

For Immediate Release

16 November 2009

**Clean Air Power Ltd**

("Clean Air Power" or "the Company")

**Notice of Special General Meeting****Waiver of certain requirements under the Bye-laws of the Company relating to acquisitions resulting in holdings of 30 per cent or more of all of the issued Common Shares**

Clean Air Power (AIM: CAP), the developer of Dual-Fuel™ combustion technology that enables heavy-duty diesel engines to operate on a combination of diesel and natural gas, today announces that it has posted a circular to shareholders convening a Special General Meeting to be held at 12 noon on 3 December 2009 in order to seek approval for the waiver of certain requirements under the Bye-laws of the Company relating to acquisitions resulting in holdings of 30 per cent. or more of all of the issued Common Shares.

**Introduction**

On 14 March 2008, the Company issued a circular containing information on a finance package which the Company had agreed with Endeavor to provide funds to the Company for the further commercialisation of its patented technology. Pursuant to the terms of the finance package, a number of Common Shares, and certain warrants entitling the holder to acquire Common Shares, were subscribed for by Endeavor (but issued, at its direction, to ECP, its affiliate) under a placing, the terms of which were set out in the 2008 Circular.

As the acquisition of such Common Shares, together with the Common Shares then already held by ECP, would result in ECP acquiring 30 per cent or more of the voting rights attributable to the Common Shares then in issue, a waiver was sought of certain provisions of the Bye-Laws which would otherwise have operated to restrict the acquisition by Endeavor or certain affiliated entities of Common Shares, both in relation to the acquisition of those Common Shares and warrants, and also in relation to certain potential future acquisitions of Common Shares by Endeavor and certain affiliated entities, as further set out in the 2008 Circular. The 2008 Waiver was granted at a special general meeting of the Company held on 7 April 2008.

Subsequent to the granting of the 2008 Waiver, 13,484,508 Common Shares and the ECP Warrants were issued to ECP. As a result, ECP currently holds 18,453,450 Common Shares, representing approximately 33.08 per cent. of the total number of issued Common Shares, and the ECP Warrants.

ECP has informed the Board that it wishes to make a transfer of the ECP Shares and the ECP Warrants to CS SPH II. The acquisition of the ECP Shares and ECP Warrants would involve an acquisition by CS SPH II of more than 30 per cent. of the voting rights attributable to the Common Shares, and accordingly it would potentially be prohibited, and trigger certain obligations and restrictions, under the Bye-Law Restrictions. Similarly, any subsequent exercise of any ECP Warrant, resulting in an acquisition of further Common Shares by CS SPH II, may (assuming CS SPH II (or any person determined by the Board to be acting in concert with CS SPH II) then still holds the ECP Shares) also trigger restrictions and obligations under the Bye-Law Restrictions. However, the Company believes that, given the circumstances surrounding the Relevant Acquisitions (as further described below), the Bye-Law Restrictions should not operate to prevent or restrict the Relevant Acquisitions. Under the Bye-Laws, the Bye-Law Restrictions may be waived by a vote of the Independent Shareholders, and

accordingly the Company announced today that it is seeking such a waiver from the Independent Shareholders.

In addition, given the Relevant Acquisitions, the Company believes that Endeavor should no longer need the benefit of the 2008 Waiver in relation to any future acquisitions of Common Shares, and accordingly, at the same time as seeking the New Waiver, the Company is also seeking approval from Shareholders that the 2008 Waiver be revoked.

The Company and CS SPH II have received irrevocable undertakings from Shareholders (each of which the Board has determined to be Independent Shareholders) holding 55.9 per cent. of the total number of Common Shares in issue as at the date of this announcement. Accordingly, the Board expects that the Resolution will be approved and the New Waiver granted.

The purpose of this announcement and the circular which has been posted to Shareholders today is to explain why the Directors believe that the New Waiver and other matters provided for in the Resolution are in the best interests of the Company and Shareholders as a whole and to seek your approval of the Resolution.

### **CS SPH II and the proposed acquisitions**

ECP proposes to transfer the ECP Shares and the ECP Warrants to CS SPH II. CS SPH II is a private investment fund managed by DLJ MB Advisors, Inc., a subsidiary of Credit Suisse. Further information in relation to CS SPH II is set out in Part II of this document.

The relationship between ECP and CS SPH II is as follows:

- EOP is the sole member of, and owns 100% interest in, ECP;
- CS SPH II is the sole investor limited partner of EOP and is accordingly an indirect beneficial owner of the ECP Shares and the ECP Warrants;
- The transfer of the ECP Shares and the ECP Warrants may be made directly from ECP to CS SPH II or via an intermediate transfer to EOP, with EOP transferring the ECP Shares and ECP Warrants onwards to CS SPH II; and
- The transfer of the ECP Shares and ECP Warrants to CS SPH II by EOP (where applicable) will constitute an authorized in-kind distribution of assets of EOP to its limited partner, CS SPH II, and not a sale or exchange of the ECP Shares and ECP Warrants by ECP or EOP.

The ECP Shares represent an interest of 33.08 per cent. of the total number of Common Shares currently in issue. In addition, if CS SPH II were to exercise the ECP Warrants, its holding in the Company would increase to 40.36 per cent. of the total number of Common Shares then in issue (assuming CS SPH II then still held all of the ECP Shares, and assuming no other issue of new Common Shares by the Company).

### **Intentions of CSFB Strategic Partners Holdings II, L.P**

CS SPH II has confirmed to the Company that following its acquisition of the ECP Shares it is not proposing to seek any change in the composition of the Board or the general nature of the Company's business. CS SPH II has also confirmed that its intentions regarding the locations of the Company's places of business and regarding the continued employment of its employees and management (and those of its subsidiaries) will not be altered as a result of its acquisition of the ECP Shares, nor does it have any intention to seek any redeployment of the fixed assets of the Company as a result of its acquisition of the ECP Shares.

## Special General Meeting

A Special General Meeting of the Company has been convened for noon (local time) on 3 December 2009 at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Resolution proposed at the Special General Meeting is being sought to procure that:

- for the purposes of the Relevant Acquisitions, the Bye-Law Restrictions shall be waived or otherwise shall not apply; and
- the 2008 Waiver shall be revoked.

## Recommendation

The Directors, having consulted with Charles Stanley and considered the contents and effect of the Resolution contemplated in the circular posted to Shareholders, believe that the Resolution is fair and reasonable and in the best interests of the Company and its Shareholders as a whole. Accordingly the Directors unanimously recommend that you vote in favour of the Resolution to be proposed at the Special General Meeting as they themselves intend to do in respect of their beneficial holdings totalling 939,565 Common Shares, representing in aggregate 1.68 per cent. of the Common Shares held by Shareholders entitled to vote on the Resolution.

## Posting of Document

The circular has been posted to Shareholders and will shortly be available on the Company's website at [www.cleanairpower.com](http://www.cleanairpower.com).

## For further information please contact:

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## DEFINITIONS

The following definitions apply throughout this announcement, unless the context otherwise requires:

"2008 Circular"	the circular issued by the Company on 14 March 2008, as further described in this announcement;
"2008 Waiver"	the waiver granted to Endeavor on 7 April 2008;
"AIM"	the AIM market of the London Stock Exchange;
"AIM Rules"	the AIM rules for Companies published by the London Stock Exchange;
"Bermuda Companies Act"	the Companies Act 1981 of Bermuda (as amended);
"the Board" or "the Directors"	the directors of the Company;

"Bye-Laws"	the Bye-Laws of the Company, adopted on 17 February 2006;
"Charles Stanley"	Charles Stanley Securities, a division of Charles Stanley & Co. Limited, of 25 Luke Street, London, EC2A 4AR the Company's nominated adviser and broker, a member of the London Stock Exchange and authorised and regulated by the Financial Services Authority;
"Credit Suisse"	Credit Suisse Group AG;
"City Code"	the City Code on Takeovers and Mergers, administered by The Panel on Takeovers and Mergers;
"Common Shares"	common shares with par value of US\$0.001 each in the capital of the Company;
"Company"	Clean Air Power Limited, a limited liability company incorporated and registered in Bermuda under the Bermuda Companies Act;
"CS SPH II"	CSFB Strategic Partners Holdings II, L.P., a Delaware limited partnership, with an office located at 11 Madison Avenue, 16th Floor New York, NY 10010 USA;
"ECP"	Endeavor Capital Partners LLC, a Delaware limited liability company, with an office located at 49 Richmondville Avenue Suite 215, Westport, CT, USA;
"ECP Shares"	the 18,453,450 Common Shares currently held by ECP;
"ECP Warrants"	the warrants held by ECP entitling ECP to purchase:  (a) 1,312,467 Common Shares, at an exercise price of £0.245 per share, as evidenced by Warrant Certificate No. 1 relating to the Deed Poll dated April 14, 2008 executed by the Company;  (b) 1,093,230 Common Shares, at an exercise price of £0.245 per share, as evidenced by Warrant Certificate No. 11 relating to the Deed Poll dated July 4, 2008 executed by the Company;  (c) 1,562,500 Common Shares, at an exercise price of £0.224 per share, as evidenced by Warrant Certificate No. 12 relating to the Deed Poll dated October 8, 2008 executed by the Company;  (d) 1,873,380 Common Shares, at an exercise price of £0.1868 per share, as evidenced by Warrant Certificate No. 13 relating to the Deed Poll dated December 15, 2008 executed by the Company; and  (e) 965,676 Common Shares, at an exercise price of £0.3266 per share, as evidenced by Warrant Certificate No. 14 relating to the Deed Poll dated February 6, 2009 executed by the Company.
"Endeavor"	Endeavor Capital Management LLC, a Connecticut limited liability company, with an office located at 49 Richmondville Avenue Suite 215, Westport, CT, USA;
"EOP"	Endeavor Opportunity Partners, L.P., a Delaware limited partnership, with an office located at 49 Richmondville Avenue Suite 215, Westport, CT, USA;
"Independent"	the Shareholders other than any Shareholders deemed by the

Shareholders"	Directors to be acting in concert with CS SPH II;
"London Stock Exchange"	London Stock Exchange plc or its successor;
"Members"	persons registered as Shareholders;
"New Waiver"	the waiver of, and exception from, the Bye-Law Restrictions in relation to any Relevant Acquisition, as proposed by the Resolution;
"Relevant Acquisitions"	any acquisition of:  (a) the ECP Shares and/or the ECP Warrants by CS SPH II or EOP; or  (b) Common Shares by CS SPH II or EOP or any of their respective Affiliates as a result of any exercise of any ECP Warrant;
"Resolution"	the resolution set out in the notice of the Special General Meeting accompanying the circular posted to Shareholders on 14 November 2009;
"Shareholders"	holders of Common Shares;
"Special General Meeting"	the Special General Meeting of the Company;