

Appendix 4C

Monthly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

Metal Storm Limited

ABN

99 064 270 006

Month ended ("current Month")

31 December 2009

Consolidated statement of cash flows

Cash flows related to operating activities

	Current Month \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	-	1,576
1.2 Payments for		
(a) staff costs	(288)	(4,492)
(b) advertising and marketing	-	-
(c) research and development	(150)	(977)
(d) leased assets	(1)	(195)
(e) other working capital	(98)	(3,071)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	190
1.5 Interest and other costs of finance paid	(38)	(1,587)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net operating cash flows	(574)	(8,556)

+ See chapter 19 for defined terms.

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	Current Month \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)		
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	(77)
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	-	(77)
1.14 Total operating and investing cash flows	(574)	(8,633)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	699	3,326
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	10	427
1.18 Repayment of borrowings	(101)	(2,548)
1.19 Dividends paid	-	-
1.20 Other	-	(76)
Net financing cash flows	608	1,129
Net increase (decrease) in cash held	34	(7,504)
1.21 Cash at beginning of Month/year to date	33	7,571
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of Month	67	67

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current Month \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	169
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	
	Directors' fees.	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	15,795	15,896
3.2	Credit standby arrangements	-	-

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Reconciliation of cash

Reconciliation of cash at the end of the Month (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current Month \$A'000	Previous Month \$A'000
4.1 Cash on hand and at bank	67	67
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of Month (item 1.23)	67	67

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	-	-
5.2 Place of incorporation or registration	-	-
5.3 Consideration for acquisition or disposal	-	-
5.4 Total net assets	-	-
5.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does ~~not~~* (delete one) give a true and fair view of the matters disclosed.



Sign here: _____
 (Director/Company secretary)

Date: 28 January 2010

Print name: Peter Wetzig

+ See chapter 19 for defined terms.

Notes

The Company recognises that its current cash balance is unlikely to be sufficient to fund operations for another two quarters without being supplemented by additional capital. The results reported in this Appendix 4C were in line with Company expectations.

The Company announced on 5 January 2010 that it entered into an agreement for an equity line of credit with UK based investment fund Global Emerging Markets (GEM) Global Yield Fund.

The facility amount of up to AU\$20.2M is being made available to the Company. Initially, up to \$800,000 (Tranche One) will be advanced to the Company 10 business days after Metal Storm issues the first Draw Down Notice. These funds are expected in four payments to be made in late January and early February.

Subsequently the Company can choose to initiate draw downs at a frequency of up to one draw down per 15 trading days. The Company can also choose, at its sole discretion, between the following two draw down types to suit its capital needs and market conditions at the time:

- A cash advance equivalent to between 350% and 1,400% of the 15-day average trading volume (the size of advance between these bounds being determined by GEM),
- A cash advance of up to \$400,000 (which can be increased to a maximum of \$800,000 at the discretion of GEM).

The facility provides Metal Storm with funding for approximately 24 to 36 months, depending on the size of each draw down. The split between compliance, administrative and product development/marketing (“commercialisation”) costs will also vary based on the size of each draw down. However, if the facility performs as expected, the Company anticipates that approximately 60% of the drawn down funds will be channelled into commercialisation.

In addition the Company has signed a subscription agreement providing a further \$700,000 in capital. \$300,000 was received on 25 January and the balance will be received within one week of the Company obtaining shareholder approval of the agreement expected to be in early March.

With this information in mind the Directors believe the Company to be a going concern and therefore in compliance with listing rule 12.2.

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