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The Manager
Company Announcements Office
Australian Securities Exchange Limited
Level 8 Exchange Place
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FOR RELEASE TO THE MARKET

Dear Sir or Madam

Chairman's Address

I would like to take this opportunity of welcoming shareholders to this Annual General Meeting of the Company and will now present my address commencing with an overview of the performance of the consolidated entity in the 2010 financial year.

Cool or Cosy reported a profit after tax of \$1.179 million for the year ended 30 June 2010 compared to an after tax loss of \$1.986 million in the previous financial year.

The significant improvement in performance for the year was generated on sales of \$11.316 million representing an increase of \$2.788 million over the prior reporting period of \$8.528 million.

This improved performance was significantly impacted by a combination of factors including:

- difficult trading conditions presented by the continuation of the global economic crisis yielding reduced demand for its air conditioning products and services;
- sustained and aggressive price competition by major retailers of air conditioning products;
- the introduction by the Federal Government of the main phase of the Home Insulation Program (HIP), and
- sudden, unexpected and ongoing changes to the HIP.





Performance in the second half was significantly affected by the announcement in February 2010 of a temporary halt to the HIP by the Federal Government then eventually a complete cancellation of the scheme.

The combined effect of these changes without notice resulted in:

- the loss of insulation revenue comprising a substantial proportion of overall sales;
- the inability of the Company to respond to, or anticipate, these changes with the same degree of haste and certainty as delivered by the Federal Labour Government (particularly with reference to the expected three (3) year duration of the scheme initially announced by the government); and
- unexpected costs and other expenses.

Insulation

The Company's insulation business contributed significant revenue and profit to the business for the first half as a consequence of the commencement on 1 July 2009 of the main phase of the Federal Government's HIP.

In direct response to this program and its communicated duration by the Federal Government, Cool or Cosy committed resources to ensure that appropriate increases in equipment, people and raw materials were maintained in order to meet the scheme requirements and respond to increased demand for its insulation products arising from the scheme.

Raw materials especially were in short supply and Cool or Cosy was compelled to order and pay in advance for these materials at rapidly escalating prices to ensure continuity of supply.

The Government, however, continually introduced a series of unexpected, sudden and at times abrupt, changes to the HIP including:

- a reduction in the rebate paid for insulation under the program in November 2009;
- discontinuation of the HIP on and with effect from 19 February 2010;
- proposed introduction of a new program called Renewable Energy Bonus Scheme (REBS) announced on 19 February 2010 to commence on or by 1 June 2010;
- discontinuation of the insulation component of the REBS on 22 April 2010 and announcement on the same day of the:





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- Home Insulation Safety Program (HISP); and
 - Insulation Industry Assistance Package.

These rapidly changing elements introduced by the Federal Government adversely impacted the performance of the Company, particularly in the second half of the 2010 financial year, through the combined impact of:

- a substantial reduction in the demand for the Company's insulation products from 19 February 2010;
- significant loss of revenue arising from the consequent reduction in the value or cancellation of a material number of retail and wholesale insulation contracts existing at the time of the various government announcements;
- the cost of maintaining a viable insulation business to meet market demands between 19 February 2010 and 22 April 2010 when the Company expected the Federal Government's insulation rebate program to recommence;
- the subsequent collapse of the after-market home insulation business after the cessation of the Government rebate and on-going negative publicity surrounding this program;
- creating prolonged periods of uncertainty regarding the commencement, terms and operation of the HIP and related schemes. This had the effect of depriving the company of opportunities for cost containment and savings with its insulation business and to plan for the pursuit of alternative strategic initiatives.

The Company:

- continues to await formal release by the Federal Government of the specific terms and conditions of the HISP;
- has formally recorded its expression of interest with the Federal Government appointed contractor to participate in the HISP subject to an assessment of the terms and conditions of the above; and
- received a total of \$55,000 under the Insulation Industry Australia Package in the reporting period.

The Company will continue to monitor and report any significant progress on this aspect of its operations.





Air Conditioning

Cool or Cosy's sales of air conditioners were reduced in the first half of the reporting period due to the ongoing impact of the global economic crisis and intense price competition from major retailers.

However, the introduction of new models (including an inverter range), all of which comply with the new Queensland Energy Efficiency Standards and development of new markets, provided the foundation for a progressive improvement in the contribution to overall performance particularly in the second half of the financial year.

Energy Saving Heat Storage Technology

Cool of Cosy has now substantially completed the development stages required for it to proceed with the commercial introduction of its patented solar arrays and solar hot water systems utilising its proprietary technology.

The Company continues in discussions with a number of large scale domestic and international businesses regarding possible commercial arrangements regarding its patented solar technology.

Future Direction and Business Outlook

In the past six (6) months the Company had been in extensive negotiations with a prospective target business with substantial revenues and potential for significant future growth of its existing business. However the proprietors of the target business 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.

The Board and Management are progressing with a comprehensive review of the available opportunities with respect to surplus assets arising from the closure of the Home Insulation Program and the intended focus on the commercialisation of its proprietary solar technology.

The available alternatives being examined include:

- the possible sale of the Company's Queensland based air conditioning business;
- divestment of the cellulose fibre insulation manufacturing plant;
- negotiating and implementing changes to existing contractual arrangements to reduce fixed costs of the business; and





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- a proposed capital raising to assist in the funding of anticipated future working capital requirements and intended commercialisation initiatives with respect to the developed solar technology.

As previously mentioned, the Company is in confidential discussions with several companies regarding possible commercial arrangements regarding its solar hot water products utilising its proprietary technology and is seeking to conclude discussions and enter into appropriate commercial arrangements with one of these interested parties within this current financial year ending 30 June 2011.

In addition, discussions are also continuing with the Company's convertible note holders regarding proposals to:

- restructure convertible note interest payment obligations; and
- raise capital for the purposes of progressing the commercialisation of the proprietary solar hot water technology.

Efforts to strengthen the financial position of the consolidated entity will depend largely on the outcomes of the discussions with the convertible note holders and the other initiatives outlined.

The Board and Management remain committed to:

- achieving the best possible outcomes for the Company and its stakeholders in the prevailing circumstances; and
- keeping the market and all stakeholders fully informed of developments impacting upon its operating activities and the progress being made against the strategic initiatives outlined above.

Yours faithfully

COOL OR COSY LIMITED

A handwritten signature in black ink, appearing to read 'David Hoff', with a long horizontal line extending to the right.

David Hoff
Chairman

