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Clean Air Power Limited

(Incorporated and registered in Bermuda under the Companies Act 1981 of Bermuda with registered No. EC 37542)

Placing and Subscription of 18,000,000 new Common Shares at 12.5 pence per share

Nominated Adviser & Broker Charles Stanley Securities

SHARE CAPITAL FOLLOWING THE PLACING AND SUBSCRIPTION

Authorised			Issued and Fully Paid	
<i>Amount</i>	<i>Number</i>		<i>Amount</i>	<i>Number</i>
		Common Shares of US\$0.001 each		
US\$ 1,200,000	120,000,000		US\$ 73,977.244	73,977,244

Your attention is drawn to the letter from the Chairman of Clean Air Power Limited on pages 4 to 8 of this document, which contains information regarding the Placing and Subscription of 18,000,000 new Common Shares.

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PLACING STATISTICS

Issue Price	12.5p
Number of Common Shares in issue at the date of this document	55,997,244
Number of Placing Shares to be issued	6,416,625
Number of Subscription Shares to be issued	11,583,375
Market capitalisation of Clean Air Power at the Issue Price immediately following admission of the Placing Shares	£9.2m
Number of Common Shares in issue immediately following Admission	73,977,244
Placing Shares and Subscription expressed as a percentage of the existing share capital	32.16%
Gross proceeds of the Placing and Subscription	£2.25m
Estimated net proceed of the Placing and Subscription	£2.15m

DEFINITIONS

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

“AIM”	the AIM market of 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 whose names are set out on page 4 of this document;
“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;
“Common Shares”	common shares with par value of US\$0.001 each in the capital of the Company;
“Company” or “Clean Air Power”	Clean Air Power Limited, a limited liability company incorporated and registered in Bermuda under the Bermuda Companies Act with the registered number EC37542;
“Issue Price”	12.5 pence per new Common Share;
“London Stock Exchange”	London Stock Exchange plc or its successor;
“Placing”	the placing of 6,416,625 Placing Shares with institutional and other investors as described in this document;
“Placing Agreement”	the agreement entered into on 28 September 2010 between the Company and Charles Stanley in relation to the Placing;
“Placing Shares”	the 6,416,625 new Common Shares in the Company to be issued pursuant to the Placing;
“Shareholders”	holders of Common Shares;
“Subscription”	the subscription for the Subscriptions Shares by certain institutional and other investors as described in this document; and
“Subscription Shares”	the 11,583,375 new Common Shares in the Company to be issued pursuant to the Subscription.

LETTER FROM THE CHAIRMAN OF CLEAN AIR POWER LIMITED

Clean Air Power Limited

(Incorporated and registered in Bermuda under the Companies Act 1981 of Bermuda with registered No. EC 37542)

Directors:

Rodney Westhead
Ulrich Woehr
John Pettitt
Peter Rowse
Bernard Lord

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

29 September 2010

Dear Shareholder:

Placing and Subscription of 18,000,000 new Common Shares at 12.5 pence per share

Introduction

The Company has today announced that it has placed 6,416,625 Placing Shares and issued 11,583,375 Subscription Shares, all at an Issue Price of 12.5 pence per new Common Share, with certain institutional and other investors, to raise approximately £2.25 million before expenses.

The net proceeds of the Placing and Subscription will be used to supplement working capital and to support certain existing and potential new projects.

The Issue Price of 12.5 pence per new Common Share represents a discount of 3.85 per cent. to the Company's closing mid market price on 28 September 2010 of 13 pence, as derived from the London Stock Exchange Daily Official List, being the latest practicable date prior to the publication of this document.

This document sets out further details of the Placing and Subscription and provides Shareholders with an update on trading. This document is for information purposes only and does not require any action by you as a Shareholder.

Current Trading

Volvo Agreements

Clean Air Power has been working in close cooperation with Volvo Powertrain, a subsidiary of AB Volvo, for over three years in a product development partnership. The Company announced on 19 July 2010 that it had signed a significant new Supply Agreement with Volvo Powertrain, an agreement that supersedes the Letter of Intent signed in January 2009.

Incorporating Clean Air Power's Dual-Fuel technology into Volvo Truck's engines, the development project will deliver an engine with significant greenhouse gas emission reductions and fuel cost savings compared with standard diesel engines. In addition, the Dual-Fuel trucks are expected to be around 30 per cent. more energy efficient than equivalent spark ignited natural gas engines. The Dual-Fuel engine can operate using either natural-gas or bio-gas as the vehicle's main fuel or can revert at any time to operate on diesel-only. The Company believes that this is a critically important feature for truck operators seeking to achieve the costs savings and carbon reduction benefits of the Dual-Fuel engine, but who also demand the reliability and certainty of a diesel fueled engine particularly while gas distribution networks for refuelling are expected to face many years of development.

The agreement sets out certain commercial and technical criteria that are to be achieved including gas substitution levels, emissions compliance, performance and durability testing before the product launch.

Clean Air Power is confident that these milestones will be achieved based on its prior experience of developing its technology on other manufacturers' engines.

Testing in commercial operation will begin later this year and initially will take place in UK, Sweden and Thailand.

The AB Volvo Group is one of the largest heavy duty engine manufacturers in the world. Volvo has stated that addressing environmental concerns is a core value for the group. Clean Air Power is delighted to be in partnership with such a company.

The Company also announced that it had signed a development agreement with Volvo Bus Corporation under which Volvo and Clean Air Power will jointly develop the installation of Dual-Fuel kits provided by Clean Air Power on existing bus engines. The development programme is valued at £160,000.

In addition, the Company is pleased to report that progress is being made across all divisions. However, sales in some instances have been delayed for certain reasons outside of the Company's control.

Agreement with Emissions Solutions Inc.

On 26 July 2010 the Company also announced that its Houston facility had received a significant catalytic converter order from Emissions Solutions Inc. ("ESI"). The order is worth \$356,250 and is the second such order from ESI, the first was received in April 2010 for \$215,000.

ESI will use these catalysts on their 7.6L Natural Gas Engines to control Nitrogen Oxide ("NOx"), Carbon Monoxide and Hydrocarbons. Combined with the CAP DeNOx catalysts, the ESI engines will deliver sub EPA '10 emission levels for their truck and bus operating customers. EPA '10 requires near-zero emissions of particulates and NOx.

Trading Update

The Company also announced on 19 July 2010 that progress is being made across all divisions although the Company had experienced some delays in sales of the Dual-Fuel units for certain reasons outside of the Company's control. In particular, the delay of a new gas facility in Tasmania has resulted in a backlog in the delivery of units into the Australian market. BOC Limited which is constructing the LNG facility had reported that it expected the facility to be fully operational by end of September this year which would then open up the Tasmanian market for the Company's technology. This has now been delayed further but this delay should not have a significant effect on overall 2010 sales. Components revenues are in line with expectations although lower than last year due to reduced demand from a US defence contractor.

The Company also stated that the intense activity required to deliver the Volvo interface programme has impacted on the commercialisation of Clean Air Power's Genesis EDGE product. However, the Company did recently announce the first order for 10 units from HAM Sp.

As a direct result of these delays, the Company anticipates that revenues for the year to 31 December 2010 will be lower than had been forecast.

Good progress has also been achieved in other areas, including the agreements with Navistar, Inc. where it is planned that the current Concept Development Project will move to full Product Development. In order to make this progress certain technical milestones need to be achieved and the cooperation on Navistar and its tier one suppliers will be required.

The Dual-Fuel Snow-Blower project announced in May is also progressing well. The Company continues to identify further projects with other leading engine and vehicle manufacturers.

As at 31 August 2010 the Company's cash balance was £0.9m.

Details of the Placing and Subscription

The Company has raised £2.25 million, by way of a Placing and Subscription of 18,000,000 new Common Shares at the Issue Price of 12.5 pence per new Common Share. The Placing and Subscription will raise approximately £2.15 million net of expenses.

The Placing Shares and Subscription Shares will represent approximately 24.33 per cent. of the share capital of the Company as enlarged by the Placing and the Subscription. The Issue Price of 12.5 pence per new Common Share represents a 3.85 per cent. discount to the closing mid market price of 13 pence per new Common Share on 28 September 2010, as derived from the London Stock Exchange Daily Official List, being the latest practicable date prior to the publication of this document.

The Company has entered into agreement with certain investors who will be issued Subscription Shares directly by the Company. The Subscription Shares will be issued to those subscribers on the same terms as the Placing Shares and will carry the same rights.

Neither the Placing nor the Subscription are either a rights issue nor an open offer and neither the Placing Shares nor the Subscription Shares will be offered generally to Shareholders on a pre-emptive basis. The Directors believe that the considerable extra cost and delay involved in a rights issue or open offer would not be in the best interests of the Company in the circumstances. Accordingly, the Board considers that it is in the best interests of the Company and Shareholders as a whole for the funds to be raised through the Placing and Subscription.

The Placing and Subscription Shares are being issued out of the Company's current authorities.

Application has been made to the London Stock Exchange for the new Common Shares to be admitted to trading on AIM. It is expected that admission of the new Common Shares to trading on AIM will become effective and that trading in the Placing and Subscription Shares will commence on AIM at 8.00 a.m. on 30 September 2010.

The new Common Shares will, when issued and fully paid, rank equally in all respects with the existing Common Shares, including the right to receive any dividend or other distribution declared, made or paid after the date of their unconditional allotment.

It is expected that share certificates for the Placing Shares and the Subscription Shares which are to be held in certificated form will be despatched to placees by 6 October 2010. The Placing Shares will be in registered form and no temporary documents of title will be issued.

Summary of the Placing Agreement

Pursuant to the Placing Agreement, Charles Stanley has agreed to use its reasonable endeavours to procure placees to subscribe for the Placing Shares at the Issue Price. The obligations of Charles Stanley under the Placing Agreement are subject, amongst other things, to the Placing Agreement having become unconditional in all respects (save as regards Admission) and not having been terminated, and to Admission becoming effective by no later than 30 September 2010. This date can be altered with the consent of Charles Stanley. The Placing Agreement contains warranties and indemnities given by the Company in favour of Charles Stanley.

Charles Stanley may terminate the Placing Agreement in specified circumstances prior to Admission, principally in the event of a material breach of the Placing Agreement or of any of the warranties contained in it; or where any change in national or international, financial, monetary, economic, political or market conditions is, or will be in the opinion of Charles Stanley, materially prejudicial to the successful outcome of the Placing.

Under the terms of the Placing Agreement, Charles Stanley will receive a corporate finance fee and placing commission.

Related party transaction

Credit Suisse, a current Shareholder of 18,304,058 existing Common Shares, representing 32.70 per cent. of the existing share capital is considered to be a related party as defined under the AIM Rules by virtue of its shareholding.

Immediately following admission of the new Common Shares, Credit Suisse will hold 21,704,058 new Common Shares representing approximately 29.34 per cent. of the enlarged share capital and of the voting rights attaching to such capital. Credit Suisse's participation in the Subscription is considered to be a related party transaction for the purposes of AIM Rule 13, and the Directors, having consulted with Charles Stanley, the Company's nominated adviser, consider the terms on which Credit Suisse is participating in the Subscription to be fair and reasonable insofar as the Company's Shareholders are concerned.

General Information

All of the Directors have agreed to participate in the Placing on the basis set out below:

<i>Name</i>	<i>Existing Holding</i>	<i>No. of Placing Shares</i>	<i>Shareholding following Placing</i>	<i>Percentage of Enlarged Share Capital</i>
John Pettitt	740,705	160,000	900,705	1.22%
Peter Rowse	132,946	20,000	152,946	0.21%
Rodney Westhead	74,143	40,000	114,143	0.15%
Ulrich Woehr	57,143	40,000	97,143	0.13%
Bernard Lord	25,000	40,000	65,000	0.09%

The following investors are participating in the Placing or Subscription and have disclosed their interest to the Company, and immediately following the Placing and Subscription will hold 3 per cent. or more of the Company's issued Common Shares:

<i>Name</i>	<i>Existing Holding of Common Shares</i>	<i>No. of Placing /Subscription Shares</i>	<i>Shareholding following Placing & Subscription</i>	<i>Percentage of Enlarged Share Capital</i>
Credit Suisse	18,304,058	3,400,000	21,704,058	29.34%
Henderson Global Investors	3,441,572	3,100,000	6,541,572	8.84%
Royal Bank of Canada	3,967,459	1,534,024	5,501,483	7.44%
Emerson Family	1,436,693	4,000,000	5,436,693	7.35%
Ardsley Partners	—	2,597,403	2,597,403	3.51%

Yours faithfully

Rodney Westhead
Chairman

