

COMMERCE GROUP CORP. - SAN SEBASTIAN GOLD MINES, INC.

JOINT VENTURE AGREEMENT

This is an agreement made as of the 22nd day of September, 1987, by and between Commerce Group Corp. (hereinafter referred to as "Commerce"), a Delaware corporation, and San Sebastian Gold Mines, Inc. (hereinafter referred to as "Sanseb"), a Nevada corporation (both of whom together are hereinafter collectively sometimes referred to as "Venturers"):

WHEREAS, Sanseb is a corporation formed in 1968 to produce gold from a gold mine known as the San Sebastian Gold Mine (hereinafter referred to as the "Project") located approximately two miles east of the City of Santa Rosa De Lima in the country of El Salvador;

WHEREAS, in 1970, Sanseb acquired a 40 year lease from Mineral San Sebastian S.A. (hereinafter referred to as "Misanse") to commence mining operations at the site of the Project;

WHEREAS, in 1973, Commerce acquired 82 1/2% of the total shares of stock authorized and issued by Sanseb and 52% of the total shares of stock authorized and issued by Misanse;

WHEREAS, from 1973 through 1978, the parties operated the project, until circumstances necessitated the suspension of mining operations;

WHEREAS, Sanseb has incurred a substantial indebtedness to Commerce and has become inactive since the suspension of mining operations;

WHEREAS, from 1978 forward, Commerce has advanced substantial additional funds, has continued to actively negotiate for the resumption of mining operations at the site of the Project, and is willing to incur additional liabilities to accomplish this result;

WHEREAS, the parties need to define their respective interests in the operations and profits of the Project;

NOW THEREFORE, the parties agree as follows:

1. **Joint Venture.** Commerce and Sanseb hereby form a Venture pursuant to the laws of the State of Delaware.

2. **Name.** The business of the Venture shall be conducted under the name of "Commerce/Sanseb Joint Venture".

3. **Authorization of Commerce.** Commerce is authorized by the Venture to supervise and control all of the business and affairs of the Venture, and shall have the authority to appoint such agents and employees of the Venture as it deems necessary, to prescribe their powers, duties and compensation, and to delegate authority to them. Commerce shall have authority to sign, execute, and acknowledge, on behalf of the Venture, all deeds, mortgages, bonds, contracts, leases, reports and all other documents

or instruments necessary or proper to be executed in the course of the Venture's regular business. All documents signed and acknowledged in the name of Commerce shall be binding upon the Venture.

4. Place of Business. The principal place of business of the Venture shall be located in Wisconsin at:

6001 North 91st Street, Milwaukee, Wisconsin 53225

and in the country of El Salvador at:

Apartado Postal 01 - 166, San Salvador, El Salvador, C.A.

or such other place as the Venturers may from time to time designate.

5. Term. The Venture shall commence on the date of this agreement and shall continue from year to year unless terminated by any of the following events:

- a. by the termination of mining operations at the Project, or
- b. pursuant to an agreement signed by the Venturers, or
- c. by applicable law.

6. Purpose. The purpose for which the Venture is organized is to do all things necessary to resume mining operations at the Project, including the procurement of funding, equipment, and manpower, to mine the known ore reserves, and to continue to develop the potential resources of the Project.

7. Contributions of the Venturers. Each Venturer has made available to the initial capital of the Venture property in the amount and form indicated on Schedule A attached hereto and made a part hereof. If at any time during the existence of the Venture it shall become necessary to increase the available capital with which the said Venture is doing business, then each Venturer shall contribute to the capital of this Venture in an amount (according to their then percentage share of profits) as called for by Commerce.

8. Percentage Share of Profits. The percentage share of profits of each Venturer shall be as follows:

Commerce	90%
Sanseb	10%

9. Return of Capital Contributions. Each Venturer shall have the right to demand the return of the capital made available to the Venture upon its dissolution, subject to §13.

10. Rights of Priority. Except as herein provided, the individual Venturer shall have no right to any priority over each other as to the return of capital.

11. Distributions. Distributions to the Venturers of net operating profits of the Venture, as hereinafter defined, shall be made at such time as the Venturers shall reasonably agree. Such distributions shall be made to the Venturers simultaneously.

For the purpose of this agreement, net operating profit for any accounting period shall mean the gross receipts of the Venture for such period less the sum of all expenses of operation of the Venture and such sums as may be necessary to establish a reserve for operating expenses.

12. Compensation of Commerce as Managing Venturer. Commerce shall be the managing Venturer. Recognizing that Sanseb has been and will be using Commerce's employees and offices in order to operate, Commerce shall be entitled to receive compensation from the Venture for a fair share of its general and administrative expenses. Commerce shall charge the Joint Venture with that percentage of its general and administrative expenses which shall be determined by dividing the time spent by Commerce's officers and personnel spent on the Project by the total hours of employment of such officers and employees with the business of Commerce in any given period, or by such other mutually acceptable method of allocation.

13. Dissolution. In the event that the Venture shall hereafter be dissolved for any reason whatsoever, a full and general account of its assets, liabilities and transactions shall at once be taken. Such assets may be sold and turned into cash as soon as possible and all debts and other amounts due the Venture collected. The proceeds thereof shall thereupon be applied as follows:

a. To discharge the debts and liabilities of the Venture and the expenses of liquidation.

b. To pay each Venturer or his legal representative any unpaid salary, drawing account, interest or profits to which he shall then be entitled.

c. To repay to any Venturer the capital he made available.

d. To divide the surplus, if any, among the Venturers or their representatives according to each Venturer's then Percentage Share of Profits.

14. Accounting Year, Books, Statements. The Venture's fiscal year shall commence on April 1 of each year and shall end on March 31 of each year. Full and accurate books of accounting shall be kept at the Milwaukee, Wisconsin office of the venture, showing the condition of the business and finances of the Venture; and each Venturer shall have access to such books of account and shall be entitled to examine them at any time during ordinary business hours. At the end of each year, Commerce shall cause the Venture's accountant to prepare balance sheets setting forth the financial position of the Venture as of the end of that year and a statement of the operations (income and expenses) for that year. A copy of the balance sheet and statement of operations shall be delivered to each Venturer as soon as it is available.

15. Indemnification. The Venture shall indemnify any person who has made, or threatened to be made, a party to any action, suit or proceeding (whether civil, criminal, administrative or investigative) by reason of the fact that he, as executor or intestate is or was a manager, employee or agent of the Venture, or served in any other enterprises at the request of the Venture to the full extent permitted by law.

16. Titles and Subtitles. Titles of the paragraphs and subparagraphs are placed herein for convenient reference only and shall not to any extent have the effect of modifying, amending or changing the express terms and provisions of this Venture Agreement.

17. Execution and Counterpart. This Venture Agreement may be executed in any number of counterparts, each of which shall be taken to be an original.

18. Severability. In the event any parts of this Agreement are found to be void, the remaining provisions of this Agreement shall nevertheless be binding with the same effect as though the void parts were deleted.

19. Waiver. No waiver of any provisions of this Agreement shall be valid unless in writing and signed by the persons or party against whom charged.

20. Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, executors, administrators, successors and assigns.

21. Arbitration. Any controversy or claim arising out of or relating to this Agreement shall only be settled by arbitration in accordance with the rules of the American Arbitration Association, one Arbitrator, and shall be enforceable in any court having competent jurisdiction.

COMMERCE GROUP CORP.


By: EDWARD L. MACHULAK, President


By: EDWARD A. MACHULAK, Secretary

SAN SEBASTIAN GOLD MINES, INC.


By: EDWARD L. MACHULAK, President


By: WALTER A. MACHULAK, Secretary

SCHEDULE A

Capital contributed

Name of Venturer

\$3,508,180

Commerce Group Corp.

\$3,508,180

San Sebastian Gold Mines, Inc.