees”
- These are not simple handheld grenade launchers – each one is a sophisticated multi-barrel weapon system that can deliver a high volume of munitions onto its intended targets.
- Metal Storm is the only provider that has been chosen by the Marines to participate at each major stage of the program to date. This system development phase contract will be followed by a tendered production phase, which we are well positioned to win.
- The cost of the weapon systems themselves plus the ongoing value of ammunition sales for this program would be extremely valuable to Metal Storm

I am looking forward to providing more detail as soon as approvals are received.


**IED Training Kit Contract**

The Improvised Explosive Device (IED) Training Kit is a unit specified in detail by the US Marines, and designed by Metal Storm. It provides Explosive Ordnance Disposal (EOD) teams with the equipment they need to build a broad range of IED’s typically used by the enemy, and then learn how to defeat them.

The first of the kits has already been delivered to the Marine base at 29 Palms, California, and we are ramping up production of the rest for delivery over the coming months. We will be delivering a total of 45 kits to locations throughout the world where US Marines EOD teams are based. Two other military forces have also expressed interest in similar kits.

I’d like to congratulate the Metal Storm Inc engineering team for developing an innovative design that packs so much content into one metal box (shown left).

**Customer Demand**

As I mentioned earlier customer demand has been growing as word of our products, and particularly demonstrations of their capabilities, enters our mainstream markets.

Recent editorial articles from highly respected defence and law enforcement industry magazines have been a driving force in this growth.

On 20th May, the widely read Police Magazine in the US featured a superb article on MAUL™, making clear its revolutionary characteristics for use in law enforcement applications. This was reinforced through their direct e-Newsletter sent to over 48,000 subscribers in law enforcement and related industries. Within 3 days we had 93 enquiries from interested law enforcement professionals throughout the USA. The article can be found at [policemag.com](http://policemag.com/Channel/Weapons/Articles/2010/05/Reinventing-the-Shotgun.aspx)
Last week another US publication, Tactical Weapons Magazine, devoted a 4-page spread to MAUL™ and other Metal Storm weapons, including FireStorm™ and 3GL. The July edition with this article is due on newsstands very soon.

To read the online summary and access the full article, go to: tactical-life.com/online/tactical-weapons/maul-em/

Meanwhile, Metal Storm has been marketing its products more aggressively. In early May, we exhibited at the “Mock Prison Riot” event held by the Department of Justice. This event brings together prison officers, law enforcement and military personnel with a specific focus on non-lethal weapons technology. MAUL™ was a real hit among the attendees.

Law enforcement personnel queue to see MAUL™ at the Mock Prison Riot exhibition held by the US Department of Justice.

We exhibited at the National Defense Industry Association (NDIA) Joint Armaments Conference, Exhibition and Firing Demonstration in Dallas on 17th to 20th May. In addition to business development personnel, representatives of our engineering team studied recent developments and examined other weapon systems on the show floor.

Metal Storm products were also exhibited at the Alternative Weapons Summit on 24th to 26th May. Like the Mock Prison Riot, this conference was focused on the less-lethal weapons market.
Visit by Australian Defence Force Officers

Also in May, Metal Storm hosted a visit to our Australian Headquarters and Weapons Testing Facility by 45 officers from the Australian Defence Force.

The 4-hour visit included a full presentation on the company and its key weapons systems, as well as a series of displays showing the evolution of the technology through to the present day systems. The officers were able to examine the weapons and ammunition in detail and experience the handling of 3GL and MAUL™, resulting in extremely valuable, positive feedback on the weapons and their potential application.

*Lt Colonel Chris Miles, Chief Instructor, Capability & Technology Management College, examines the 3GL

Product Progress

40mm HEDP Ammunition

Our 40mm HEDP ammunition has now successfully passed a large proportion of the testing needed for qualification. In each of the tests in the table below the Metal Storm STORM40 HEDP round has met or exceeded required standards.

<table>
<thead>
<tr>
<th>Test</th>
<th>Std</th>
<th>Description</th>
<th>Warhead Type Tested</th>
</tr>
</thead>
<tbody>
<tr>
<td>Velocity</td>
<td>MIL</td>
<td>Velocity analysis of rounds fired from all 3 positions</td>
<td>HEDP and TP</td>
</tr>
<tr>
<td>Operating pressure</td>
<td>REQ</td>
<td>Measurement of barrel pressures during firing</td>
<td>TP</td>
</tr>
<tr>
<td>Accuracy</td>
<td>MIL</td>
<td>Accuracy of the STORM40 on a point target at 100m and area target at 200m</td>
<td>HEDP</td>
</tr>
<tr>
<td>Dispersion</td>
<td>MIL</td>
<td>Dispersion of the STORM40 on a point target at 100m and area target at 200m</td>
<td>HEDP</td>
</tr>
<tr>
<td>Hot</td>
<td>MIL</td>
<td>Testing round function and performance at +71 degrees Celsius</td>
<td>HEDP and TP</td>
</tr>
<tr>
<td>Cold</td>
<td>MIL</td>
<td>Testing round function and performance at -54 degrees Celsius</td>
<td>HEDP and TP</td>
</tr>
<tr>
<td>Water Immersion</td>
<td>MIL</td>
<td>After 1hr, 1m below the surface of water there is no ingress of water to the STORM40 round</td>
<td>HEDP</td>
</tr>
<tr>
<td>14m HEDP No –Arm</td>
<td>MIL</td>
<td>Testing to ensure HEDP does not arm before 14 m</td>
<td>HEDP</td>
</tr>
<tr>
<td>28m HEDP Arm</td>
<td>MIL</td>
<td>Testing to ensure HEDP is armed after 28m</td>
<td>HEDP</td>
</tr>
<tr>
<td>Reliability</td>
<td>MIL</td>
<td>Testing to ensure reliability of the STORM40 round meets MIL requirements</td>
<td>HEDP and TP</td>
</tr>
<tr>
<td>Fragmentation Pattern</td>
<td>MIL</td>
<td>Testing to ensure the fragmentation pattern of the HEDP is not adversely impacted by the tail assembly</td>
<td>HEDP</td>
</tr>
<tr>
<td>Endurance</td>
<td>MSL</td>
<td>Firing a large number of rounds through a weapon without cleaning or other maintenance to ensure that prolonged</td>
<td>HEDP and TP</td>
</tr>
<tr>
<td>Test</td>
<td>Std</td>
<td>Description</td>
<td>Warhead Type Tested</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>------</td>
<td>-----------------------------------------------------------------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>30% over pressure</td>
<td>MSL</td>
<td>Exposing the rounds in position 2 and 1 to a 30% overpressure induced by firing the front round (position 3)</td>
<td>HEDP and TP</td>
</tr>
<tr>
<td>1.5m unpackaged drop</td>
<td>MIL</td>
<td>Dropping the round 1.5 m unpacked, remaining functional</td>
<td>HEDP and TP</td>
</tr>
<tr>
<td>Firing rear round in stack</td>
<td>MSL</td>
<td>Firing the rear round in a stack of 3 to ensure HEDP remains safe and barrel pressures remain acceptable</td>
<td>HEDP and TP</td>
</tr>
<tr>
<td>Steel plate penetration</td>
<td>MIL</td>
<td>Testing to ensure HEDP detonation on Steel plate penetrates 2 inches</td>
<td>HEDP</td>
</tr>
<tr>
<td>Gravel Pad function</td>
<td>MIL</td>
<td>Testing to ensure HEDP detonates on impact with gravel pad</td>
<td>HEDP</td>
</tr>
<tr>
<td>Noise</td>
<td>MIL</td>
<td>Testing to ensure sound levels during firing are acceptable for users</td>
<td>HEDP</td>
</tr>
<tr>
<td>Clip Test</td>
<td>MSL</td>
<td>Development testing to ensure clip remains reliable through wide range of temperatures and operating environments</td>
<td>HEDP and TP</td>
</tr>
<tr>
<td>Load unload</td>
<td>MSL</td>
<td>Ensuring the load and unload of the weapon remains acceptable for individual reload within the weapon system</td>
<td>HEDP and TP</td>
</tr>
<tr>
<td>Maximum RPM</td>
<td>MSL</td>
<td>Testing the STORM40 HEDP and TP are capable of arming at high rates of fire (1800 rpm per barrel)</td>
<td>HEDP and TP</td>
</tr>
</tbody>
</table>

The remaining tests have been planned in detail, and will be carried out as soon as appropriate funds are accumulated.

**3GL**

Fine-tuning of the 3GL is continuing with the new “bullpup” design style. By fine tuning we mean, for example, refining the capacitor choice on the fire control unit PCB based on shock loading the capacitors electrically 20,000 times and mechanically over 300 times under simulated recoil in each potential capacitor orientation. Such testing takes a great deal of time and patience, but weapon ruggedness and reliability over time is critical to our success and we take it very seriously.

**MAUL™**

As mentioned above, our MAUL™ 12-gauge shotgun accessory is proving extremely popular at exhibitions and test firing events. 3 MAUL™s were recently purchased for testing by Defense Canada.

MAUL™ is currently operational with non-lethal blunt impact rounds, and the engineering team is now undertaking performance testing on the MAUL™ 18mm close in door breaching munitions. Further ammunition natures are planned and are being prioritized according to customer requirements.

**FireStorm™**

FireStorm™ technology, having proven itself in the previous MPM contract, is now being integrated into the core of the Metal Storm’s new MPM weapon system. The MPM contract will be the subject of a separate and exclusive CEO Bulletin, in which I am looking forward to telling you more about this exciting program once appropriate approvals are granted.
Moving Forward.

Securing sufficient finance to keep the company moving forward at pace remains a challenge, but the Board and Management continue to work it aggressively on better and longer-term solutions to funding Metal Storm. Our share price reflects the scale of this challenge, and also the general state of the global markets.

What is clear, however, is that we continue to make substantive progress even through the recent financial challenges, and it is now clearer than ever that there are customers that genuinely see the benefits of our weapons and want to use Metal Storm weapons as soon as they can be made available.

Lee Finniear
CEO Metal Storm

8 June 2010
Notes:

Metal Storm’s Australian Stock Exchange trading code: MST
Metal Storm’s OTC Symbol: MTSXY

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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 utilises 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.