

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-KSB

(Mark one)

☒ ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934 (no fee required)

For the fiscal year ended August 31, 2004

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period _____ to _____

Commission file number 1-5970

SILVER BUTTE COMPANY
(Name of small business issuer in its charter)

Nevada
(State or other jurisdiction of incorporation)

82-0263301
(I.R.S. Employer Id. No.)

520 Cedar Street, Sandpoint, ID
(Address of principal executive offices)

83864
(Zip code)

Registrant's telephone number, including area code: (208) 263-5154

Securities registered under Section 12(b) of the Exchange Act: None
Securities registered under Section 12(g) of the Exchange Act:
Common Stock, par value \$0.05 per share

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period as the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes (X) No ()

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or other information statements incorporated by reference in Part III of this Form 10-KSB or any amendments to this Form 10-KSB. []

The Registrant generated no revenues for its most recent fiscal year. The aggregate market value of the voting and non-voting stock held by non-affiliates of the Registrant, based on the average bid and ask price as of November 24, 2004 was \$1,340,833.

At November 20, 2004, there were 16,760,415 outstanding shares of par value \$0.001 common stock. This Form 10-KSB contains 28 pages.

SILVER BUTTE COMPANY
(Formerly Silver Butte Mining Company)
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PART I

ITEM 1. DESCRIPTION OF BUSINESS

Forward-looking statements

This Form 10-KSB contains forward-looking statements. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance and underlying assumptions that are not statements of historical facts. This document and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance. The words “believe,” “expect,” “anticipate,” “intends,” “estimates,” “forecast,” “project” and similar expressions identify forward-looking statements.

The forward-looking statements in this document are based upon various assumptions, many of which are based on management’s discussion and analysis or plan of operations and elsewhere in this report. Although we believe that these assumptions were reasonable when made, these statements are not guarantees of future performance and are subject to certain risks and uncertainties, some of which are beyond our control, and are difficult to predict. Actual results could differ materially from those expressed in forward-looking statements. Readers are cautioned not to place undue reliance on any forward-looking statements, which reflect management’s view only as of the date of this report.

General

Silver Butte Mining Company (“SIBM”) was incorporated under the laws of the State of Idaho on January 19, 1965, and was a mining company in the exploration stage from its inception until it decided to abandon its status as an exploration stage enterprise by ceasing all exploration activities in 1994. SIBM was previously engaged in exploring for non-ferrous and precious metals, principally silver and lead. However, the SIBM was unable to develop any commercial ore deposits, following many years of extensive exploration through geologic sampling and mapping, core drilling, and tunneling.

During an annual meeting of shareholders held on February 4, 2004, a merger with Silver Butte Company was ratified. Silver Butte Company was incorporated in the state of Nevada on March 4, 2004. The merger became effective on March 4, 2004 upon filing the Articles of Merger with the respective states. On that date, the Company merged into its wholly-owned Nevada subsidiary and changed its corporate domicile from the state of Idaho to the state of Nevada. Throughout this report reference to “the Registrant” may include the Idaho corporation prior to the merger and the Nevada corporation subsequent to the merger.

Due to the recent increase in the price of gold and silver, management is attempting raise funds to reactivate the Registrant with the intention of investigating opportunities in the natural resource industry or other business opportunities which may become available to the Registrant.

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The Registrant has been incurring operating losses in recent years and has no recurring source of revenue other than interest income. These conditions raise substantial doubts to the Registrant's ability to continue as a going concern. As a result, the Registrant's independent auditors included a "going concern" qualification in their report on the Registrant's financial statements. The Registrant's management plans to maintain the Registrant as a going concern although there is no assurance they will be successful.

The Registrant's executive offices are located at 520 Cedar Street, Sandpoint, ID 83864. The mailing address is 520 Cedar Street, Sandpoint, ID 83864.

Employees

The Registrant currently has no full-time employees. The Registrant intends to utilize the services of outside consultants.

Competition

There is aggressive competition within the minerals industry to discover and acquire claims considered to have commercial potential. The Registrant's competitors have longer operating histories, more experienced management and greater financial and market strengths. In addition, the Registrant competes with others in efforts to obtain financing to explore and develop mineral properties. There is no assurance that the Registrant can compete effectively with these and other companies.

Regulation

The Registrant's activities in the United States are subject to various federal, state, and local laws and regulations governing prospecting, development, production, labor standards, occupational health and mine safety, control of toxic substances, and other matters involving environmental protection and taxation. It is possible that future changes in these laws or regulations could have a significant impact on the Registrant's business, causing those activities to be economically reevaluated at that time.

ITEM 2. DESCRIPTION OF PROPERTY

The Registrant holds the following mining properties: (1) Mineral rights only of 6 patented mining claims covering approximately 165 acres situated in Sections 1, Township 55 North, Range 2 West Boise Meridian, and Sections 5, 6 and 8, Township 55 North, Bonner County, Idaho; and (2) One acre of deeded land encompassing the "Stidwell Adit" adjacent to Mirror Lake in Section 31, Township 56 North, Range 1 West Boise Meridian, Bonner County, Idaho.

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ITEM 3. LEGAL PROCEEDINGS

None.

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

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year ending August 31, 2004.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

- a) Market information. The Registrant's common stock is quoted by the Pink Sheets Quotation System under the symbol SIBM. The following table sets forth the range of high and low bid prices as reported by the Pink Sheet Quotation System for the periods indicated. These over-the-counter bid prices reflect inter-dealer prices without retail mark-up, mark-down or commission, and may not necessarily represent actual transactions.

	August 31, 2004		August 31, 2003	
	High	Low	High	Low
First Quarter	\$0.05	\$0.02	\$0.05	\$0.02
Second Quarter	0.15	0.04	0.04	0.02
Third Quarter	0.22	0.06	0.04	0.02
Fourth Quarter	0.11	0.07	0.04	0.02

- b) As of November 24, 2004, there were approximately 1,163 holders of record of the Registrant's Common Stock.
- c) The Registrant has paid no dividends and propose for the foreseeable future to utilize all available funds for the development of its business. Accordingly, it has no plans to pay dividends even if funds are available, as to which there is no assurance. There are no restrictions on the Registrant's ability to pay dividends.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

Plan of Operation

The Registrant has a cash balance of \$15,593 and working capital of \$14,356 at August 31, 2004. Operating costs for the ensuing fiscal year is estimated to be \$12,000 and no cash from operations is anticipated.

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(Formerly Silver Butte Mining Company)
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As described by the Registrant's independent auditors in Note 1 to the Registrant's financial statements, there is substantial doubt as to the Registrant's ability to continue as a going concern. In order to continue as a going concern, the Registrant is dependent upon continued availability of equity financing and successfully implementing its plan of operation to pursue new business opportunities. There can be no assurance that we will be successful in our plan to seek new business opportunities.

ITEM 7. FINANCIAL STATEMENTS

Silver Butte Company (formerly Silver Butte Mining Company)

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REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM

Board of Directors
Silver Butte Company
Sandpoint, Idaho

We have audited the accompanying balance sheets of Silver Butte Company as of August 31, 2004 and 2003, and the related statements of operations, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Silver Butte Company as of August 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 1 to the financial statements, the Company's recurring operating losses raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ LeMaster & Daniels PLLC

Spokane, Washington
November 13, 2004

Silver Butte Company (formerly Silver Butte Mining Company)
Balance Sheets
August 31, 2004 and 2003

	2004	2003
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,593	\$ 10,602
Prepaid expenses	<u>0</u>	<u>5,021</u>
Total current assets	15,593	15,623
Property, plant and equipment, net	<u>3,000</u>	<u>3,000</u>
Total assets	<u>\$ 18,593</u>	<u>\$ 18,623</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 0	\$ 6,583
Accounts payable to related parties	1,237	770
Directors' fees payable	<u>0</u>	<u>15,000</u>
Total current liabilities	<u>1,237</u>	<u>22,353</u>
Stockholders' equity (deficit):		
Preferred stock, \$0.001 par value; 10,000,000		
shares authorized, none issued and outstanding		
Common stock, \$0.001 par value; 300,000,000		
shares authorized, 16,410,415 shares		
issued and outstanding at August 31, 2004	16,410	
Common stock, \$0.05 par value; 150,000,000		
shares authorized, 8,760,415 shares		
issued and outstanding at August 31, 2003		438,021
Additional paid-in capital	849,359	363,919
Accumulated deficit	<u>(848,413)</u>	<u>(805,670)</u>
Total stockholders' equity (deficit)	<u>17,356</u>	<u>(3,730)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 18,593</u>	<u>\$ 18,623</u>

The accompanying notes are an integral part of these financial statements.

Silver Butte Company (formerly Silver Butte Mining Company)
Statements of Operations
Years ended August 31, 2004 and 2003

	2004	2003
Operating expenses:		
Directors' fees paid or accrued	\$ 0	\$ (18,443)
Directors' expense reimbursements	(1,758)	(1,161)
Professional service fees	(29,934)	(17,137)
Professional service fees paid to related parties	(8,653)	(12,370)
Other general and administrative expenses	<u>(2,534)</u>	<u>(3,400)</u>
Total operating expenses	<u>(42,879)</u>	<u>(52,511)</u>
Other income:		
Interest and dividend income	<u>136</u>	<u>280</u>
Total other income	<u>136</u>	<u>280</u>
Net loss	<u><u>\$ (42,743)</u></u>	<u><u>\$ (52,231)</u></u>
Loss per common share-basic	<u><u>Nil</u></u>	<u><u>\$ (0.01)</u></u>
Weighted average common shares outstanding-basic	<u><u>14,281,180</u></u>	<u><u>8,651,511</u></u>

The accompanying notes are an integral part of these financial statements.

Silver Butte Company (formerly Silver Butte Mining Company)
Statement of Changes in Stockholders' Equity (Deficit)
Years ended August 31, 2004 and 2003

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity/Deficit
	Shares	Amount			
Balance, August 31, 2002	8,610,415	\$ 430,521	\$ 368,419	\$ (753,439)	\$ 45,501
Issuance of common stock for professional service fees	150,000	7,500	(4,500)		3,000
Net loss				(52,231)	(52,231)
Balance, August 31, 2003	8,760,415	438,021	363,919	(805,670)	(3,730)
Issuance of common stock for cash	7,650,000	382,500	(306,000)		76,500
Fees paid in connection with common stock issuance			(12,671)		(12,671)
Change of par value from \$.05 to \$.001		(804,111)	804,111		
Net loss				(42,743)	(42,743)
Balance, August 31, 2004	16,410,415	\$ 16,410	\$ 849,359	\$ (848,413)	\$ 17,356

The accompanying notes are an integral part of these financial statements.

Silver Butte Company (formerly Silver Butte Mining Company)
Statements of Cash Flows
Years ended August 31, 2004 and 2003

	2004	2003
Cash flows from operating activities:		
Net loss	\$ (42,743)	\$ (52,231)
Adjustments to reconcile net loss to net cash used by operating activities:		
Professional service fees paid by issuing common stock	0	3,000
Decrease (increase) in prepaid expense	5,021	(5,021)
Decrease (increase) in accounts payable	(6,116)	(3,595)
Increase (decrease) in directors' fees payable	(15,000)	15,000
Total adjustments	(16,095)	9,384
Net cash used by operating activities	(58,838)	(42,847)
Cash flows from financing activities:		
Proceeds from sale of common stock	76,500	0
Fees paid in connection with common stock issuance	(12,671)	0
Net cash provided by financing activities	63,829	0
Net change in cash and cash equivalents	4,991	(42,847)
Cash and cash equivalents, beginning of year	10,602	53,449
Cash and cash equivalents, end of year	<u>\$ 15,593</u>	<u>\$ 10,602</u>
Noncash financing activities:		
Professional service fees paid by issuing common stock		<u>\$ 3,000</u>

The accompanying notes are an integral part of these financial statements.

Silver Butte Company (formerly Silver Butte Mining Company)
Notes to Financial Statements

1. Description of Business

Silver Butte Company (formerly Silver Butte Mining Company) is a Nevada corporation, and the successor of Silver Butte Mining Company, an Idaho corporation that was incorporated on January 19, 1965. The Company was originally organized to explore, acquire and develop mineral properties and rights primarily in Idaho. However, the Company's exploration activities never developed any commercial ore deposits. During prior years, the Company made a strategic decision to abandon or sell its mineral properties and rights, and favorably position itself to seek other profitable business opportunities.

During an annual meeting of shareholders held on February 4, 2004, a merger with Silver Butte Company was ratified. Silver Butte Company was incorporated in the state of Nevada on March 4, 2004. The merger became effective on March 4, 2004 upon filing the Articles of Merger with the respective states. On that date, the Company merged into its wholly-owned Nevada subsidiary and changed its corporate domicile from the state of Idaho to the state of Nevada. Throughout this report reference to "the Company" may include the Idaho corporation prior to the merger and the Nevada corporation subsequent to the merger.

The Company has incurred losses over the past several years and has no recurring source of revenue. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. Management's plans for the continuation of the Company as a going concern are primarily focused on the development of a business opportunity that will provide profitable operations. If existing cash and cash equivalents are exhausted before this occurs, the Company could sell its unregistered common stock to finance operations. However, there are no assurances with respect to the future success of these plans. The financial statements do not contain any adjustments, which might be necessary, if the Company is unable to continue as a going concern.

Unless otherwise indicated, amounts provided in these notes to the financial statements pertain to continuing operations.

2. Summary of Significant Accounting Policies

Cash Equivalents

Highly liquid short-term investments with a remaining maturity when purchased of three months or less are classified as cash equivalents. The Company deposits its cash and cash equivalents in high quality financial institutions.

Property, Plant and Equipment

Costs of exploring, acquiring and developing mineral properties are capitalized by the project area. Costs to maintain mineral rights and leases are expensed as incurred. When a property reaches the production stage, the related capitalized costs are amortized using the units-of-production method on the basis of periodic estimates of ore reserves. Mineral properties are periodically assessed for impairment of value, and any subsequent losses are charged to operations at the time of impairment. If a property is abandoned or sold, its capitalized costs are charged to operations.

Machinery and equipment is carried at cost, less accumulated depreciation. Machinery and equipment is depreciated using the straight-line method over the estimated useful lives of the respective assets. Major renewals and betterments are capitalized. Maintenance and repairs are expensed as incurred. Upon sale or retirement, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is recognized in operations.

Silver Butte Company (formerly Silver Butte Mining Company)
Notes to Financial Statements

2. Summary of Significant Accounting Policies, Continued

Impaired Asset Policy

The Company periodically reviews its long-lived assets when applicable to determine if any events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The Company determines impairment by comparing the undiscounted future cash flows estimated to be generated by its assets to their respective carrying amounts.

Environmental Matters

The Company has owned mineral property interests on certain public and private lands in Idaho. The Company's properties have been subject to a variety of federal and state regulations governing land use and environmental matters. The Company's management has engaged consultants to review the potential environmental impacts of its prior mineral exploration and development activities and believes it has been in substantial compliance with all such regulations, and is unaware of any pending action or proceeding relating to regulatory matters that would affect the financial position of the Company. The Company's management acknowledges, however, that the possibility exists that the Company may be subject to environmental liabilities associated with its prior activities in the unforeseeable future, although the likelihood of such is deemed remote and the amount and nature of the liabilities is impossible to estimate.

Income Taxes

The Company accounts for income taxes using the liability method, which requires that deferred income taxes be recognized for temporary differences between the financial statement and income tax bases of assets and liabilities, as well as for net operating loss carryforwards which may result in the recognition of income tax benefits in future years. A valuation allowance is established for deferred tax assets when it is more likely than not that some or all of these deferred tax assets will not be realized.

Loss Per Share

Loss per share – basic is computed by dividing net loss by the weighted-average number of common shares outstanding during the year. Loss per share – diluted is computed by dividing net loss by the sum of the weighted-average number of common shares outstanding and the additional common shares that would have been outstanding if potential common shares had been issued. Potential common shares are not included in the computation of loss per share – diluted if their effect is antidilutive. At August 31, 2004 and 2003, the Company had no potential common shares, and only loss per share – basic is reported for the years then ended.

Fair Values of Financial Instruments

The carrying amounts of financial instruments, including cash and cash equivalents and payables approximated their fair values as of August 31, 2004 and 2003.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Silver Butte Company (formerly Silver Butte Mining Company)
Notes to Financial Statements

2. Summary of Significant Accounting Policies, Continued

Reclassification

Certain balances from prior year financial statements have been reclassified to conform with the current year presentation. These reclassifications did not effect total assets, net loss, or stockholders' equity as previously reported.

New Accounting Pronouncements

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation, Transition and Disclosure, an amendment of FASB Statement No. 123." SFAS No. 148 provides alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of SFAS No. 123 to require prominent disclosure about the effects of reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. Finally, this Statement amends APB Opinion No. 28, Interim Financial Reporting, to require disclosure about those effects in interim financial information. The amendments to SFAS No. 123, which provides alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation is effective for financial statements for fiscal years ending after December 15, 2002. The amendment to SFAS No. 123 relating to disclosures and the amendment to Opinion 28 is effective for financial reports containing condensed financial statements for interim periods beginning after December 15, 2002. Management does not intend to adopt the fair value accounting provisions of SFAS No. 123 and currently believes that the adoption of SFAS No. 148 will not have a material impact on the Company's financial statements.

3. Property, Plant and Equipment

Property, plant and equipment is comprised of the Company's mineral properties and fully depreciated machinery and equipment (which had an original cost of \$3,850). Mineral properties consist of one (1) acre of deeded land, and the mineral rights only of six patented mining claims covering 165 acres, all located in Bonner County, Idaho. In prior years, the Company determined that the carrying value of its mineral properties exceeded the cash flows estimated to be generated by these assets, and therefore reduced the carrying value to \$3,000.

4. Income Taxes

At August 31, 2004 and 2003, the Company had deferred tax assets of approximately \$183,000 and \$165,000, respectively, arising from net operating loss carryforwards. Management has determined that it is more likely than not that these deferred tax assets will not be realized, and therefore a valuation allowance equal to the full amount of the deferred tax asset has been established at both August 31, 2004 and 2003. For the years presented, the effective income tax rate differed from the expected rate because of the effects of annual changes in the deferred income tax asset valuation allowance. Changes in the valuation allowance relate only to the corresponding change in the deferred income tax asset for those years.

At August 31, 2004, the Company has tax basis net operating loss carryforwards totaling approximately \$436,000, which expire in the years 2005 through 2024.

Silver Butte Company (formerly Silver Butte Mining Company)
Notes to Financial Statements

5. *Related Party Transactions*

At August 31, 2004 and 2003, accounts payable to related parties is comprised of professional service fees (for accounting and stock transfer services) of \$450 and \$770, respectively, owed to companies owned by Delaine Hess Gruber (a director and stockholder).

During the year ended August 31, 2004, professional service fees paid to related parties is comprised of accounting and stock transfer fees of \$8,653 paid (or accrued) to companies owned by Ms. Gruber.

During the year ended August 31, 2003, professional service fees paid to related parties is comprised only of accounting and stock transfer fees of \$12,370 paid (or accrued) to companies owned by Donald L. Hess (a director and stockholder) or, subsequent to Mr. Hess' death on April 23, 2003, owned by Ms. Gruber. Ms. Gruber has been a stockholder since January 1, 2003 and a director since May 22, 2003. The fees paid to Ms. Gruber in 2003 include the issuance of 125,000 shares of the Company's unregistered common stock valued at \$2,500 (see footnote 7).

6. *Termination of Share Exchange Agreement*

During the year ended August 31, 2002, the Company entered into a Share Exchange Agreement with Quantum Technology Group, Inc. (Quantum) with the intention of merging the two companies. The agreement, as amended, called for, among other provision, the shareholders of Quantum to receive 50 shares of the Company's unregistered common stock in exchange for each (1) Quantum share owned. Quantum was a development stage enterprise whose only asset is an exclusive license to market and sell in the United States of America, an electronic device known as the Handheld Portable Digital Geographic Data Manager (hand-held field digital data mapping device).

On June 4, 2003, Quantum notified the Company that they were terminating the merger in accordance with terms provided in the Share Exchange Agreement. Both the Company and Quantum signed hold harmless provisions in connection with the termination of the Share Exchange Agreement.

7. *Common Stock*

Capitalization

Upon merger with Silver Butte Company on March 4, 2004 (see Note 1), the surviving corporation's capitalization authorizes 300,000,000 shares of \$0.001 par value common stock for issue. In addition, a class of \$0.001 par value preferred stock is authorized with 10,000,000 shares available for issue.

Prior to March 4, 2004, the Company had one class of non-assessable common stock. The common stock has a par value of \$0.05 per share. The number of shares authorized for issue increased from 10,000,000 shares to 150,000,000 in June 2003. The increase of authorized shares was approved by shareholders in a special shareholders meeting held in May 2003 (discussed below).

Private Placement

In November 2003, the Company had a private placement offering to raise funds. The funds will be used to fund ongoing operations and to finance efforts to identify and acquire interest in natural resource or other business opportunities.

Silver Butte Company (formerly Silver Butte Mining Company)
Notes to Financial Statements

7. Common Stock, Continued

Private Placement - Continued

In accordance with the terms of the private placement, the Registrant offered 4,000,000 Units of the Registrant's \$.05 par value common stock at a price of \$.01 per Unit. Each Unit consists of one share of Common Stock and one Common Stock Purchase Warrant, exercisable for twenty-four months from the date of issue, to purchase one additional share of Common Stock. The exercise price of the Common Stock Purchase Warrant is \$.01 per share for the 12 months from the date of issuance and thereafter at a price of \$.05 per share. The Shares are offered on a "Best Efforts" basis. The Shares were offered for cash only.

During the year ended August 31, 2004, the amount received from this offering is as follows:

Gross Proceeds from original issuance (4,000,000 units @ \$.01)	\$ 40,000
Sales commissions (at 10%)	(4,000)
Less Offering Costs	(8,671)
Proceeds from exercise of warrants (3,650,000 shares @ \$.01)	<u>36,500</u>
Net proceeds	<u>\$ 63,829</u>

At August 31, 2004, warrants for the purchase of 350,000 shares of common stock for an exercise price of \$.01 were outstanding. These warrants were exercised in September 2004 for \$3,500.

2003 Proxy Solicitation

In connection with this Share Exchange Agreement (discussed in footnote 6), the Company held a special annual meeting of its shareholders on October 11, 2002, wherein the Company's shareholders voted to: elect directors; change the name of the Company to Quantum Technology Group, Inc.; increase the authorized common stock to 150,000,000 shares; and ratify the Share Exchange Agreement with Quantum.

Subsequent to this special annual meeting, the Company determined that the proxy solicitation for votes at this meeting had not fully complied with applicable securities laws and regulations. The Company's board of directors and management determined that a resolicitation of proxies for another special meeting was warranted. The Company held this special shareholders meeting on May 16, 2003. The stockholders voted to: elect the board of directors, increase the authorized common stock to 150,000,000 shares, and change the name of the Company to Quantum Technology Group. The board of directors voted not to change the Company's name to Quantum Technology Group because the Share Exchange Agreement was terminated (see footnote 6).

During the year ended August 31, 2002, the Company paid legal fees of \$4,350 to an attorney in connection with a proxy solicitation. These legal fees included \$3,750 that was satisfied by the Company issuing 125,000 shares of its unregistered common stock. During the year ended August 31, 2003, the Company terminated its relationship with this attorney. As part of the termination agreement, the Company received the 125,000 shares of common stock back. In addition, both the Company and the attorney signed hold harmless agreements in connection with the termination.

Silver Butte Company (formerly Silver Butte Mining Company)
Notes to Financial Statements

7. Common Stock, Continued

2003 Proxy Solicitation - Continued

During the year ended August 31, 2003, the Company re-issued the 125,000 shares of common stock received back to Delaine Hess Gruber for professional services performed in connection with the proxy solicitation. Upon completion of the solicitation, the Company issued an additional 125,000 shares (valued at \$2,500) of its unregistered common stock to Ms. Gruber.

Also during the year ended August 31, 2003, the Company awarded 25,000 shares (valued at \$500) of its unregistered common stock to Michelle White for her services in connection with the proxy solicitation.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

(a) Identification of Directors and Executive Officers are as follows:

Name	Age	Affiliation with Registration	Expiration of Term
Terry McConnaughey	69	President, Director	Annual meeting
Joseph Zinger	64	Vice President, Director	Annual meeting
Robert J. Evans	79	Secretary/Treasurer, Director	Annual meeting
Wayne Hohman	64	Director	Annual meeting
Delaine Hess Gruber	42	Director	Annual meeting

Business Experience of Directors and Executive Officers

John T. (Terry) McConnaughey: Mr. McConnaughey was Sagle Fire District Commissioner from 1998 to 2000. In the Spring of 2001, he was appointed to Sandpoint Airport Advisory as Director for a four (4) year term. Mr. McConnaughey became a member of the board of directors of Silver Butte in 1996, and elected President in March 2001.

Elmer J. (Joe) Zinger, Vice President: Mr. Zinger was employed as a construction foreman at Hidden Lakes Golf Course since 1991. Mr. Zinger was appointed to the Board of Directors of Silver Butte in 1992, and elected Vice President in Spring of 2001.

Robert J. Evans, Secretary/Treasurer: He has been a director of the Registrant for the past 21 years and secretary/treasurer of the Registrant for the past 13 years.

Wayne A. Hohman, Director: Mr. Hohman retired from teaching in 1996 after twenty-nine years. He then became involved in land and timber management. He was appointed to the Board of Directors in 1996.

Delaine Hess Gruber, Director: Ms. Gruber has been a certified public accountant and has worked for an international public accounting firm for over twenty years. She was appointed to the Board of Directors in 2003. Her firm, Delaine Hess Gruber, CPA provides accounting services for the Registrant. Ms. Gruber is also a director and president of Mineral Mountain Mining and Milling Company.

The Board of Directors has no standing audit, nominating or compensation committees. The entire board performs the function of each of these committees.

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Section 16(a) Beneficial Ownership Reporting Compliance

Officers, Directors, and beneficial owners of 10% or more of the Registrant's Common Stock are required to file on a timely basis the reports required by section 16(a) of the Exchange Act based on a review of Forms 3, 4, and 5:

To the Registrant's knowledge, the required Forms 3, 4, and 5 have been filed although not all have been filed on a timely basis.

ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth, for the fiscal years ended August 31, 2004, 2003, and 2002 compensation paid by the Registrant to executives for work performed for the benefit of the Registrant. The Registrant has provided no stock options, warrants, or stock appreciation rights. There are no other employment contracts or incentive pay agreements with the officers and/or directors, who are paid on an hourly basis for work performed according to the terms and rates approved by the Board of Directors.

Name/Title	Year	Annual Compensation			Restricted Stock Awards	Long Term Compensation		
		Salary	Bonus	Other Annual Compensation		Options SARS (#)	LTIP payouts (\$)	All Other Compensation
Terry McConnaughey, Pres, Dir.	2002	---	---	\$2,000[4]	---	---	---	\$4,300 [1]
Terry McConnaughey, Pres, Dir.	2003	---	---	---	---	---	---	3,000 [5]
Terry McConnaughey, Pres, Dir.	2004							
E. Joseph Zinger, Vice Pres, Dir.	2002	---	---	2,000[4]	---	---	---	667[1]
E. Joseph Zinger, Vice Pres, Dir.	2003	---	---	---	---	---	---	3,000 [5]
E. Joseph Zinger, Vice Pres, Dir.	2004							
Robert J. Evans, Sec/Treas, Dir.	2002	---	---	3,000[4]	---	---	---	2,131[1]
Robert J. Evans, Sec/Treas, Dir.	2003	---	---	---	---	---	---	3,000 [5]
Robert J. Evans, Sec/Treas, Dir.	2004							
Wayne Hohman, Dir	2002	---	---	2,000[4]	---	---	---	688[1]
Wayne Hohman, Dir	2003	---	---	---	---	---	---	3,000 [5]
Wayne Hohman, Dir	2004							
Donald L. Hess, Dir	2002	---	---	400[4]	---	---	---	4,645 [2]
Donald L. Hess, Dir	2003	---	---	---	---	---	---	3,064 [2]
Donald L. Hess, Dir	2004							
Delaine Hess Gruber, Dir	2003	---	---	---	---	---	---	3,000 [5]
								6,126 [2]
								3,180[3]
Delaine Hess Gruber, Dir	2004							448 [2]
								\$8,205 [3]

[1] Officers and Directors Fees associated with annual meeting and proxy solicitation.

[2] The Registrant paid the Columbia Stock Transfer Company \$6,126, and \$1,562 for stock transfer services and proxy services during the years ended August 31, 2003 and 2002, respectively. The amount paid during the four month period ended December 31, 2003 was \$448. The president of The Columbia Stock Transfer Company was Donald Hess, director, until his death on April 23, 2003 and then Delaine Hess Gruber until December 31 2003. The Registrant also paid the Donald L. Hess P.A. accounting firm \$3,064 and \$3,083 for services during the years ended August 31, 2003 and 2002, respectively.

[3] The Registrant paid or accrued Delaine Hess Gruber C.P.A. accounting firm \$8,205 and \$3,180 for services during the year ended August 31, 2004, and 2003, respectively. Of this 2003 amount, \$2,500 was paid in the form of 125,000 shares of the Registrant's unregistered common stock.

[4] The Registrant issued stock to its directors to compensate them for directors fees that had not been paid for several years. The number of shares issued, based upon length of service, were as follows: McConnaughey – 100,000 shares, Zinger – 100,000 shares, Evans – 150,000 shares, Hohman – 100,000 shares, Donald L. Hess – 20,000 shares. These shares were valued at the two cent per share bid price on the date of issuance.

[5] During the year ended August 31, 2003, the Registrant paid \$3,000 to each director for directors fees.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

- (a) Security ownership of certain beneficial owners: Two persons of record own more than 5% of the Registrant's Common Stock as follows:

Title of Class	Name of Beneficial Owner	Amount of Beneficial	Percent of Class (1)
		Ownership	
Common Stock	Terry Dunne	2,400,000	14.32%
Common Stock	Patrick Power	2,000,000	11.93%
Common Stock	Delaine H. Gruber	860,000	5.13%

(1) based upon 16,760,415 total common stock shares outstanding as of November 24, 2004

- (b) Security ownership of management:

Title of Class	Name of Beneficial Owner	Amount of Beneficial	Percent of Class (1)
		Ownership	
Common Stock	Terry McConaughy	602,500	3.59%
Common Stock	Joseph Zinger	601,000	3.59%
Common Stock	Robert J. Evans	633,000	3.78%
Common Stock	Wayne Hohman	654,501	3.91%
Common Stock	Delaine Hess Gruber	860,000	5.13%
Directors and Executive Officers as a Group			
Common Stock		3,351,001	19.99%

(1) based upon 16,760,415 total common stock shares outstanding as of November 24, 2004

- (c) None.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In addition to the related transactions described in the preceding section of this document, see Note 5 to the financial statements.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits and index of exhibits:
- a. Exhibit 31: Certifications
 - b. Exhibit 32: Section 906 Certifications
- (b) The Registrant filed a Form 8-K on February 4, 2004 which reported the merger with its wholly owned subsidiary, Silver Butte Company. See Item 1 for further details.

ITEM 14. CONTROLS AND PROCEDURES

An evaluation was performed by The Registrant's President and Secretary/ Treasurer of the effectiveness of the design and operation of the Registrant's disclosure controls and procedures. Based on that evaluation, the president and secretary/treasurer concluded that disclosure controls and procedures were effective as of August 31, 2004, in ensuring that all material information required to be filed in this annual report has been made known to them in a timely fashion.

There has been no change in our internal control over financial reporting during the year ended August 31, 2004 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 15. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

The aggregate fees billed for professional services rendered by the Company's principal accountant for the audit of the Company's annual financial statements for the fiscal years ended August 31, 2004 and 2003 and the review for the financial statements included in the Company's quarterly reports on Form 10-QSB during those fiscal years were \$13,300 and \$10,475 respectively.

Audit Related Fees

The Company incurred no fees during the last two fiscal years for assurance and related services by the Company's principal accountant that were reasonably related to the performance of the audit or review of the Company's financial statements, and not reported under "Audit Fees" above.

Tax Fees

The Company incurred no fees during the last two fiscal years for professional services rendered by the Company's principal accountant for tax compliance, tax advice and tax planning.

All Other Fees

The Company incurred other no fees during the last two fiscal years for products and services rendered by the Company's principal accountant.

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SIGNATURES

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

SILVER BUTTE COMPANY (Formerly Silver Butte Mining Company)
(Registrant)

By: /s/Terry McConnaughey
Terry McConnaughey, President and Director

Date: November 24, 2004

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

By /s/ Robert J. Evans
Robert J. Evans, Secretary/Treasurer and Director

Date: November 24, 2004

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

By /s/ Delaine Hess Gruber
Delaine Hess Gruber, Director

Date: November 24, 2004

Exhibit 31 - CERTIFICATIONS

I, Terry McConnaughey, certify that:

1. I have reviewed this annual report on Form 10-KSB of Silver Butte Company (formerly Silver Butte Mining Company)
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this annual report.
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - b) [Not required].
 - c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report my conclusion about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting.
5. I have disclosed, based on my most recent evaluation, to the Registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

By: /s/Terry McConnaughey

Terry McConnaughey, President and Director

Date: November 24, 2004

Exhibit 31 - CERTIFICATIONS

I, Robert J. Evans, certify that:

1. I have reviewed this annual report on Form 10-KSB of Silver Butte Company (formerly Silver Butte Mining Company)
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this annual report.
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - b) [Not required].
 - c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report my conclusion about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting.
5. I have disclosed, based on my most recent evaluation, to the Registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

By /s/ Robert J. Evans

Robert J. Evans, Secretary/Treasurer and Director

Date: November 24, 2004

Exhibit 32 - CERTIFICATIONS PURSUANT TO THE SARBANES-OXLEY ACT

18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

I, Terry McConnaughey, director and president of Silver Butte Company Silver Butte Company (formerly the Silver Butte Mining Company) (the “Registrant”) do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge::

1. This Annual Report on Form 10-KSB of the Registrant for the fiscal year ended August 31, 2004, as filed with the Securities and Exchange Commission (the “report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

By: /s/Terry McConnaughey
Terry McConnaughey, President and Director

Date: November 24, 2004

Exhibit 32 - CERTIFICATIONS PURSUANT TO THE SARBANES-OXLEY ACT

18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

I, Robert J. Evans, director and secretary/treasurer of Silver Butte Company (formerly the Silver Butte Mining Company) (the “Registrant”) do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge::

1. This Annual Report on Form 10-KSB of the Registrant for the fiscal year ended August 31, 2004, as filed with the Securities and Exchange Commission (the “report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

By /s/ Robert J. Evans
Robert J. Evans, Secretary/Treasurer and Director

Date: November 24, 2004