

**K2 ASSET MANAGEMENT**

Name	The Manager, Listings Department	Company	Australian Stock Exchange Ltd
From	K2 Asset Management Pty Ltd	Date	13/08/2004
No. of pages (inc. cover sheet)	[4]	Facsimile no.	1900 999 279
Subject	Notice of Initial Substantial Holder (Form 603)		

Dear Sir/Madam,

Pursuant to Section 671B of the Corporations Law, K2 Asset Management Pty Ltd discloses a substantial holding in The Reject Shop Limited.

The enclosed ASIC Form 603 discloses all required details.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Campbell W Neal', written over a horizontal line.

Campbell W Neal
Director
K2 Asset Management Pty Ltd

Form 603Corporations Law
Section 671B**Notice of initial substantial holder**To Company Name/Scheme The Reject Shop Limited**1. Details of substantial holder(1)**Name K2 Asset Management Pty LtdABN (if applicable) 95 085 445 094The holder became a substantial holder on 03 August 2004**2. Details of voting power**

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

Class of securities (4)	Number of securities	Persons' votes (5)	Voting power (6)
Ordinary shares	1,988,248	1,988,248	8.26%*

* Based on issued capital of 24,075,110 fully paid ordinary shares.

3. Details of relevant interests

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

Holder of relevant interest	Nature of relevant interest (7)	Class and number of securities
K2 Asset Management Pty Ltd	Power to (or to control) exercise vote and/or dispose of the securities as discretionary investment managers or advisers of superannuation funds, pooled superannuation trusts, managed investment schemes and investment management agreements.	1,988,248

4. Details of present registered holders

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

Holder of relevant interest	Registered holder of securities	Person entitled to be registered as holder (8)	Class and number of securities
K2 Asset Management Pty Ltd	Westpac Custodian Nominees Limited		1,988,248

5. Consideration

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

Holder of relevant interest	Date of acquisition	Consideration (\$)		Class and number of securities
		Cash	Non-cash	Ordinary fully paid shares
K2 Asset Management Pty Ltd	01/06/04	2,729,166.92		1,387,800
	17/06/04	410,738.87		199,730
	22/06/04	198,629.93		100,000
	30/06/04	179,574.50		89,500
	02/07/04	399,207.73		200,000
	03/08/04	70,773.28		31,218
	Grand Total	3,988,091.23		1,988,248

6. Associates

The reasons the persons named in paragraph 3 above are associates of the substantial holder are as follows:

Name and ACN (if applicable)	Nature of association

7. Addresses

The addresses of persons named in this form are as follows:

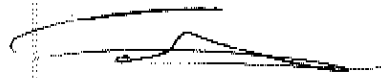
Name	Address
K2 Asset Management Pty Ltd	Level 24, 360 Collins Street, Melbourne, Victoria, 3000

Signature

print name Campbell W Neal

Capacity Director

Sign here



Date 13/08/2004

DIRECTIONS

- (1) If there are a number of substantial holders with similar or related relevant interests (eg. a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 7 of the form.
- (2) See the definition of 'associate' in section 9 of the Corporations Law.
- (3) See the definition of 'relevant interest' in sections 608 and 671B(7) of the Corporations Law.
- (4) The voting shares of a company constitute one class unless divided into separate classes.
- (5) The total number of votes attached to all the voting shares in the company or voting interests in the scheme (if any) that the person or an associate has a relevant interest in.
- (6) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.
- (7) Include details of:
 - (a) any relevant agreement or other circumstances by which the relevant interest was acquired. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and
 - (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).

See the definition of 'relevant agreement' in section 9 of the Corporations Law.
- (8) If the substantial holder is unable to determine the identity of the person (eg. if the relevant interest arises because of an option) write 'unknown'.
- (9) Details of the consideration must include any and all benefits, money and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.