



PRESS RELEASE

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CANADIAN HYDRO TO ISSUE UP TO C\$120 MILLION UNSECURED DEBENTURES WITH A PRELIMINARY INVESTMENT GRADE RATING OF BBB

Calgary, Canada – August 2, 2005 (TSX:KHD): Canadian Hydro Developers, Inc. ("Canadian Hydro" or the "Company") announced today that it intends to issue up to C\$120 million principal amount of senior unsecured debentures by way of a private placement (the "Offering"). Dominion Bond Rating Service Ltd. ("DBRS") has provided a preliminary investment grade rating of BBB with a Stable trend for the debentures. Canadian Hydro intends that the debentures will have a 10-year term to maturity, with the definitive terms of the debentures to be determined prior to the closing of the Offering. Scotia Capital Inc. is acting as lead agent and sole bookrunner for a syndicate of agents for the Offering.

Canadian Hydro is a developer, owner and operator of 17 power generation facilities totaling net 162 MW. The generation portfolio is diversified across three technologies (water, wind and biomass) in the provinces of British Columbia, Alberta and Ontario. This portfolio is unique in Canada as all facilities are certified, or slated for certification, under Environment Canada's EcoLogo^M Program. In addition, in June 2005, the Company began construction on the 67.5 MW Melancthon Grey Wind Plant in Ontario that is expected to be operational by March 31, 2006, with a 20-year power purchase agreement ("PPA") with the Ontario Power Authority.

The Company plans to use the proceeds from the Offering to repay bank facilities of approximately C\$105 million with its existing four-bank lender group, as well as for general corporate and other purposes including the long-term financing of current and future assets. The Offering is the culmination of the Company's capital plan that was established in 2002. The Company expects that the Offering will establish a debt capital markets platform for it to issue further long-term fixed rate financing appropriate for its long-term power assets that have PPAs from highly creditworthy counterparties. The structure of the debentures is expected to afford the Company the required financial flexibility and appropriate leverage to execute its strategic plan, including financing future growth in developing long-term contracted renewable power generation assets.

Canadian Hydro expects that the debt capital markets platform established upon successful completion of the Offering could eventually be transitioned from private offerings to public offerings as the Company continues to grow.

The preliminary rating of BBB with a Stable trend provided by DBRS is based on Canadian Hydro's diversified portfolio of low cost, reliable, long life assets, long-term PPAs with high credit quality counterparties (the majority of which are rated A (high) to AA by DBRS), an experienced management team with a proven track record in developing, constructing and operating small to medium sized generating facilities, significant tax loss carryforwards, and the potential for high quality growth opportunities.

The securities offered by the Company have not been registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or applicable exemption from the registration requirements. This news release shall not constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction.

The Toronto Stock Exchange has neither reviewed nor approved this press release.

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