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REWARD ENTERPRISES INC

Form 10QSB/A

June 28, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-QSB/A

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2004

COMMISSION FILE NUMBER 0-272592

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ TO _____

REWARD ENTERPRISES, INC.

(Exact name of registrant as specified in charter)

NEVADA

98-0203927

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer I.D. No.)

2033 MAIN STREET, SUITE 500,
SARASOTA, FL

34237

(Address of principal executive offices)

(Zip)

Issuer's telephone number, including area code

(941) 928-7394

Securities registered pursuant to section 12 (b) of the Act:

Title of each class

Name of each exchange on which registered

NONE

NONE

Securities registered pursuant to section 12 (g) of the Act:

COMMON STOCK, PAR VALUE \$0.001 PER SHARE

(Title of Class)

As of June 28, 2004, the Company had 44,122,000 shares of common stock
issued and outstanding.

Transitional Small Business Disclosure Format (check one).

Yes []

No [X]

PART I

FINANCIAL INFORMATION

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INTRODUCTORY NOTE

FORWARD-LOOKING STATEMENTS

This Form 10-QSB contains "forward-looking statements" relating to Reward Enterprises, Inc. ("Reward") which represent Reward's current expectations or beliefs including, but not limited to, statements concerning Reward's operations, performance, financial condition and growth. For this purpose, any statements contained in this Form 10-QSB that are not statements of historical fact are forward-looking statements. Without limiting the generality of the foregoing, words such as "may", "anticipation", "intend", "could", "estimate", or "continue" or the negative or other comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, such as losses, dependence on management, variability of quarterly results, and the ability of Reward to continue its growth strategy and competition, certain of which are beyond Reward's control. Should one or more of these risks or uncertainties materialize or should the underlying assumptions prove incorrect, actual outcomes and results could differ materially from those indicated in the forward-looking statements.

Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

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REWARD ENTERPRISES, INC. (A DEVELOPMENT STAGE COMPANY) CONSOLIDATED BALANCE SHEETS

	March 31, 2004 (Unaudited)	June 30, 2004 (Revised)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ --	\$ --
Accounts receivable, related party	--	--
TOTAL CURRENT ASSETS	--	--
PROPERTY AND EQUIPMENT		
Telecommunications Equipment	--	--
Website	--	--
Accumulated depreciation and amortization	--	--
TOTAL PROPERTY AND EQUIPMENT	--	--
OTHER ASSETS		

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Goodwill	--	
	-----	---
TOTAL ASSETS	\$ --	\$
	=====	=====
LIABILITIES & STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 43,696	\$
Interest payable	17,938	
Notes payable, net of discount	81,500	
Deferred income from Joint Venture	--	
	-----	---
TOTAL CURRENT LIABILITIES	143,134	
	-----	---
COMMITMENTS AND CONTINGENCIES	--	
	-----	---
Net Liabilities from Discontinued Operations	47,978	
	-----	---
STOCKHOLDERS' EQUITY		
Common stock, 200,000,000 shares authorized, \$0.001 par value;18,722,000 and 44,122,000 shares issued and outstanding, respectively	44,122	
Additional paid-in capital	3,274,933	2
Stock options	10,400	
Accumulated deficit during development stage	(3,520,567)	(3
	-----	---
TOTAL STOCKHOLDERS' EQUITY	(191,112)	
	-----	---
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ --	\$
	=====	=====

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REWARD ENTERPRISES, INC. (A Development Stage Company) CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

Three Months Ended March 31, 2004 (Unaudited)	Three Months Ended March 31, 2003 (Restated) (Unaudited)	Nine Months Ended March 31, 2004 (Unaudited)
-----	-----	-----

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REVENUES	\$ -	\$ -	\$ -
	-----	-----	-----
EXPENSES			
Consulting fees	-	-	-
General and administrative	-	-	-
Legal and professional fees	20,397	-	20,397
Travel and entertainment	-	-	-
Depreciation and amortization	4,866	-	4,866
Research and development	-	-	-
Loss on impairment of asset	-	-	-
	-----	-----	-----
TOTAL OPERATING EXPENSES	25,263	-	25,263
	-----	-----	-----
OTHER INCOME AND EXPENSE			
Interest expense	2,200	-	2,200
Gain from debt forgiveness	-	-	-
	-----	-----	-----
TOTAL OTHER EXPENSE	2,200	-	2,200
	-----	-----	-----
LOSS BEFORE INCOME TAXES	(27,463)	-	(27,463)
	-----	-----	-----
PROVISION FOR TAXES	-	-	-
	-----	-----	-----
NET LOSS FROM CONTINUING OPERATIONS	(27,463)	-	(27,463)
	-----	-----	-----
LOSS FROM DISCONTINUED OPERATIONS	(274,472)	(54,949)	(395,113)
	-----	-----	-----
NET LOSS	\$ (301,935)	\$ (54,949)	\$ (422,576)
	=====	=====	=====
BASIC AND DILUTED			
NET INCOME PER			
COMMON SHARE - DISCONTINUED OPERATIONS	\$ nil	\$ nil	\$ nil
NET INCOME PER COMMON SHARE - CONTINUING	0.01	nil	0.01
	-----	-----	-----
TOTAL NET INCOME PER SHARE	\$ 0.01	\$ nil	\$ 0.01
	=====	=====	=====
WEIGHTED AVERAGE NUMBER OF			
COMMON STOCK SHARES OUTSTANDING	44,122,000	18,690,132	44,122,000
	=====	=====	=====

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	Common Stock		Additional Paid-in	Subscriptions Receivable	Stock Options and Warrants
	Number of Shares	Amount			
Issuance of common stock in April 1998 for services valued at \$0.01 per share	1,000,000	\$ 1,000	\$ 9,000	\$ (10,000)	\$
Net loss for period ending June 30, 1998	-	-	-	-	-
Balance, June 30, 1998	1,000,000	1,000	9,000	(10,000)	
Issuance of common stock in May 1999 for cash at an average of \$0.10 per share	1,715,000	1,715	169,785	-	
Net loss for year ending June 30, 1999	-	-	-	-	-
Balance, June 30, 1999	2,715,000	2,715	178,785	(10,000)	
Payables provided for stock subscription	-	-	-	10,000	
Net loss for year ending June 30, 2000	-	-	-	-	-
Balance, June 30, 2000	2,715,000	2,715	178,785	-	
Issuance of common stock in October 2000 for cash at \$0.001 per share	10,000,000	10,000	-	-	
Issuance of common stock in October 2000 for payment on loans payable at \$0.001 per share	200,000	200	-	-	
Stock options exercised at an average of \$0.10 per share in exchange for consulting fees	2,230,000	2,230	222,770	-	
Stock options exercised at an average of \$0.14 per share in exchange for cash	1,325,000	1,325	179,925	-	
Net loss for the year ended June 30, 2001	-	-	-	-	-
Balance, June 30, 2001	16,470,000	16,470	581,480	-	

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Common stock issued in merger with Q-Presents, Inc. at \$0.35 per share	6,000,000	6,000	2,094,000	-	
Common stock cancelled as part of merger with Q-Presents, Inc.	(10,200,000)	(10,200)	10,200	-	
Stock options exercised at an average of \$0.175 per share in exchange for cash	572,000	572	112,428	-	
Issuance of common stock in December 2001 for cash at \$0.001 per share	890,000	890	-	-	
Issuance of common stock in exchange for services at \$0.005 per share	2,945,000	2,945	11,780	-	
Stock options issued for compensation in December 2001	-	-	-	-	10,4
Issuance of common stock in January and March 2002 for cash at an average of \$0.15 per share	660,000	660	30,840	-	
Issuance of stock warrants attached to promissory notes in May 2002	-	-	-	-	
Issuance of common stock in May and June 2002 for cash at an average of \$0.12 per share	366,667	367	52,133	-	
Net loss for the year ended June 30, 2002	-	-	-	-	
Balance, June 30, 2002	17,703,667	17,704	2,892,861	-	10,4
Issuance of common stock in July and September 2002 for cash at an average of \$0.12 per share	293,333	293	38,207	-	
Issuance of common stock in October 2002 for Consulting Services	725,000	725	6,525		
Expiration of Stock Warrants, May, 2003			4,000		
Net loss for the period ended June 30, 2003	-	-	-	-	
Balance, June 30, 2003	18,722,000	\$ 18,722	\$ 2,941,593	\$ -	\$ 10,4

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Issuance of common stock
in January 2004 for
services at \$0.014 per share

25,400,000

25,400

333,340

Net loss for the
period ended March 31, 2004

Balance, March 31, 2004

44,122,000

44,122

3,274,933

\$0

\$10,4

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REWARD ENTERPRISES, INC. (A DEVELOPMENT STAGE COMPANY) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended March 31, 2004 (Unaudited)	Nine Months Ended March 31, 2003 (Restated) (Unaudited)	Dec 12,1997 (Inception Through March 31, 2004 (Restated) (Unaudited)
Cash Flows From Operating Activities:			
Net loss	\$ (422,576)	\$ (206,090)	\$ (3,520,56
Loss from discontinued operations	395,113	206,090	3,493,10
Loss from continuing operations	(27,463)	-	(27,46
Adjustments to reconcile net loss			
Depreciation and amortization	4,866	21,897	57,16
Stock issued in exchange for payables	-	-	10,00
Accounts payable	20,397	10,653	43,89
Accrued expenses	2,200	5,201	17,93
Net Cash Used in Discontinued Operations	(24,335)	(71,840)	(590,93
Cash used by operating activities	(24,335)	(34,089)	(489,40
Cash Flows From Investing Activities:			
Changes to property and equipment	-	(51,600)	(60,52
Decrease (increase) in loans receivable	-	-	(140,00
Cash from merger acquisition	-	-	9,09
Cash provided (used) by investing activities	-	(51,600)	(191,43
Cash Flows From Financing Activities:			
Proceeds from related party loans	-	-	3,60
Payment on related party loans	-	-	(3,40
Proceeds from promissory notes	11,500	25,000	81,50
Issuance of stock	-	38,500	599,14

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Cash provided by financing activities	11,500	63,500	680,84
Net increase (decrease) in cash and cash equivalents	(12,835)	(22,189)	
Foreign currency translation gain (loss)	-	-	
Cash and cash equivalents, beginning of period	12,835	24,717	
Cash and cash equivalents, end of period	\$ -	\$ 2,528	\$
SUPPLEMENTAL CASH FLOW DISCLOSURES:			
Interest expense paid	\$ -	\$ -	\$
Income taxes paid	\$ -	\$ -	\$
NON-CASH INVESTING AND FINANCING TRANSACTIONS:			
Services exchanged for common stock	\$ 358,740	\$ 7,250	\$ 390,71
Subscribed stock in exchange for payables	\$ -	\$	\$ 10,00
Payables exchanged for shares of stock	\$ -	\$	\$ 160,00
Stock issued in payment of loans payable	\$ -	\$	\$ 20
Stock issued for accrued consulting fees	\$ -	\$	\$ 65,00
Stock options issued for compensation	\$ -	\$	\$ 14,40
Stock issued for subsidiary	\$ -	\$	\$ 2,100,00
Website acquired through merger	\$ -	\$	\$ 145,97

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REWARD ENTERPRISES, INC. (A DEVELOPMENT STAGE COMPANY) CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2004 (UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Securities and Exchange Commission requirements for interim financial statements. Therefore, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The financial statements should be read in conjunction with the Form 10-KSB for the year ended June 30, 2003 of Reward Enterprises, Inc. (the "Company").

The interim financial statements present the condensed balance sheet, statements of operations, and cash flows of Reward Enterprises, Inc. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

The interim financial information is unaudited. In the opinion of management, all adjustments necessary to present fairly financial position of the company as of March 31, 2004 and the results of operations and cash flows presented herein have been included in the financial statements. Interim results are not necessarily indicative of results of operations for the full year.

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The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

During February of 2004, majority shareholders of the Company sold a controlling interest in the Company to Bell Investments, LLC of Sarasota, Florida. (See Note 2)

GOING CONCERN

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company incurred a net loss of approximately \$2,406,504 for the year ended June 30, 2003, with an accumulated loss from inception of approximately \$3,097,991 at June 30, 2003. The Company's current liabilities exceed its current assets by approximately \$143,134 as of March 31, 2004. The Company had a comprehensive net loss of \$422,576 for the nine months ended March 31, 2004 and an accumulated deficit of \$3,520,567 at March 31, 2004.

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REWARD ENTERPRISES, INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2004
(UNAUDITED)

1. BASIS OF PRESENTATION (CONTINUED)

These conditions give rise to substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include adjustments relating to the recoverability and classification of reported asset amounts or the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to obtain additional financing or sale of its common stock as may be required and ultimately to attain profitability. Management's plan, in this regard, is to seek a suitable operating company for merger, that can generate revenues and the potential for earnings. In February of 2004, certain key shareholders of the Company sold a controlling interest in the Company to Bell Investments, LLC of Sarasota, Florida.

-ORGANIZATION AND DESCRIPTION OF BUSINESS

Reward Enterprises, Inc. (hereinafter "the Company"), was incorporated on December 12, 1997, under the laws of the State of Nevada primarily for the purpose of offering interactive online internet entertainment and game playing. On August 15, 2001, the Company entered into a merger agreement with Q Presents, Inc., which was incorporated in the State of California for the purpose of providing innovative event management and marketing automation solutions to take advantage of the meeting, hotel, trade show and convention industries. At the time of the merger, the Company changed its focus to match that of Q Presents, Inc.

The Company expected to generate revenue through licensing its "Q" automated event management services and related supported offerings; licensing its intranet and online services; sales of dedicated advertising; sales of related

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merchandise; and its promotion and publicity services.

In early 2003, The Company's management entered into a joint venture to provide specialized international communications including international voice, internet access, and global network services to corporate clients, communication carriers and internet service providers. The Company planned to utilize the web-based platform that was originally intended as an event registration and automation solution for its telecommunication business.

As of the period ended March 31, 2004, the Company has terminated all of its operations. Certain shareholders of the Company have sold a controlling interest to Bell Investments, LLC of Sarasota, Florida, and Earl Ingarfield became the sole officer and director of the Company.

The Company's fiscal year end is June 30.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Reward is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

ACCOUNTING METHODS

The Company's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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REWARD ENTERPRISES, INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2004
(UNAUDITED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIC AND DILUTED LOSS PER SHARE

Net loss per share was computed by dividing the net loss by the weighted average number of shares outstanding during the period. The weighted average number of shares was calculated by taking the number of shares outstanding and weighting them by the amount of time that they were outstanding. Basic and diluted loss per share were the same, as the inclusion of common stock equivalents would be anti-dilutive.

CASH AND CASH EQUIVALENTS

For purposes of the consolidated statements of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

PROVISION FOR TAXES

Income taxes are provided based upon the liability method of accounting pursuant to SFAS No. 109 "Accounting for Income Taxes." Under this approach, deferred income taxes are recorded to reflect the tax consequences on future years of

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differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against deferred tax assets if management does not believe the Company has met the "more likely than not" standard imposed by SFAS No. 109 to allow recognition of such an asset.

At March 31, 2004 and June 30, 2003, the Company had net deferred tax assets of approximately \$1,193,457 and \$1,045,000, respectively, principally arising from net operating loss carryforwards for income tax purposes, and a \$10,400 book-tax difference related to stock options issued for services. As management of the Company cannot determine that it is more likely than not that the Company will realize the benefit of the net deferred tax asset, a valuation allowance equal to the net deferred tax asset has been established as of March 31, 2004 and June 30, 2003 in the amounts of \$1,193,457 and \$1,045,000, respectively. The change in the allowance account from June 30, 2003 to March 31, 2004 was \$148,457 as a result of a change in management's estimates. At March 31, 2004, the Company has net operating loss carryforwards of approximately \$3,500,000, which expire in the years through 2023.

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REWARD ENTERPRISES, INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2004
(UNAUDITED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

IMPAIRED ASSET POLICY

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144). SFAS No. 144 replaces SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This standard establishes a single accounting model for long-lived assets to be disposed of by sale, including discontinued operations. SFAS No. 144 requires that these long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. This statement is effective beginning for fiscal years after December 15, 2001. The Company adopted SFAS No. 144 during the year ended June 30, 2002.

The Company impaired the remaining value of its goodwill of \$2,100,000, acquired in prior years under Financial Accounting Standards Board Statement Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142) during the year ending June 30, 2003. Under SFAS 142, the Company is required to periodically assess the value of its intangible assets to determine underlying value.

The Company has recorded an impairment to its software license website and computer hardware of \$65,160 during the year ended June 30, 2001, effectively

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reducing the recorded amount of these assets to \$1,191 at June 30, 2001. As of June 30, 2003, the Company had deemed its goodwill recorded on its financial statements to be impaired (See Note 5).

WEB SITE DEVELOPMENT

The Company has adopted SOP 98-1 as amplified by EITF 00-2, "Accounting for Web Site Development Costs." In accordance with this adoption, the Company has capitalized website development costs. During the year ended June 30, 2002, the Company capitalized \$145,979 of website development costs, which were acquired in the August 15, 2001 merger. The Company had entered into the specialized international communications market and continues to utilize the website for this purpose, however, these operations have been terminated.

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REWARD ENTERPRISES, INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2004
(UNAUDITED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DERIVATIVE INSTRUMENTS

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (hereinafter "SFAS No. 133"), as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB No. 133", and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", and SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". These statements establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. They require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value.

If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change.

Historically, the Company has not entered into derivatives contracts to hedge existing risks or for speculative purposes.

At March 31, 2004, the Company has not engaged in any transactions that would be considered derivative instruments or hedging activities.

COMPENSATED ABSENCES

The Company currently does not have a policy regarding accruals of compensated absences. The Company intends to expense these costs as incurred.

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2003, the Financial Accounting Standards Board issued Statement of

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Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" (hereinafter "SFAS No. 150"). SFAS No. 150 establishes standards for classifying and measuring certain financial instruments with characteristics of both liabilities and equity and requires that those instruments be classified as liabilities in statements of financial position. Previously, many of those instruments were classified as equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company has determined that the adoption of this statement does not impact the Company's financial position or results of operations.

In April 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" (hereinafter "SFAS No. 149"). SFAS No. 149 amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". This statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 is not expected to have a material impact on the financial position or results of operations of the Company.

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REWARD ENTERPRISES, INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2004
(UNAUDITED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In April 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" (hereinafter "SFAS No. 149"). SFAS No. 149 amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". This statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 is not expected to have a material impact on the financial position or results of operations of the Company.

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REWARD ENTERPRISES, INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2004
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the fiscal 2004 presentation.

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PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Q Presents, Inc., after elimination of intercompany accounts and transactions.

3. ACQUISITIONS

On August 15, 2001, Reward Enterprises, Inc. acquired Q Presents, Inc. with the issuance of 6,000,000 shares of common stock in exchange for all of the outstanding common stock of Q Presents, Inc. This transaction had an accounting date of August 31, 2001, which was the date that the transaction was final. The value of the stock issued at the fair market price of \$0.35 per share was \$2,100,000. The purchase price of Q Presents, Inc. was \$2,100,000, determined by the fair market value of Reward's stock. The net book deficit of assets acquired was \$105,588.

The assets and liabilities acquired were as follows as of August 31, 2001:

Cash in bank	\$ 9,093
Accounts receivable from officer	96
Website	43,000

Total Assets	\$ 52,189
	=====
Accounts payable	\$ 15,169
Interest payable to Reward	2,601
Note payable to Reward	140,000

Total Liabilities	\$ 157,777
	=====
Liabilities in excess of assets	\$ 105,588
	=====

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REWARD ENTERPRISES, INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2004
(UNAUDITED)

3. ACQUISITIONS (CONTINUED)

After the elimination of \$2,601 of interest owed between the companies, as part of the acquisition transaction, \$102,987 was allotted to the value of the website based upon costs expensed during the website's development. The balance of the purchase price was allocated to goodwill that was acquired in the merger. Pursuant to the acquisition, Q Presents, Inc. became a wholly owned subsidiary of the Company.

In March 2004, the Company entered into a non-binding letter of intent with Magna Yachts, Inc., a Canadian corporation, to acquire 100% of the outstanding shares of Magna Yachts in exchange for a controlling interest of the Company's common stock. On April 28, 2004, the parties terminate the non-binding letter of intent.

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4. PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The useful lives of property and equipment for purposes of computing depreciation is five years. The computer equipment in the Company's Vancouver office was abandoned when the Company moved to the Q Presents offices in California. The Company deemed this remaining book value of \$1,059 to be an office expense for the quarter ending September 30, 2001.

5. GOODWILL

The Company acquired goodwill in the acquisition of Q Presents, Inc. (See Note 3). This goodwill will be accounted for in accordance with SFAS No. 142. (See Note 2.) The Company will periodically review this asset for possible impairment. At June 30, 2003 it was determined the asset was impaired due to a permanent decline in the Company's stock value, and a charge for the impairment of \$2,100,000 was recorded under operating expenses.

6. COMMON STOCK

In January 2004, the Company issued 23,000,000 shares of its common stock to Huntington Chase Financial Group in payment for consulting fees valued at \$325,000.

In January 2004, the Company paid 2,400,000 shares of its Common Stock to unaffiliated third parties individual in payment for consulting services valued at \$33,740.

7. STOCK OPTIONS AND WARRANTS

In September 1998, the Company adopted the Reward Enterprises, Inc. 1999 Directors and Officers Stock Option Plan, a non-qualified plan. During 1999, the Company granted 2,500,000 common stock options for the services of consultants. The options issued include negotiation rights and begin vesting in June 1999, with 25% of the eligible shares vesting each year until the recipients are fully vested in their shares.

The Company entered into consulting agreements with three directors of the Company, whereby two of the directors would each receive \$5,000 per month and 1,000,000 common stock options (with half exercisable at \$0.10 per share and half exercisable at \$0.25 per share) and the other director would receive \$2,500 per month and 500,000 common stock options (with half exercisable at \$0.10 per share and half exercisable at \$0.25 per share). These consulting agreements were terminated effective October 31, 2000. All options related to these agreements expire April 30, 2009. At March 2001, a total of 630,000 options were exercised in exchange for accrued consulting fees due to them of \$65,000.

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REWARD ENTERPRISES, INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2004
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7. STOCK OPTIONS AND WARRANTS (CONTINUED)

On October 16, 2000, the Company adopted the 2000 Stock Option Plan, a non-qualified plan, that allows the Company to distribute up to 7,000,000 shares

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of common stock to directors, officers and employees. Stock options of 200,000 were granted to a consultant. The exercise price of these options is \$0.10 per share for the first 100,000 options and \$0.25 per share for the balance of 100,000 options. These options will expire September 30, 2009. During November 2000, 2,230,000 options were granted with an exercise price of \$0.10 per share, in settlement of consulting fees with an expiration date of April 30, 2001. During the year ending June 30, 2001 a total of 3,455,000 options were exercised.

The fair value of each option granted is estimated on the grant date using the Black-Scholes option price calculation. The following assumptions were made in estimating fair value: Risk-free interest rate of 5% and expected life of ten years. A minimum volatility of 30% was used and resulted in no adjustment to compensation.

Between October and December 2001, options to purchase 572,000 shares of common stock were exercised and the Company received \$103,000.

In December 2001, as part of the employment agreements with Mr. Edward Withrow III and Mr. Warren K. Withrow, the Company issued stock options for 1,000,000 shares with exercise prices of \$0.04 per share and 400,000 shares with exercise prices of \$0.10 per share. The Black-Scholes option price calculation of the fair value of these options is \$10,400, based upon a risk-free interest rate of 5%, volatility of 30% and a term of ten years.

The Company signed an agreement with SBI USA, a member of Softbank Investment Group, in February 2002. (See Note 10.) This agreement included 3,000,000 warrants for purchase of 3,000,000 shares of common stock with exercise prices of \$0.50, \$0.75, and \$1.00 per share. In May of 2002, the Company attached 500,000 warrants for an equal number of shares of common stock to promissory notes that were issued. (See Note 10.) The warrants have exercise prices from \$0.05 to \$0.10 per share. The Company also attached 40,000 warrants to various issuances of common stock in June 2002. The holders of the warrants may purchase an equal number of common stock shares at exercise prices from \$0.25 to \$0.45 per share. These warrants were valued using the Black-Scholes option price calculator using a risk-free interest rate of two percent, volatility of 70%, a term of one year, and either an equity price of \$0.05 or \$0.12 depending on the date of issuance. It was determined that the 400,000 warrants attached to one of the promissory notes had a value of \$4,000., with an expiration date of May 14, 2003. The 400,000 warrants were not exercised and subsequently expired.

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REWARD ENTERPRISES, INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2004
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7. STOCK OPTIONS AND WARRANTS (CONTINUED)

Following is a summary of the Company's stock options:

	Number Of Shares	Weighted Average Exercise Price
Outstanding at 6-30-2002	1,803,000	\$ 0.10
Granted		
Exercised		

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Forfeited

Outstanding at 6-30-2003	1,803,000	\$ 0.10
Options exercisable at 6-30-2003	1,803,000	
Outstanding at 6-30-2003	1,803,000	\$ 0.10
Granted	--	--
Exercised	1,400,000	--
Forfeited	403,000	--
Outstanding at 3-31-04	--	\$ 0.00
Options exercisable at 3-31-04	--	

8. RELATED PARTY TRANSACTIONS

Certain consultants who received common stock options under the Company's non-qualified stock option plan are the Company's directors and stockholders. (See Note 6.) Until October 2001, an associate of a director of the Company provided office space to the Company in exchange for services provided by the director. The value of this space was considered to be \$2,000 per month and was considered to be a loan from the director at that time.

In September 2001, the Company's board of directors approved consulting agreements with Edward W. Withrow III and Warren K. Withrow for consulting/employment agreements providing for payments to each of \$3,500 cash per month and options to purchase up to 1,800,000 shares of common stock. These options were subsequently reduced to 700,000 shares in December 2001 and the cash value of services was increased to \$10,000 per month, which was to begin in April 2002; however, as of June 30, 2002, no compensation has been paid, and the agreements are being renegotiated.

In the period ended December 31, 2003, the Company paid two of its officers a total of \$46,250 as independent contractors and consultants. In the period ended March 31, 2004, the Company paid certain shareholders who could be defined as Related Parties, 24,000,000 shares of common stock for services, valued at \$339,000.

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REWARD ENTERPRISES, INC.
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9. COMMITMENTS AND CONTINGENCIES

In February 2002, the Company entered into a non-exclusive financial advisory contract with SBI USA, a member of Softbank Investment Group. In consideration for the services of SBI, the Company is obligated to pay a \$12,500 retainer which becomes due and payable upon funding the Company's \$500,000 promissory note. The Company also granted common stock warrants pursuant to this agreement. (See Note 7.) At March 31, 2004, the Company has not paid any of the retainer,

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and has not received any funding from the issuance of the aforementioned promissory note.

On June 1, 2003, the Company entered into a consulting agreement with Huntington Chase Financial Group LLC. The terms of the agreement are \$10,000 per month for a six month period ending November 2003. All liabilities under this agreement were satisfied by the Company under terms of the January 15, 2004 issuance of 23,000,000 shares of stock to Huntington Chase Financial Group, LLC.

10. LOANS PAYABLE

The Company issued two convertible promissory notes for a total of \$30,000 in May 2002 and one promissory note for \$25,000 in January 2003 and one promissory note for \$15,000 in June 2003 which bear interest rates at 20%, 15% and 15% respectively. The two convertible notes had warrants attached, and were convertible into common stock within 60 and 90 days of issuance. Neither note was converted. Under their original terms, the notes were payable on or before either 60 or 90 days from issuance. The \$20,000 note is in default, and began accruing interest at 25% in July 2002. The terms of the \$10,000 note were extended to December 31, 2002. The \$4,000 value of the warrants on the \$20,000 note resulted in that note being issued at a discount which will be amortized over the life of the original note. On October 1, 2003, the Company entered into a promissory note for monies received in the amount of \$10,000. The note is due and payable on November 1, 2003 at the rate of 12% interest per month with an administrative fee of \$1,400 for a total due of \$11,500. A total of \$17,938 was accrued as interest on these notes at March 31, 2004.

In February of 2004, under terms of the Stock and Promissory Note Purchase Agreement executed between certain shareholders of the Company and Bell Investments, LLC of Sarasota, FL, the Notes described above in the total amount of \$81,500 and the related interest accrued to the Notes of \$17,938 was sold by the holders of the Notes to Bell Investments, LLC. Bell Investments, LLC, the majority stockholder of the Company, is now the holder of the Notes.

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REWARD ENTERPRISES, INC.
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11. DEFERRED REVENUE FROM JOINT VENTURE

In early 2003, the Company entered into revenue sharing agreements with five individuals surrounding the Company's proposed International Long Distance ("ILD") telecommunications operation, which was to deliver long distance telephone service from wholesale telecommunication operators between the United States and India. The individuals advanced \$175,000 against future revenues that would be generated by the ILD. The Company agreed to split the net profits of the IDL on a 50-50 basis during the first twelve months of ILD being in operation. Profits are defined as gross revenue from wholesalers less termination costs (the cost to terminate a telephone call in India charged by the India telephone company), less the Company's India partners share of 30% and other expenses that approximate \$20,000 a month. The maximum amount that the investors were to realize was a 100% return on investment. These advances were booked for financial statement purposes as Deferred Revenue on the balance sheet of the Company as of June 30, 2003 and would have been recognized as revenue by the Company over the subsequent twelve months once operations began. The Company has terminated its joint venture relationship with the five individuals and a settlement occurred on the advances made to the Company. At present, the

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\$175,000 deposit is still classified as deferred income in the liability section of the balance sheet until the item is further clarified in the June 30, 2004 accounting period.

12. SUBSEQUENT EVENTS

On April 28, 2004, the Company and Magna Yachts, Inc. terminated their non-binding letter of intent (see Note 3).

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

PLAN OF OPERATION

GENERAL

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements, and the Notes thereto included herein. The information contained below includes statements of Reward Enterprises, Inc.'s ("Reward") or management's beliefs, expectations, hopes, goals and plans that, if not historical, are forward-looking statements subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements. For a discussion on forward-looking statements, see the information set forth in the Introductory Note to this Quarterly Report under the caption "Forward Looking Statements", which information is incorporated herein by reference.

GOING CONCERN

As reflected in Reward's financial statements for the three months ended March 31, 2004, Reward's accumulated deficit of \$3,520,567 and its working capital deficiency of \$143,134 raise substantial doubt about its ability to continue as a going concern. The ability of Reward to continue as a going concern is dependent on Reward's ability to raise additional debt or capital. The financial statements for March 31, 2004 do not include any adjustments that might be necessary if Reward is unable to continue as a going concern.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. At each balance sheet date, management evaluates its estimates. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The estimates and critical accounting policies that are most important in fully understanding and evaluating our financial condition and results of operations include those listed below.

ACCOUNTING METHODS

The Company's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

BASIC AND DILUTED LOSS PER SHARE

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Net loss per share was computed by dividing the net loss by the weighted average number of shares outstanding during the period. The weighted average number of shares was calculated by taking the number of shares outstanding and weighting them by the amount of time that they were outstanding. Basic and diluted loss per share were the same, as the inclusion of common stock equivalents would be anti-dilutive.

CASH AND CASH EQUIVALENTS

For purposes of the consolidated statements of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

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PROVISION FOR TAXES

Income taxes are provided based upon the liability method of accounting pursuant to SFAS No. 109 "Accounting for Income Taxes." Under this approach, deferred income taxes are recorded to reflect the tax consequences on future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against deferred tax assets if management does not believe the Company has met the "more likely than not" standard imposed by SFAS No. 109 to allow recognition of such an asset.

At March 31, 2004 and June 30, 2003, the Company had net deferred tax assets of approximately \$1,193,457 and \$1,045,000, respectively, principally arising from net operating loss carryforwards for income tax purposes, and a \$10,400 book-tax difference related to stock options issued for services. As management of the Company cannot determine that it is more likely than not that the Company will realize the benefit of the net deferred tax asset, a valuation allowance equal to the net deferred tax asset has been established as of March 31, 2004 and June 30, 2003 in the amounts of \$1,193,457 and \$1,045,000, respectively. The change in the allowance account from June 30, 2003 to March 31, 2004 was \$148,457 as a result of a change in management's estimates. At March 31, 2004, the Company has net operating loss carryforwards of approximately \$3,500,000, which expire in the years through 2023.

IMPAIRED ASSET POLICY

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144). SFAS No. 144 replaces SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This standard establishes a single accounting model for long-lived assets to be disposed of by sale, including discontinued operations. SFAS No. 144 requires that these long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. This statement is effective beginning for fiscal years after December 15, 2001. The Company adopted SFAS No. 144 during the year ended June 30, 2002.

The Company impaired the remaining value of its goodwill of \$2,100,000, acquired in prior years under Financial Accounting Standards Board Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142) during the year ending June 30, 2003. Under SFAS 142, the Company is required to periodically assess the value of its intangible assets to determine underlying value.

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The Company has recorded an impairment to its software license website and computer hardware of \$65,160 during the year ended June 30, 2001, effectively reducing the recorded amount of these assets to \$1,191 at June 30, 2001. As of June 30, 2003, the Company had deemed its goodwill recorded on its financial statements to be impaired (See Note 5).

WEB SITE DEVELOPMENT

The Company has adopted SOP 98-1 as amplified by EITF 00-2, "Accounting for Web Site Development Costs." In accordance with this adoption, the Company has capitalized website development costs. During the year ended June 30, 2002, the Company capitalized \$145,979 of website development costs, which were acquired in the August 15, 2001 merger. The Company had entered into the specialized international communications market and continues to utilize the website for this purpose, however, these operations have been terminated. In November 2001, the Company began amortizing the web site costs using the straight-line method over a five year expected life for a total amortization expense of \$14,598 at March 31, 2004.

RESULTS OF OPERATIONS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2004, COMPARED TO THE THREE MONTH PERIOD ENDED MARCH 31, 2003

REVENUES

Revenue for the period ended March 31, 2004, was \$0.00, compared to \$0.00 in revenues for the period ended March 31, 2003. The Company currently has very limited operations. While the Company has not identified a particular merger candidate, the Company believes its best opportunity to generate revenue is to acquire an operating company.

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COST OF REVENUE. There was no cost of revenue for the three month periods ended March 31, 2004 and March 31, 2003, as there was no revenue during these periods.

GROSS PROFIT. There was no gross profit for the three month periods ended March 31, 2004 and March 31, 2003.

OPERATING EXPENSES. Operating expenses for the three month period ended March 31, 2004, were \$25,263, as compared to \$0, for the period ended March 31, 2003 (restated). Operating expenses in 2004 consisted of \$20,397 of legal expense and \$4,866 in depreciation.. In the 2003 period, the Company had no expenses (restated).

OTHER INCOME (EXPENSE). Other income (expense) for the three month period ended March 31, 2004 consisted of \$2,200 in interest expense. In the 2003 period, the Company had no interest expense (restated).

OTHER COMPREHENSIVE INCOME (EXPENSE). Other comprehensive (expense) for the three month period ended March 31, 2004 consisted of \$274,472 in losses from discontinued operations. In the 2003 period, the Company had \$54,949 in losses from discontinued operations (restated).

NET LOSS. Reward had a net loss of \$301,935 for the three month period ended March 31, 2004, as compared to a net loss of \$54,949 for the three month period ended March 31, 2003. The increase of \$246,986 was mostly attributable to increased consultants expense in the 2004 period.

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LIQUIDITY AND CAPITAL RESOURCES

Reward's financial statements have been prepared on a going concern basis that contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. Reward incurred a net loss of \$301,935 and \$54,949 for the three month periods ended March 31, 2004 and March 31, 2003, respectively, and has an accumulated deficit of \$3,520,567 at March 31, 2004. As of March 31, 2004, the Company had no current assets and current liabilities of \$143,134.

Management recognizes that Reward must generate or obtain additional capital to enable it to continue operations. Management may obtain additional capital principally through the sale of equity or debt securities. The realization of assets and satisfaction of liabilities in the normal course of business is dependent upon Reward obtaining additional equity capital and ultimately obtaining profitable operations. However, no assurances can be given that Reward will be successful in these activities. Should any of these events not occur, the accompanying consolidated financial statements will be materially affected.

We had very limited operations and no revenues during the period ended March 31, 2004.

For the nine months ended March 31, 2004, the Company used net cash in operations of \$24,335, no cash for investing activities and had \$11,500 cash provided by financing activities.

The Company issued two convertible promissory notes for a total of \$30,000 in May 2002 and one promissory note for \$25,000 in January 2003 and one promissory note for \$15,000 in June 2003 which bear interest rates at 20%, 15% and 15% respectively. The two convertible notes had warrants attached, and were convertible into common stock within 60 and 90 days of issuance. Neither note was converted. Under their original terms, the notes were payable on or before either 60 or 90 days from issuance. The \$20,000 note is in default, and began accruing interest at 25% in July 2002. The terms of the \$10,000 note were extended to December 31, 2002. The \$4,000 value of the warrants on the \$20,000 note resulted in that note being issued at a discount which will be amortized over the life of the original note. On October 1, 2003, the Company entered into a promissory note for monies received in the amount of \$10,000. The note is due and payable on November 1, 2003 at the rate of 12% interest per month with an administrative fee of \$1,400 for a total due of \$11,500. A total of \$17,938 was accrued as interest on these notes at March 31, 2004.

In February of 2004, under terms of the Stock and Promissory Note Purchase Agreement executed between certain shareholders of the Company and Bell Investments, LLC of Sarasota, Florida, the Notes described above in the total amount of \$81,500 and the related interest accrued to the Notes of \$17,938 was sold by the holders of the Notes to Bell Investments, LLC. Bell Investments, LLC, the majority stockholder of the Company, is now the holder of the Notes.

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We anticipate that we will require significant capital to maintain our corporate viability. We anticipate necessary funds will most likely be provided by our existing shareholders or outside investors. We may be required to pledge equity in the Company to induce individuals, officers or directors or other shareholders to guarantee our loans when necessary.

Reward presently has minimal expenses as its officer is not taking any salary. However, due to insufficient cash generated from operations, Reward currently does not have internally generated cash sufficient to pay any incurred

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expenses and other liabilities. As a result, Reward is dependent on investor capital and loans to meet its expenses and obligations. There can be no assurances that Reward will generate cash flow sufficient to meet future obligations. There can be no assurances that Reward will be able to raise sufficient additional capital in the future.

We have incurred losses since inception. Management believes that it will require approximately \$150,000 in additional capital to fund overall Company operations for the next twelve months. Reward currently has \$0.00 in cash and cash equivalents as of March 31, 2004 and has \$0.00 in cash as of June 22, 2004.

PLAN OF OPERATION

The Company plans to continue operating with small administrative and consulting fees in the next fiscal year in order to continue operations.

From time to time, Reward may evaluate potential acquisitions involving complementary businesses, content, products or technologies. Reward has no present agreements or understanding with respect to any such acquisition. Reward's future capital requirements and future operations will depend on many factors, including whether Reward finds a suitable merger candidate.

ITEM 3. CONTROLS AND PROCEDURES

(A) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's Principal Executive Officer/Principal Financial Officer (one person) of the effectiveness of the design and operation of the Company's disclosure controls and procedures. The Company's disclosure controls and procedures are designed to provide a reasonable level of assurance of achieving the Company's disclosure control objectives. The Company's Principal Executive Officer/Principal Accounting Officer has concluded that the Company's disclosure controls and procedures are, in fact, effective at this reasonable assurance level as of the period covered.

(B) CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

In connection with the evaluation of the Company's internal controls during the Company's quarter ended March 31, 2004, the Company's Principal Executive Officer/Principal Financial Officer has determined that there are no changes to the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially effect, the Company's internal controls over financial reporting.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES

In January 2004, the Company issued 23,000,000 shares of its common stock to Huntington Chase Financial Group in payment for consulting fees valued at \$325,000.

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In January 2004, the Company paid 2,400,000 shares of its Common Stock to an unaffiliated third party individual in payment for consulting services valued at \$33,740.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

The Company issued two convertible promissory notes for a total of \$30,000 in May 2002 and one promissory note for \$25,000 in January 2003 and one promissory note for \$15,000 in June 2003 which bear interest rates at 20%, 15% and 15% respectively. The two convertible notes had warrants attached, and were convertible into common stock within 60 and 90 days of issuance. Neither note was converted. Under their original terms, the notes were payable on or before either 60 or 90 days from issuance. The \$20,000 note is in default, and began accruing interest at 25% in July 2002. The terms of the \$10,000 note were extended to December 31, 2002. The \$4,000 value of the warrants on the \$20,000 note resulted in that note being issued at a discount which will be amortized over the life of the original note. On October 1, 2003, the Company entered into a promissory note for monies received in the amount of \$10,000. The note is due and payable on November 1, 2003 at the rate of 12% interest per month with an administrative fee of \$1,400 for a total due of \$11,500. A total of \$17,938 was accrued as interest on these notes at March 31, 2004.

In February of 2004, under terms of the Stock and Promissory Note Purchase Agreement executed between certain shareholders of the Company and Bell Investments, LLC of Sarasota, FL, the Notes described above in the total amount of \$81,500 and the related interest accrued to the Notes of \$14,637 was sold by the holders of the Notes to Bell Investments, LLC. Bell Investments, LLC, the majority stockholder of the Company, is now the holder of the Notes.

ITEM 4. SUBMISSION OF MATTERS TO BE A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the three months ended March 31, 2004. However, the Company is in the process of preparing and mailing a definitive information statement to shareholders setting forth that the majority shareholder of the Company plans to approve an amendment to the Company's Articles of Incorporation to increase the authorized shares of common stock from 200,000,000 to 5,000,000,000 and to authorize 10,000,000 shares of preferred stock.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) EXHIBITS:

EXHIBIT NUMBER	TITLE OF DOCUMENT	LOCATION
31.1	Certification by Chief Executive Officer/Principal Accounting Officer pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Provided herewith

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32.1 Certification by Chief Provided herewith
 Executive Officer/Principal
 Accounting Officer pursuant to
 18 U.S.C. Section 1350, as
 adopted pursuant to Section 906
 of the Sarbanes-Oxley Act of
 2002

(B) REPORTS ON FORM 8-K:

During the three months ended March 31, 2004, the Company did not file any current reports on Form 8-K with the Commission. On May 6, 2004, the Company filed a Form 8-K reporting under Item 5 that the Company and Magna Yachts, Inc. terminated their non-binding letter of intent pursuant to which Reward was to acquire all of the outstanding shares of Magna Yachts.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

JUNE 28, 2004

REWARD ENTERPRISES, INC.

By: /s/ Earl Ingarfield

Earl Ingarfield
Chief Executive Officer,
Principal Accounting Officer and
Director

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