



36 COMPUTER ROAD, YATALA, QUEENSLAND 4207

TEL: 61 (7) 3297 4444 ■ FAX: 61 (7) 3297 4455

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Company Announcements Office
Australian Securities Exchange Limited

FOR RELEASE TO THE MARKET

Dear Sir or Madam

UPDATE ON FUTURE DIRECTION & BUSINESS OUTLOOK

Further to the information provided in the 2010 Cool or Cosy Limited Annual Report, in particular with respect to the future direction and business outlook of the Company, the Directors provide the following update on progress of the objectives outlined:

Identification of available opportunities for strategic growth

In the past 6 months, the Board and management has identified and examined a number of potential strategic acquisitions with the objective of creating tangible and sustainable long term value for shareholders.

During this time, the Company has been in extensive negotiations with a prospective target business with substantial revenues and potential for significant future profitability, however, the proprietors of this business have recently advised of a change in position with respect to the proposed merger.

As a consequence, it is no longer possible for Cool or Cosy to pursue this opportunity.

Subject to the progress of other initiatives, the Company will continue to seek to identify and examine other suitable opportunities for strategic growth of the business and will report to shareholders on any significant developments in this area.

Realisation of surplus assets

The Board and management has commenced a comprehensive review of all available options with respect to the possible realisation of surplus assets arising from the closure of the Home Insulation Program and the intended focus by the





Company on the commercialisation of its proprietary solar hot water technology in the short term.

These options include:

- the possible sale of the Company's Queensland based air conditioning business;
- divestment of the cellulose fibre insulation manufacturing plant; and
- a proposed capital raising of up to \$5 million to assist in the funding of anticipated future working capital requirements and intended commercialisation initiatives with respect to the developed solar hot water technology.

The Board will continue to keep shareholders and the market apprised of the progress being made by the Company with respect to these strategic initiatives.

Efforts to strengthen the financial position of the consolidated entity

Cool or Cosy:

- is currently involved in discussions with a number of large scale domestic and international businesses regarding possible commercial arrangements regarding its solar hot water products developed utilising its proprietary technology; and
- will seek to conclude discussions and enter into appropriate commercial arrangements with one of these interested parties within this financial year.

The Company continues to be actively engaged in discussions with convertible note holders regarding proposals to:

- restructure convertible note interest payment obligations; and
- raise capital for the purposes of progressing existing initiatives involving the commercialisation of the proprietary solar hot water technology developed by the Company.

Efforts to strengthen the financial position of the consolidated entity will depend largely on the outcome of these on-going discussions with convertible note holders and the other initiatives identified.

The Board and management remain committed to:

- achieving the best possible outcomes for the Company and its shareholders in the prevailing circumstances; and





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- keeping shareholders and the market fully informed of developments impacting upon its operating activities and the progress being made against the identified strategic initiatives.

Yours faithfully

COOL OR COSY LIMITED

David Hoff

Chairman

Contact regarding announcement:

Mr Robert Nicholls, Managing Director: (07) 3297 4444

