



PRESS RELEASE

CANADIAN HYDRO ACQUIRES CANADIAN RENEWABLE ENERGY CORPORATION

Calgary, Canada – January 21, 2005 (TSX:KHD): Canadian Hydro Developers, Inc. (“Canadian Hydro” or the “Company”) today announced that it has strategically increased its market presence in Ontario through the acquisition, closed today, of all the issued and outstanding shares of Canadian Renewable Energy Corporation (“CREC”) in exchange for 4,037,687 common shares of Canadian Hydro valued at \$12.1 million. In addition to these shares, 2,250,000 special warrants were issued, which will vest and automatically convert (without the payment of any additional consideration) into common shares of Canadian Hydro upon certain events occurring. As a result of this purchase, Canadian Hydro will own a 3.2 MW hydroelectric plant, certain development prospects, and 100% of the Melancthon Grey Wind Project, in which CREC had an option to acquire 50% of prior to January 23, 2005. No bank or other indebtedness was assumed in conjunction with this acquisition.

“The acquisition of CREC strategically expands our platform of potential projects in the high growth Ontario market, such as the large Wolfe Island Wind Prospect near Kingston, as well as solidifying our 100% ownership of the Melancthon Grey Wind Project,” said John Keating, Chief Executive Officer.

“Ontario’s goal of building 2,700 MW of renewable energy projects by 2010 makes the acquisition of CREC a tremendous growth opportunity for Canadian Hydro,” said Uwe Roeper, outgoing Chief Executive Officer of CREC.

About CREC

CREC is an Ontario based developer of environmentally friendly wind power and run-of-river generating stations. CREC recently built, owns and operates the 32 MW Misema Hydroelectric Plant (the “Misema Plant”) and has up to 400 MW of wind power and run-of-river hydroelectric prospects under development in Ontario. In addition to this, CREC holds an option to acquire 50% of the 67.5 MW phase 1, and future phases of up to an additional 172.5 MW, Melancthon Grey Wind Project that currently holds a 20 year Renewable Energy Sales Contract with the Ontario Electricity Financial Corporation (“OEFEC”). In conjunction with this option, Canadian Hydro holds an option to acquire 50% of CREC’s Wolfe Island Wind Prospect.

The Misema Plant (3.2 MW)

Located on the Misema River, north of New Liskeard, near Canadian Hydro’s Ragged Chute Hydroelectric Plant, the 2 year old Misema Plant generates approximately 14,000 MWh per year of electricity, which is sold on a spot basis into the Ontario market. This plant is EcoLogo^M certified.

Wolfe Island Wind Prospect (up to 300 MW)

Located on Wolfe Island, near Kingston, land has been optioned with owners and the wind resource has been monitored, which will allow for a wind plant to be developed in a series of phases. At an expected cost of \$540 million, this large prospect will generate approximately 785,000 MWh per year of power. Regulatory approvals, long-term power sales contracts and financing are required prior to proceeding with this prospect. Canadian Hydro expects to bid some of this prospect into the next call for renewable energy by the Ontario Government.

Wind and Hydroelectric Prospects (up to 113 MW)

CREC is currently developing several other wind and hydroelectric prospects in Ontario. Canadian Hydro is investigating whether to bid some of these prospects into the next call for renewable energy by the Ontario Government.

Allocation of the Purchase Price

The Company will allocate the purchase price of CREC as follows:

	(\$ millions)
Misema Hydroelectric Plant	6.9
Prospect development costs	4.6
Working capital	0.6
	12.1

Related Party

ARC Canadian Energy Venture Fund 2 ("ARC Fund 2") and ARC Energy Venture Fund 3 (together the "ARC Funds") owned 86.6% of the issued and outstanding shares of CREC. ARC Fund 2 owned 10.2% of the issued and outstanding shares of Canadian Hydro prior to the Company's acquisition of CREC. As a result of this transaction, ARC Fund 2 acquired an additional 1,990,668 common shares as well as 1,112,416 special warrants of Canadian Hydro. ARC Fund 2 (together with ARC Energy Venture Fund 3 and ARC Capital Ltd.) now own 13,194,955 common shares of Canadian Hydro (including the special warrants and director's options), representing 16.3% of the issued and outstanding common shares of Canadian Hydro (assuming the exercise of such special warrants and director's options). The ARC Funds and ARC Capital are advised by ARC Financial Corporation whose CEO is an elected director of the Company.

Canadian Hydro is a developer, owner and operator of 15 low impact renewable energy power plants, representing 112 MW of net installed capacity, which are all certified under the EcoLogo^M program. Canadian Hydro's construction projects, including the Grande Prairie EcoPower[®] Centre, Upper Mamquam Hydroelectric and Melancthon Grey Wind Projects are slated for certification under this program upon completion.

Canadian Hydro is passionate about meeting the goals of investors and the needs of the environment. As industry leaders, Canadian Hydro is focused on building a sustainable future for Canada and with over 15 years experience, Canadian Hydro is a working model for the unlimited development potential of low-impact renewable energy.

-30-

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