



METAL STORM LIMITED

ACN 064 270 006

ASX: MST
OTC: MTSXY

Appointment of voluntary administrator

Brisbane, Australia – 26 July 2012: Metal Storm Limited.

The board of Metal Storm Limited (**Metal Storm**) has today resolved to place Metal Storm in voluntary administration and appointed Adam Shepard and Adam Farnsworth of Dean-Willcocks Shepard Recovery & Strategy as Administrators pursuant to section 436A of the Corporations Act.

Metal Storm entered into the Umbrella Deed with Australian Special Opportunity Fund LP (**ASOF**) and Luxinvest Capital Advisors SA (**Luxinvest**) and a related Subscription Agreement with Luxinvest on 18 April 2012. As announced on the same day, the purpose of these transactions was to eliminate \$11.9 million of secured debt and provide \$2.95 million for working capital. The Luxinvest Agreement and the Umbrella Deed were interconditional.

Luxinvest was not able to complete the Luxinvest Agreement as required on 18 July 2012. On 19 July 2012, ASOF terminated the Umbrella Deed because the Luxinvest Agreement did not complete.

Metal Storm foreshadowed in its notice of meeting dated 15 June 2012 for the shareholder meeting held on 16 July 2012 to approve resolutions in connection with the Umbrella Deed, that if the Umbrella Deed was terminated, Metal Storm would need to find alternative funding. Metal Storm also advised that if it did not have reasonable grounds to believe that it would be successful in its efforts to obtain an additional source of funding, the board may be required to appoint an administrator.

Since the termination of the Umbrella Deed, Metal Storm has been attempting to obtain additional funding to allow the company to continue operating. However, after considering all of the available options for Metal Storm and after carefully reviewing the company's financial position, the board has determined that the appointment of the Administrators is necessary and in the best interests of Metal Storm's creditors and shareholders.

The board of Metal Storm hope that the company can be successfully restructured through the voluntary administration process or its business sold as a going concern. The board will assist the Administrators in any way it can.

The Administrators are now in control of Metal Storm and will work with all stakeholders including employees, the note holders, other creditors and shareholders in an attempt to restructure the company or sell it as going concern.

Any questions should be directed to the Administrators on (02) 9234 0400.

Notes:

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