

NEWS BULLETIN

FRB

FROM:

WEBER SHANDWICK
FINANCIAL COMMUNICATIONS

RE: **Headwaters Incorporated**
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FOR IMMEDIATE RELEASE:

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HEADWATERS INCORPORATED ANNOUNCES TWO NEW PATENTS

South Jordan, Utah, July 8, 2003 - Headwaters Incorporated (Nasdaq: HDWR) announced today the issuing of two new patents covering the direct production of hydrogen peroxide using nanocatalyst technology, and the co-production of fuel and ammonia from existing fertilizer plants.

Headwaters Nanokinetix Incorporated (HNI) has developed nanocatalyst technology (NxCat) that disperses, aligns and anchors precious metal atoms on support materials. The resulting catalyst achieves high selectivity, productivity, and long life while minimizing the amount of precious metals required. One application for NxCat is the direct production of hydrogen peroxide from hydrogen and oxygen. This process is significantly lower in capital and operating costs compared to the conventional anthraquinone process. Ray Balee, President of HNI stated, "For many years, industry has been eager for a low cost source of hydrogen peroxide, NxCat is an enabling technology for low cost production which will open up major new markets for peroxide." NxCat can also be used for fuel cells, destruction of volatile organic compounds, chemical manufacturing, and regeneration of conventional catalysts.

Hydrocarbon Technologies Incorporated (HTI), a subsidiary of Headwaters, has developed a gas-to-liquids (GTL) process that can be integrated into existing fertilizer plants to co-produce ultra clean transportation fuels, such as diesel and gasoline, and ammonia. By integrating GTL and ammonia production there is a synergistic improvement in efficiency. Dr. Peizheng Zhou, Vice President of HTI, stated, "This technology is well suited for countries which have excess ammonia production capacity and a shortage of clean transportation fuels."

About Headwaters Incorporated

Headwaters Incorporated is a world leader in providing technology and services that maximize the value of fossil fuels. The Company is focused on providing services to energy companies, conversion of fossil fuels into alternative energy products, and generally adding value to energy. Headwaters generates revenue from managing coal combustion products (CCPs) and from licensing its innovative chemical technology to produce an alternative fuel. Through its CCP business and its solid alternative fuels business, the Company earns a growing revenue stream that provides the capital needed to expand and acquire synergistic new business opportunities.

Forward Looking Statements

Certain statements contained in this document may be deemed to be forward-looking statements under federal securities laws, and Headwaters intends that such forward-looking statements be subject to the safe-harbor created thereby.

Such forward-looking statements relate to: (i) the growth of Headwaters' revenues, earnings, or earnings per share; (ii) the expectation that operating results will be higher for the June and September quarters; (iii) the ability of Headwaters to sustain the earnings stream from its alternative fuels, coal combustion products, and other businesses; (iv) the expectation that Headwaters' stock is undervalued or will increase in value in the future; (v) the identification and completion of any future acquisitions and the expectation that the value of such acquisitions will increase; (vi) the commercialization of any technology acquired or developed.

Headwaters cautions that these statements are qualified by important factors that could cause actual results to differ materially from those reflected by the forward-looking statements contained herein.

Such factors include, but are not limited to: (a) the availability of tax credits to us and our licensees under the tax code; (b) our dependence on licensees to use our technology; (c) collection of payments outstanding; (d) the company's ability to repay its debt and comply with covenants in financing agreements; limitations in the capital available to Headwaters to execute on its business plan, and the cost of that capital; (e) the ability of Headwaters to locate and close on attractive acquisition opportunities; (f) Headwaters' limited operating history with its new business strategy and its ability to sustain and manage its growth under that strategy; and (g) the success Headwaters in replacing and growing its financial performance before its legacy alternative fuels business decline.

More information about potential factors which could affect either company's business and financial results is included in Headwaters' Annual Report on Form 10-K for the fiscal year ended Sept. 30, 2002, Quarterly Reports on Form 10-Q, and other periodic filings and prospectuses. All forward-looking statements are based on information available to Headwaters on the date hereof, and Headwaters assumes no obligation to update such statements. Investors and security holders may obtain a free copy of the Annual and Quarterly Reports and other documents filed by Headwaters with the Securities and Exchange Commission at the Commission's Web site at <http://www.sec.gov>. Free copies of Headwaters' Annual Report and other filings with the Commission may also be obtained by directing a request to smadden@hdwtrs.com.