

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other professional adviser duly authorised pursuant to the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your Ordinary Shares, please forward this document (with the accompanying Form of Proxy), as soon as possible, to the purchaser or transferee or to the stockbroker, bank or other agent through whom your sale or transfer was effected, for onward transmission to the purchaser or transferee.

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. The Placing Shares are expected to be admitted to AIM and to commence trading at 08.00 a.m. on 29 December 2005.

CLEARSPPEED TECHNOLOGY PLC

(Incorporated under the Companies Act 1985 and registered in England and Wales – number 5159262)

Proposed increase in the Directors' authorities to issue shares for cash in connection with the placing of 10,097,560 Ordinary Shares at 205p per share

by

KBC PEEL HUNT LTD

Nominated Adviser and Broker

and

Notice of Extraordinary General Meeting

Your attention is drawn to the letter from the Chairman of the Company, which is set out on pages 4 to 8 of this document, recommending that you vote in favour of the Resolution to be proposed at the Extraordinary General Meeting referred to below.

Notice of an Extraordinary General Meeting of the Company to be held at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB at 11.00 a.m. on 28 December 2005 is set out at the end of this document. Shareholders will find enclosed a Form of Proxy for use at the Extraordinary General Meeting. To be valid, a Form of Proxy, completed and executed in accordance with the instructions printed thereon, should be returned to Computershare Investor Services Plc, PO Box 1075, Bristol BS99 3FA as soon as possible and, in any event, so as to be received not later than 11.00 a.m. on 26 December 2005.

KBC Peel Hunt is regulated by the Financial Services Authority, is acting as the Company's nominated adviser in connection with the proposed admission to AIM of the Placing Shares. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to London Stock Exchange plc and are not owed to the Company or to any Director or to any person in respect of his decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by KBC Peel Hunt as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). KBC Peel Hunt will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of the Placing.

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Expected Timetable of Events

2005

Latest time and date for receipt of Forms of Proxy	11.00 a.m. on 26 December
Extraordinary General Meeting	11.00 a.m. on 28 December
Admission and commencement of dealings in the Placing Shares	8.00 a.m. on 29 December

Definitions

“Act”	the Companies Act 1985, as amended
“Admission”	the admission to AIM of the Placing Shares
“AIM”	AIM, a market operated by the London Stock Exchange plc
“AIM Rules”	the rules published by the London Stock Exchange plc relating to AIM
“Board”	the board of directors of the Company
“Company” or “ClearSpeed”	ClearSpeed Technology Plc
“Directors”	the directors of the Company, whose names are set out on page 4 of this document
“Enlarged Share Capital”	the Company’s issued share capital immediately after the completion of the Placing
“EU”	European Union
“Existing Ordinary Shares”	the Ordinary Shares currently in issue at the date of this document
“EGM”	the Extraordinary General Meeting of the Company convened for 11.00 a.m. on 28 December 2005, notice of which is set out at the end of this document
“Form of Proxy”	the form of proxy for use in connection with the EGM
“KBC Peel Hunt”	KPC Peel Hunt Ltd
“Ordinary Shares”	the ordinary shares of 1p each in the Company
“Placing”	the conditional placing by KBC Peel Hunt of the Placing Shares pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 2 December 2005 between the Company and KBC Peel Hunt relating to the Placing
“Placing Price”	205p
“Placing Shares”	10,097,560 Ordinary Shares to be placed pursuant to the Placing
“Resolution”	the resolution set out in the notice of EGM at the end of this document
“Shareholders”	holders of Ordinary Shares

Letter from the Chairman of the Company

Directors:

David John Sebire (*Non-executive Chairman*)
Tom Jolyon Beese (*Chief Executive Officer*)
Paul Andrew Webb (*Chief Financial Officer*)
Richard Bruce Farleigh (*Non-executive Director*)
John Henry Hart (*Non-executive Director*)
Shanker Trivedi (*Non-executive Director*)

Registered Office:

3110 Great Western Court
Hunts Ground Road
Stoke Gifford
Bristol BS34 8HP

Registered Number:

5159262

2 December 2005

Dear Shareholder

PLACING OF NEW ORDINARY SHARES

1. Introduction

ClearSpeed today announced that it had conditionally placed in aggregate 10,097,560 new Ordinary Shares of 1 pence each at a price of 205 pence per share. Once completed, the Placing will raise approximately £20.2 million (net of expenses).

These funds are required by ClearSpeed to capitalise on and develop its position as the designer and supplier of the world's fastest and most power efficient multi-core microprocessor for 64 Bit Floating Point performance.

The total net proceeds of the Placing received by the Company will be used over time as follows: approximately £6.7 million for product development and approximately £6.7 million to fund working capital at a time when ClearSpeed is anticipating the commencement of volume shipments. The balance will strengthen the financial position of the Company in order to provide comfort to existing and prospective commercial partners.

The Placing Shares will be placed with institutional and other investors and dealings in these Placing Shares are expected to commence on AIM at 08.00 a.m. on 29 December 2005.

The Placing Shares are equivalent to approximately 31.1 per cent. of the Company's existing issued share capital and will, when issued, represent approximately 23.7 per cent. of the Enlarged Share Capital. Due to the size of the Placing, the Board is required to obtain shareholder approval to disapply statutory pre-emption rights contained in section 89 of the Companies Act 1985.

The purpose of this document is to explain to you the background to and reasons for the Placing and why the Directors believe it to be in the best interests of the Company and Shareholders. At the end of this document is a notice convening an EGM for 11.00 a.m. on 28 December 2005 at which the Directors will seek your approval of the Resolution.

2. Commercial and technical progress

Since ClearSpeed floated on AIM in July 2004, the Company has made considerable progress in achieving its original goals.

The CSX600 is now commercially available with the first products starting to ship in the current quarter and the Company now has multiple engagements with numerous customers and channel partners including Sun Microsystems and NEC.

On 15 November 2005, ClearSpeed was selected by the Tokyo Institute of Technology as part of a consortium, led by Sun Microsystems, to develop Japan's largest super computer. Expectations are that this one system may have a requirement for at least 300 Advance Boards.

ClearSpeed was recently invited by Intel to co-present at the Intel Developers' Forum in San Francisco. The Company also demonstrated its technology with Intel, AMD, IBM and Sun at the Super Computing Conference in Seattle in November 2005.

The Directors have been encouraged that pricing expectations at the time of the Company's IPO remain valid with Advance Boards typically selling for around \$7,500 per unit in low volumes and processors expected to sell at more than \$1,000 per unit in low volumes.

ClearSpeed's strategy of supplying its technology to the HPC market through Accelerator Boards requires no chip integration and also allows for systems upgrades to be easily accommodated both retrospectively and for new cluster systems. In addition to the existing installed base of HPC cluster systems, analysts estimate that 150,000 HPC cluster systems were delivered in 2004 and are forecast to rise to 220,000 HPC cluster systems in 2007. The Directors are confident that through ClearSpeed's channel partners in the US and Far East, ClearSpeed's technology will be selected for other new HPC projects.

The Company's strategy of engaging with independent software vendors and suppliers to port code to the ClearSpeed processor complements its "Plug and Play" strategy in removing barriers to adoption. Workstation users with compute intensive requirements, such as Computer Aided Design and Engineering, can access the Company's technology using the Company's Advance Boards. The Company has entered into informal partnerships with various independent software vendors and at the Super Computing Conference in Seattle in November 2005, demonstrated its technology with Mathematica and MATLAB software packages. These software packages alone are estimated to have at least one million users, some of which are expected to have sufficiently intense computing needs to require the processing acceleration delivered by ClearSpeed's solutions.

Within the embedded applications market, the Company has also had some initial commercial success. For example, a UK based defence systems vendor has entered into ClearSpeed's partner programme for a project which may result in orders for thousands of processors.

3. Reasons for the Placing

The Company's commercial and technical developments since its flotation in July 2004 have led the Directors to re-assess the Company's requirements for maximising its market opportunity. It was concluded that ClearSpeed required additional financial resources in order to capitalise on and develop the Company's position as the designer and supplier of the world's fastest and most power efficient multi-core microprocessor for 64 Bit Floating Point performance. Specifically, the Directors believe that:

- the expected commencement of volume shipments will require additional working capital;
- the considerable interest being shown by customers and potential customers has led to the need to increase the rate of investment in the Company's sales and marketing effort;
- sales to certain customers will require further investment to be made in product development;
- investment in product development will need to be increased in order to maintain and capitalise on the Company's technological advantage as well as to develop new applications to expand the addressable market; and
- a stronger balance sheet will be required in order to provide comfort to existing and prospective commercial partners.

The total net proceeds of the Placing received by the Company will be used over time as follows: approximately £6.7 million for product development and approximately £6.7 million to fund working capital at a time when ClearSpeed is anticipating the commencement of volume shipments. The balance will strengthen the financial position of the Company in order to provide comfort to existing and prospective commercial partners.

4. Details of the Placing

The Company is proposing to raise in total approximately £20.7 million (before expenses) by means of the Placing. Pursuant to the terms of the Placing Agreement, KBC Peel Hunt, as agent for ClearSpeed, has agreed conditionally to use reasonable endeavours to place the Placing Shares with investors procured by it. As part of the Placing, the Directors will in aggregate be subscribing 107,317 Placing Shares under the terms of the Placing.

The Placing price of 205 pence per Placing Share represents a discount of approximately 5.7 per cent. to the closing mid-market price of 217.5 pence per Ordinary Share on 1 December 2005 being the last dealing day prior to this announcement.

The issue of the Placing Shares is conditional, *inter alia*, upon:

- (i) the passing of the Resolutions;
- (ii) Admission to AIM of the Placing Shares; and
- (iii) the Placing Agreement becoming unconditional in all other respects.

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. The Placing Shares are expected to be admitted to AIM and to commence trading at 08.00 a.m. on 29 December 2005.

The Placing is being made on a non pre-emptive basis as the time and costs associated with a pre-emptive offer resulting from the introduction of the EU Prospectus Rules (which came into force on 1 July 2005) are considered by the Directors to be excessive. The making of a pre-emptive offer would require the production of a prospectus which would have to comply with the Prospectus Rules and be pre-vetted and approved by the FSA

5. Interests of Directors following the Placing

Immediately following the Placing, the Directors' interests in the Company will be as follows:

	<i>Number of Placing Shares subscribed</i>	<i>Interest in the Enlarged Share Capital</i>	<i>% interest in the Enlarged Share Capital</i>
David Sebire	2,439	12,839	0.03
Tom Beese	12,195	713,644	1.68
Paul Webb	4,878	4,878	0.01
Richard Farleigh	73,171	9,033,045	21.2
John Hart	9,756	31,720	0.07
Shanker Trivedi	4,878	4,878	0.01

Note: In addition to the above the Directors are deemed to be interested in 4,476,225 Ordinary Shares held by the ClearSpeed Technology Employee Benefit Trust

6. Extraordinary General Meeting

An EGM to approve the Placing has been convened for holders of Ordinary Shares at 11.00 a.m. on 28 December 2005 at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB.

The Directors believe that the Placing is essential to allow ClearSpeed to capitalise on the commercial and technical developments that it has achieved to date and is in the best interests of the Company and its shareholders.

ClearSpeed has received irrevocable undertakings to vote in favour of the Resolution required to effect the Placing to be proposed at the EGM in respect of a total of 19,754,999 Ordinary Shares representing 60.82 per cent. of the Company's existing issued ordinary share capital.

Copies of this document incorporating the notice convening the EGM will be available for collection from the offices of KBC Peel Hunt Ltd, 111 Old Broad Street, London EC2N 1PH for a period of one month from the date of this document.

7. Action to be taken

Shareholders will find enclosed a reply-paid Form of Proxy for the EGM. Whether or not you intend to be present at the EGM, you are requested to complete and sign the Form of Proxy and return it to Computershare Investor Services Plc, PO Box 1075, Bristol BS99 3FA, as soon as possible and, in any event, so as to arrive not later than 11.00 a.m. on 26 December 2005. Unless the Form of Proxy is received by this date and time, it will be invalid. The completion and return of a Form of Proxy will not preclude you from attending the EGM and voting in person if you so wish.

8. Recommendation

The Directors believe that the Placing is essential to allow the ClearSpeed to capitalise on the success that it has achieved to date and is in the best interests of the Company and Shareholders as a whole. Accordingly, your Directors unanimously recommend that Shareholders vote in favour of the Resolution, as they intend to do in respect of their own beneficial and connected shareholdings, which amount to 9,693,687 Ordinary Shares (representing 29.8 per cent. of the issued share capital of the Company at the date of this document).

Yours sincerely

David Sebire
Chairman

ClearSpeed Technology Plc

Notice of Extraordinary General Meeting

(Incorporated under the Companies Act 1985 and registered in England and Wales – number 5159262)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of ClearSpeed Technology Plc (the “**Company**”) will be held at the offices of Osborne Clarke, One London Wall, London EC4Y 5EB at 11.00 a.m. on 28 December 2005 for the purpose of considering and, if thought fit, passing the following Resolutions (to be proposed as a special resolution):

Special Resolution

That, in addition to any existing such authority and power:

- (a) the directors be and they are hereby generally and unconditionally authorised to act in accordance with section 80 of the Companies Act 1985 (the “**Act**”) to exercise any power of the Company to allot relevant securities (within the meaning of the said section 80) up to an aggregate nominal amount of £100,975.60 pursuant to the placing (the “**Placing**”) as described in the circular to shareholders of the Company dated 2 December 2005, provided such authority shall expire on the 12 January 2006; and
- (b) the directors be and they are hereby empowered to allot equity securities (as defined for the purposes of section 95 of the Act), pursuant to the authority conferred by paragraph (a) of this resolution, for cash up to an aggregate nominal amount of £100,975.60 in connection with the Placing as if section 89(1) of the Act did not apply to any such allotment, provided such authority shall expire on 12 January 2006.

Registered office:

3110 Great Western Court
Hunts Ground Road
Stoke Gifford
Bristol
BS34 8HP

By order of the Board

Paul Webb
Secretary

2 December 2005

Notes:

1. A Shareholder who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. The proxy need not be a Shareholder. The instrument appointing a proxy and any authority under which it is executed, or a copy of the authority certified notarially or in some other way approved by the directors, must be lodged at the offices of the Registrars of the Company, Computershare Investor Services Plc, PO Box 1075, Bristol BS99 3FA not less than 48 hours before the time appointing for holding the meeting or any adjourned meeting.
2. The time by which a person must be entered on the register of members in order to have the right to attend and vote at the Extraordinary General Meeting is the close of business on 26 December 2005 (being not more than 48 hours prior to the time fixed for the meeting) or, if the meeting is adjourned, such time being not more than 48 hours prior to the time fixed for the adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend and vote at the meeting.