

NEWS BULLETIN

FROM:

FINANCIAL
RELATIONS BOARD

RE: **Headwaters Incorporated**
10653 South River Front Parkway, Suite 300
South Jordan, UT 84095
(801) 984-9400
NASDAQ: HDWR

FOR FURTHER INFORMATION

AT THE COMPANY:

Sharon Madden
Director of Investor Relations
(801) 984-9400

AT FINANCIAL RELATIONS BOARD:

Tricia Ross
Analyst Contact
(310) 407-6540

FOR IMMEDIATE RELEASE:

January 16, 2004

HEADWATERS INCORPORATED - REVISED SHENHUA LICENSING AGREEMENT

SOUTH JORDAN, UTAH, January 16, 2004 – HEADWATERS INCORPORATED (NASDAQ: HDWR), announced today that Hydrocarbon Technologies, Inc., a subsidiary of Headwaters Technology Innovation Group (“HTI”), has received a license fee payment for the Shenhua Direct Coal Liquefaction Project in China.

HTI signed a license agreement with Shenhua Group, China’s largest coal company, in June 2002. This agreement covered the use of HTI’s direct coal liquefaction technology in the first of three process trains that would eventually convert 12,800 tons per day of coal into 50,000 barrels per day of gasoline and diesel fuel. In September 2003, a second technology transfer agreement was signed allowing Shenhua to make some process modifications to HTI’s technology. In this agreement, Shenhua agreed to pay the full license fee for the initial train as defined in the original license agreement, in addition to payments for HTI’s technical and engineering services. The payment amount totals several million dollars.

Steven G. Stewart, Headwaters’ Chief Financial Officer, stated, “We are pleased to receive the royalty payment from Shenhua. It’s exciting to see the commercial development of this technology move forward. We intend to recognize these revenues in our December 2003 quarter. We do not anticipate any future revenues from Shenhua prior to the first train being completed at the liquefaction facility.”

HTI is also in discussion with additional coal liquefaction clients inside and outside of China. “China’s national policy places high priority on coal liquefaction technologies to lower dependence on imported oil. We look forward to engaging in additional coal liquefaction projects. We believe that this is the beginning of a new industry that may impact the world supply and demand for liquid fuels,” said Theo Lee, Ph.D., Vice President and General Manager of Hydrocarbon Technologies, Inc.

About Headwaters Incorporated

Headwaters Incorporated develops and commercializes technologies that enhance the value of coal, gas, oil and other natural resources. The Company is the largest provider of technologies used to produce coal-based solid synthetic fuels, and the industry leader in managing and marketing coal combustion products in the United States. Headwaters Incorporated is also developing and commercializing proprietary technologies to convert or upgrade fossil fuels into higher-value products, and is developing nanocatalyst technologies that have multiple applications.

Forward Looking Statements

Certain statements contained in this report are forward-looking statements within the meaning of federal securities laws and Headwaters intends that such forward-looking statements be subject to the safe-harbor created thereby.

Forward-looking statements include Headwaters' expectations as to the managing and marketing of coal combustion products, operation of facilities utilizing alternative fuel technologies, the marketing of synthetic fuels, the receipt of licensing fees, royalties, and product sales revenues, the development, commercialization, and financing of new technologies and other strategic business opportunities and acquisitions, and other information about Headwaters. Such statements that are not purely historical by nature, including those statements regarding Headwaters' future business plans, the operation of facilities, the availability of tax credits, the availability of feedstocks, and the marketability of the coal combustion products and synthetic fuel, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 regarding future events and our future results that are based on current expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of our management. Actual results may vary materially from such expectations. Words such as "expects," "anticipates," "targets," "goals," "projects," "believes," "seeks," "estimates," variations of such words, and similar expressions are intended to identify such forward-looking statements. Any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances, are forward-looking.

In addition to matters affecting the coal combustion products and synthetic fuel industries or the economy generally, factors which could cause actual results to differ from expectations stated in forward-looking statements include, among others, the factors described in the captions entitled "Forward-looking Statements" and "Risk Factors" in Item 7 in Headwaters' Annual Report on Form 10-K for the fiscal year ended September 30, 2003, Quarterly Reports on Form 10-Q, and other periodic filings and prospectuses.

Although Headwaters believes that its expectations are based on reasonable assumptions within the bounds of its knowledge of its business and operations, there can be no assurance that our results of operations will not be adversely affected by such factors. Unless legally required, we undertake no obligation to revise or update any forward-looking statements for any reason. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report.

Our internet address is www.hdwtrs.com. There we make available, free of charge, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our reports can be accessed through the investor relations section of our web site.

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