

**AIR SERVICES AGREEMENT
BETWEEN
THE GOVERNMENT OF MONGOLIA
AND
THE GOVERNMENT OF ICELAND**

The Government of Mongolia and the Government of Iceland (hereinafter referred to as the "Contracting Parties"),

Being parties to the Convention on International Civil Aviation opened for signature at Chicago on 7 December 1944,

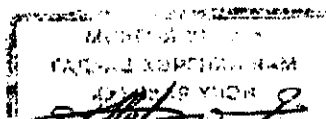
Desiring to conclude an Agreement supplementary to the said Convention for the purpose of establishing air services between and beyond their respective territories,

Have agreed as follows:

ARTICLE I
Definitions

For the purpose of this Agreement, unless the context otherwise requires, the terms mean:

- (a) "The Chicago Convention" - the Convention on International Civil Aviation, opened for signature at Chicago on 7 December 1944, including: (i) any amendment thereto which has entered into force under Article 94(a) thereof and has been ratified by both Contracting Parties; and (ii) any Annex or any amendment thereto adopted under Article 90 of that Convention, insofar as such Annex or amendment is at any given time effective for both Contracting Parties;
- (b) "aeronautical authority" - in the case of Mongolia, the Ministry of Road, Transport and Tourism and, for the purpose of Article 7, the Civil Aviation Authority and in the case of Iceland, the Ministry of Communications, Transport and Tourism, or, in both cases, any person or body, authorized to perform any functions at present exercised by the above-mentioned authorities or similar functions;
- (c) "designated airline" - an airline which has been designated and authorized in accordance with Article 4 of this Agreement;
- (d) "territory" - in relation to a State has the meaning assigned to it in Article 2 of the Chicago Convention;
- (e) "air service", "international air service", "airline" and "stop for non-traffic purposes" have the meanings respectively assigned to them in Article 96 of the Chicago Convention;



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- (f) "The Agreement" includes the Annex hereto and any amendments to it or to this Agreement:
- (g) "user charges" a charge made to airlines by the competent authority or permitted by them to be made for the provision of airport property or facilities or of air navigation facilities, including related services and facilities, for aircraft, their crews, passengers and cargo:
- (h) "specified route" the routes specified in the Annex to the present Agreement:
- (i) "agreed services" the air services operated on the specified routes:
- (j) "tariff" the prices to be paid for the carriage of passengers, baggage and cargo and the conditions under which these prices apply, including commission charges and other additional remuneration for agency or sale of transportation documents but excluding remuneration and conditions for the carriage of mail:
- (k) "European Economic Area" the enhanced free trade area established by the Agreement on the European Economic Area, done at Oporto on 2 May 1992, between the European Community and its Member States on the one hand and the EFTA States with the exclusion of Switzerland on the other hand. EFTA is an abbreviation for the European Free Trade Association of which Iceland is a Member State.

ARTICLE 2

Applicability of the Chicago Convention

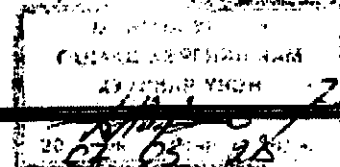
The provisions of this Agreement shall be subject to the provisions of the Chicago Convention insofar as those provisions are applicable to international air services.

ARTICLE 3

Grant of Rights

1. Each Contracting Party grants to the other Contracting Party the following rights in respect of its international air services:
 - a) the right to fly across its territory without landing;
 - b) the right to make stops in its territory for non-traffic purposes.
2. Each Contracting Party grants to the other Contracting Party the rights hereinafter specified in this Agreement for the purpose of operating international air services on the routes specified in the appropriate Section of the Schedule annexed to this Agreement. Such services and routes are hereinafter called "the agreed services" and "the specified routes" respectively.

While operating an agreed service on a specified route the airline or airlines designated by each Contracting Party shall enjoy in addition to the rights specified in paragraph (1)



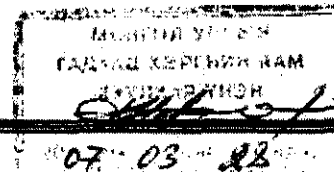
of this Article the right to make stops in the territory of the other Contracting Party at the points specified for that route in the Schedule to this Agreement for the purpose of taking on board and discharging passengers and cargo, including mail separately or in combination.

3. Nothing in paragraph (2) of this Article shall be deemed to confer on the designated airline or airlines of one Contracting Party the right to take on board, in the territory of the other Contracting Party, passengers and cargo, including mail, carried for hire or reward and destined for another point in the territory of the other Contracting Party.
4. If because of armed conflict, political disturbances or developments, or special and unusual circumstances, a designated airline of one Contracting Party is unable to operate a service on its normal routing, the other Contracting Party shall use its best efforts to facilitate the continued operation of such service through appropriate temporary rearrangements of routes.

ARTICLE 4

Designation of and Authorization of Airlines

1. Each Contracting Party may designate in writing to the other Contracting Party one or more airlines for the purpose of operating the agreed services on the specified routes and to withdraw or alter such designations. Such designations shall be in writing and be transmitted to the other Party through diplomatic channels.
2. On receipt of such a designation in the form and manner prescribed for operating authorization and permissions, the other Contracting Party shall, subject to the provisions of paragraphs (3) and (4) of this Article, grant the appropriate authorizations and permissions with minimum procedural delay, provided:
 - (a) in the case of an airline designated by Mongolia
 - (i) it is incorporated in the territory of Mongolia and is licensed in accordance with the applicable law of Mongolia; and
 - (ii) Mongolia has and maintains effective regulatory control of the airline; and
 - (b) in the case of an airline designated by Iceland
 - (i) it is established in the territory of Iceland and is licensed in accordance with the applicable law of Iceland; and
 - (ii) Iceland has and maintains effective regulatory control of the airline.
3. The aeronautical authority of one Contracting Party may require an airline designated by the other Contracting Party to satisfy them that it is qualified to fulfill the conditions prescribed under the laws and regulations normally and reasonably applied to the operation of international air services by that authority in conformity with the provisions of the Chicago Convention.

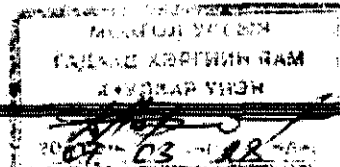


4. Each Contracting Party may refuse to grant the operating authorizations referred to in paragraph (2) of this Article, or impose such conditions as it may deem necessary on the exercise by a designated airline of the rights specified in Article 3(2) of this Agreement, when the said Contracting Party is not satisfied that:
- (a) in the case of an airline designated by Mongolia
 - (i) it is incorporated in the territory of Mongolia and is licensed in accordance with the applicable law of Mongolia; and
 - (ii) Mongolia has and maintains effective regulatory control of that airline; and
 - (b) in the case of an airline designated by Iceland
 - (i) it is established in the territory of Iceland and is licensed in accordance with the applicable law of Iceland; and
 - (ii) Iceland has and maintains effective regulatory control of that airline.
5. When an airline has been so designated and authorized it may begin to operate the agreed services, provided that the airline complies with the applicable provisions of this Agreement.

ARTICLE 5

Revocation or Suspension of Operating Authorizations

1. The aeronautical authorities of each Contracting Party may revoke, suspend or limit the operating authorization or permissions of an airline designated by the other Contracting Party where:
- a) in the case of an airline designated by Iceland:
 - (i) it is not established in the territory of Iceland in accordance with the applicable Icelandic laws, or does not have a valid Operating License in accordance with the applicable Icelandic laws; or
 - (ii) effective regulatory control of that airline is not exercised or maintained by Iceland;
 - b) in the case of an airline designated by Mongolia:
 - (i) it is not incorporated in the territory of Mongolia; or is not licensed in accordance with the applicable law of Mongolia; or
 - (ii) Mongolia is not exercising or maintaining effective regulatory control of that airline.
 - c) that airline has failed to comply with the laws and regulations referred to in Article 10 of this Agreement.
2. Unless immediate revocation, suspension or imposition of the conditions mentioned in paragraph (1) of this Article is essential to prevent further infringements of laws or



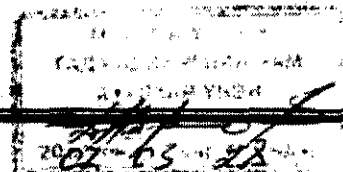
regulations, such right shall be exercised only after consultation with the aeronautical authorities of the other Contracting Party.

ARTICLE 6
Capacity Regulations

1. There shall be fair and equal opportunity for the designated airlines of both Contracting Parties to operate the agreed services on the specified routes between their respective territories.
2. In operating the agreed services the designated airline or airlines of each Contracting Party shall take into account the interests of the designated airline or airlines of the other Contracting Party so as not to affect unduly the services which the latter provide on the whole or part of the same routes.
3. The agreed services provided by the designated airlines of the Contracting Parties shall bear a close relationship to the requirements of the public for transportation on the specified routes and shall have as their primary objective the provision at a reasonable load factor of capacity adequate to carry the current and reasonably anticipated requirements for the carriage of passengers and cargo, including mail, coming from or destined for the territory of the Contracting Party which has designated the airline. Provision for the carriage of passengers and cargo, including mail, both taken on board and discharged at points on the specified routes in the territories of States other than that designating the airline shall be made in accordance with the general principles that capacity shall be related to:
 - (a) traffic requirements to and from the territory of the Contracting Party which has designated the airline;
 - (b) traffic requirements of the area through which the agreed service passes, after taking account of other transport services established by airlines of the States comprising the area; and
 - (c) the requirements of through airline operation.

ARTICLE 7
Tariffs

1. The tariffs to be charged by the airline or airlines of one Contracting Party for carriage of traffic to or from the territory of the other Contracting Party shall be established at reasonable levels, due regard being paid to all relevant factors including cost of operation, reasonable profit, and the tariffs of other airlines.
2. Inter-airline consultation shall not be mandatory requirement for the filing and establishment of tariffs.



3. If required, tariff proposed by the relevant airlines may be approved by the aeronautical authorities of either Party at any time. In the absence of a response, within twenty (20) days after the date of filing, the tariff will be regarded as having been approved. If, however, either of the aeronautical authorities gives a written notice of disapproval both aeronautical authorities may at the request of either try to determine the tariff by agreement.
4. No tariff shall come into force if the aeronautical authorities of either Contracting Party have disapproved it.
5. Tariffs to be charged by an airline designated by Mongolia for carriage wholly within the European Economic Area shall be subject to the Agreement on the European Economic Area. However, each designated airline has the right to match any tariff offered in the marketplace.

ARTICLE 8
Customs Duties

1. Aircraft operated in international air services by the designated airline or airlines of either Contracting Party shall be relieved from all customs duties, national excise taxes and similar national fees, as shall:
 - a) the following items introduced by a designated airline of one Contracting Party into the territory of the other Contracting Party:
 - (i) repair, maintenance and servicing equipment and component parts;
 - (ii) passenger handling equipment and component parts;
 - (iii) cargo-loading equipment and component parts;
 - (iv) security equipment including component parts for incorporation into security equipment;
 - (v) instructional material and training aids;
 - (vi) airline and operators' documents; and
 - b) the following items introduced by a designated airline of one Contracting Party into the territory of the other Contracting Party or supplied to a designated airline of one Contracting Party in the territory of the other Contracting Party:
 - (i) aircraft stores (including but not limited to such items as food, beverages and tobacco) whether introduced into or taken on board in the territory of the other Contracting Party;
 - (ii) fuel, lubricants and consumable technical supplies;
 - (iii) spare parts including engines; and
 - c) computer equipment and component parts introduced by a designated airline of one Contracting Party into the territory of the other Contracting Party to assist in one or more of the following matters:

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- (i) the repair, maintenance or servicing of aircraft;
 - (ii) the handling of passengers at the airport or on board aircraft;
 - (iii) the loading of cargo onto or the unloading of cargo from aircraft;
 - (iv) the carrying out of security checks on passengers or cargo, provided in each case that they are for use on board an aircraft or within the limits of an international airport in connection with the establishment or maintenance of an international air service by the designated airline concerned.
2. The relief from customs duties, national excise taxes and similar national fees shall not extend to charges based on the cost of services provided to the designated airline or airlines of a Contracting Party in the territory of the other Contracting Party.
 3. Equipment and supplies referred to in paragraph (1) of this Article may be required to be kept under the supervision or control of the appropriate authorities.
 4. The relief provided for by this Article shall also be available in situations where the designated airline or airlines of one Contracting Party have entered into arrangements with another airline or airlines for the loan or transfer in the territory of the other Contracting Party of the items specified in paragraph (1) of this Article, provided such other airline or airlines similarly enjoy such relief from such other Contracting Party.

ARTICLE 9 Aviation Security

1. The assurance of safety for civil aircraft, their passengers and crew being a fundamental pre-condition for the operation of international air services, the Contracting Parties reaffirm that their obligations to each other to provide for the security of civil aviation against acts of unlawful interference (and in particular their obligations under the Chicago Convention, the Convention on Offences and Certain Other Acts Committed on Board Aircraft, signed at Tokyo on 14 September 1963, the Convention for the Suppression of Unlawful Seizure of Aircraft, signed at The Hague on 16 December 1970, the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, signed at Montreal on 23 September 1971 and the Protocol for Suppressions of Unlawful Acts of Violence at Airports Serving International Civil Aviation signed at Montreal on 24 February 1988) and the Convention on the Marking of Plastic Explosives for the Purpose of Detection, done at Montreal on 1 March 1991 form an integral part of this Agreement.
2. The Contracting Parties shall provide upon request all necessary assistance to each other to prevent acts of unlawful seizure of civil aircraft and other unlawful acts against the safety of such aircraft, their passengers and crew, airports and air navigation facilities, and any other threat to the security of civil aviation.
3. The Contracting Parties shall, in their mutual relations, act in conformity with the aviation security Standards and, so far as they are applied by them, the Recommended Practices established by the International Civil Aviation Organization and designated as Annexes to the Chicago Convention; and shall require that operators of aircraft of their registry, operators who have their principal place of business, or permanent residence in

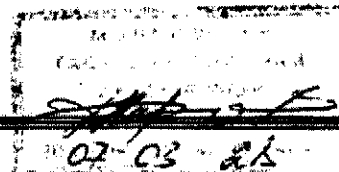
their territory, and the operators of airports in their territory, act in conformity with such aviation security provisions. In this paragraph the reference to aviation security Standards includes any difference notified SIO by the Contracting Party concerned. Each Contracting Party shall give advance information to the other of its intention to notify any difference.

4. Each Contracting Party shall ensure that effective measures are taken within its territory to protect aircraft, to screen passengers and their carry-on items, and to carry out appropriate checks on crew, cargo (including hold baggage) and aircraft stores prior to and during boarding or loading and that those measures are adjusted to meet increases in the threat. Each Contracting Party agrees that its airlines may be required to observe the aviation security provisions referred to in paragraph (3) required by the other Contracting Party, for entrance into, departure from, or while within, the territory of that other Contracting Party. Each Contracting Party shall also act favorably upon any request from the other Contracting Party for reasonable special security measures to meet a particular threat.
5. When an incident (or threat of an incident of unlawful seizure of civil aircraft or other the unlawful acts against the safety of such aircraft, their passengers and crew, airports or air navigation facilities occurs, the Contracting Parties shall assist each other by facilitating communications and other appropriate measures intended to terminate as rapidly as possible commensurate with minimum risk to life such incident or threat.

ARTICLE 10 Safety

1. Either Party may request consultations concerning the safety standards maintained in respect of an airline designated by the other Party relating to aeronautical facilities, aircrews, aircraft, and operation of the designated airlines.
2. If, following such consultations, one Party finds that the other Party does not effectively maintain and administer safety standards in the areas referred to in paragraph 1 of this Article that meet the standards established at that time pursuant to the Convention, the other Party shall be informed of such findings and of the steps considered necessary to conform with the said standards. The other Party shall then take appropriate corrective action within an agreed time period.
3. Pursuant to Article 16 of the Convention, it is further agreed that, any aircraft operated by, or on behalf of an airline of one Party, on service to or from the territory of the other Party, may, while within the territory of the other Party be the subject of a search by the authorized representatives of the other Party, provided this does not cause unreasonable delay in the operation of the aircraft. Notwithstanding the obligations mentioned in Article 33 of the Convention, the purpose of this search is to verify the validity of the relevant aircraft documentation, the licensing of its crew, and that the aircraft equipment and the condition of the aircraft conform to the standards established at that time pursuant to the Convention.

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4. When urgent action is essential to ensure the safety of an airline operation, each Party reserves the right to immediately suspend or vary the operating authorization of an airline or airlines of the other Party.
5. Any action by one Party in accordance with paragraph 4 of this Article shall be discontinued once the basis for the taking of that action ceases to exist.
6. With reference to paragraph 2 of this Article, if it is determined that one Party remains in non-compliance with the said standards when the agreed time period has lapsed, the Secretary-General of ICAO should be advised thereof. The latter should also be advised of the subsequent satisfactory resolution of the situation.

ARTICLE 11
Provision of Statistics

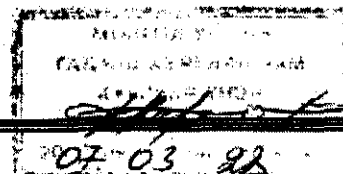
The aeronautical authority of a Contracting Party shall supply to the aeronautical authority of the other Contracting Party at their request such periodic or other statements of statistics as may be reasonably required for the purpose of reviewing the capacity provided on the agreed services by the designated airline or airlines of the Contracting Party referred to first in this Article. Such statements shall include all information required to determine the amount of traffic carried by those airlines on the agreed services and the origins and destinations of such traffic.

ARTICLE 12
Transfer of Earnings

Each designated airline may convert and remit to its country on demand local revenues in excess of sums locally disbursed. Conversion and remittance shall be permitted without restrictions at the rate of exchange applicable to current transactions which is in effect at the time such revenues are presented for conversion and remittance, and shall not be subject to any charges except those normally made by banks for carrying out such conversion and remittance.

ARTICLE 13
Airline Representation and Sales

1. The designated airline or airlines of one Contracting Party may, in accordance with the laws and regulations relating to entry, residence and employment of the other Contracting Party, bring in and maintain in the territory of the other Contracting Party those of their own managerial, technical, operational and other specialist staff who are required for the provision of air services.
2. The designated airline or airlines of each Contracting Party may engage in the sale of air transportation in the territory of the other Contracting Party, either directly or through agents appointed by the designated airline. The designated airline or airlines of each



Contracting Party may sell, and any person shall be free to purchase, such transportation in local currency or in any freely convertible other currency.

ARTICLE 14

User Charges

1. Neither Contracting Party shall impose or permit to be imposed on the designated airline or airlines of the other Contracting Party user charges higher than those imposed on their own airlines operating similar international air services.
2. Each Contracting Party shall encourage consultation on user charges between their competent charging authorities and airlines using the services and facilities provided by those charging authorities, where practicable through those airlines' representative organizations. Reasonable notice of any proposals for changes in user charges should be given to such users to enable them to express their views before changes are made. Each Contracting Party shall further encourage their competent charging authorities and such users to exchange appropriate information concerning user charges.

ARTICLE 15

Consultation

Either Contracting Party may at any time request consultations on the implementation, interpretation, application or amendment of this Agreement in compliance with this Agreement. Such consultations, which may be between aeronautical authorities, shall begin within a period of 60 days from the date the other Contracting Party receives a written request, unless otherwise agreed by the Contracting Parties.

ARTICLE 16

Settlement of Disputes

1. If any dispute arises between the Contracting Parties relating to the interpretation or application of this Agreement, the Contracting Parties shall in the first place try to settle it by negotiation.
2. If the Contracting Parties fail to reach a settlement of the dispute by negotiation, it may be referred by them to such person or body as they may agree on or, at the request of either Contracting Party, shall be submitted for decision to a tribunal of three arbitrators which shall be constituted in the following manner:
 - (a) within 30 days after receipt of a request for arbitration, each Contracting Party shall appoint one arbitrator. A national of a third State, who shall act as President of the tribunal, shall be appointed as the third arbitrator by agreement between the two arbitrators, within 60 days of the appointment of the second;
 - (b) if within the time limits specified above any appointment has not been made, either Contracting Party may request the President of the International Civil

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Aviation Organization to make the necessary appointment within 30 days. If the President is of the same nationality of one of the Contracting Parties, the Member of the International Civil Aviation Organization next in seniority who is not disqualified on that ground shall be requested to make the appointment.

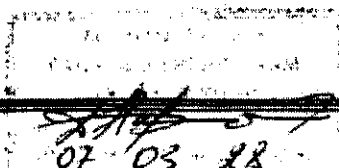
3. Except as hereinafter provided in this Article or as otherwise agreed by the Contracting Parties, the tribunal shall determine the limits of its jurisdiction and establish its own procedure. At the direction of the tribunal, or at the request of either of the Contracting Parties, a conference to determine the precise issues to be arbitrated and the specific procedures to be followed shall be held not later than 30 days after the tribunal is fully constituted.
4. Except as otherwise agreed by the Contracting Parties or prescribed by the tribunal, each Contracting Party shall submit a memorandum within 45 days after the tribunal is fully constituted. Each Contracting Party may submit a reply within 60 days of submission of the other Contracting Party's memorandum. The tribunal shall hold a hearing at the request of either Contracting Party, or at its discretion, within 30 days after replies are due.
5. The tribunal shall attempt to give a written decision within 30 days after completion of the hearing or, if no hearing is held, 30 days after the date both replies are submitted. The decision shall be taken by a majority vote.
6. The Contracting Parties may submit requests for clarification of the decision within 15 days after it is received and such clarification shall be issued within 15 days of such request.
7. The decision of the tribunal shall be binding on the Contracting Parties.
8. Each Contracting Party shall bear the costs of the arbitrator appointed by them. The other costs of the tribunal shall be shared equally by the Contracting Parties including any expenses incurred by the President, Vice - President or Member of the International Civil Aviation Organization in implementing the procedures in paragraph (2)(b) of this Article.

ARTICLE 17
Amendment

The amendments of this Agreement agreed by the Contracting Parties shall come into effect when confirmed by an Exchange of Notes.

ARTICLE 18
Operation of Leased Aircraft

The designated airlines of the Contracting Parties may use the aircraft and crew on leasing condition in the agreed services, provided that the leasing arrangements shall be subject to the approval of the civil aeronautical authority of the other Contracting Party in accordance with its own rules and regulations.


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ARTICLE 19
Multilateral Conventions

In the event of a general multilateral air transport convention accepted by the Contracting Parties entering into force, the provisions of such convention shall prevail. Any discussions with a view to determining the extent to which this Agreement is terminated, superseded, amended or supplemented by the provisions of the multilateral convention shall take place in accordance with Article 16 of this Agreement.

ARTICLE 20
Termination

Either Contracting Party may at any time give notice in writing to the other Contracting Party of their decision to terminate this Agreement. Such notice shall be simultaneously communicated to the International Civil Aviation Organization. This Agreement shall terminate at midnight (at the place of receipt of the notice) immediately before the first anniversary of the date of receipt of the notice by the other Contracting Party, unless the notice is withdrawn by agreement before the end of this period. In the absence of acknowledgment of receipt by the other Contracting Party, the notice shall be deemed to have been received 14 days after receipt of the notice by the International Civil Aviation Organization.

ARTICLE 21
Registration with ICAO

This Agreement and any amendments thereto shall be registered with the International Civil Aviation Organization.

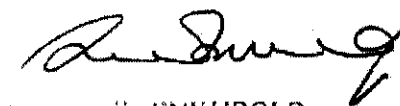
ARTICLE 22
Entry into Force

This Agreement shall enter into force on the date of the later note in an exchange of diplomatic notes between the Parties confirming that the internal procedures necessary for the entry into force of the Agreement have been completed.

IN WITNESS whereof, the undersigned, being duly authorized by their respective Governments, have signed this Agreement.

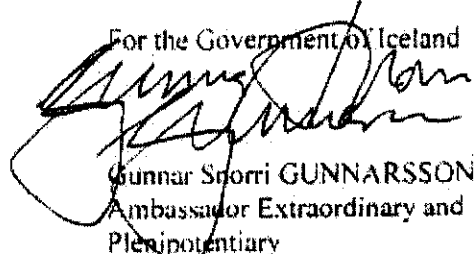
Done, in duplicate at *Ulaanbaatar*, this *28th* day of *March, 2007*, in the English, Mongolian and Icelandic languages, all texts being equally authentic. In case of divergence of interpretation, the English text shall prevail.

For the Government of Mongolia



Nyamaagiin ENKHBOLD
Minister for Foreign Affairs

For the Government of Iceland



Gunnar Sporri GUNNARSSON
Ambassador Extraordinary and
Plenipotentiary

Stamp: Ulaanbaatar, Mongolia
Date: 07.03.07

ANNEX

ROUTE SCHEDULE

Routes to be operated by the designated airline or airlines of Mongolia:

Points behind Mongolia	Points in Mongolia	Intermediate Points	Points in Iceland	Beyond Points
To be determined by Mongolia	2 Points to be named by Mongolia	To be determined by Mongolia	2 Points to be named by Mongolia	To be determined by Mongolia

Routes to be operated by the designated airline or airlines of Iceland:

Points behind Iceland	Points in Iceland	Intermediate Points	Points in Mongolia	Beyond Points
To be determined by Iceland	2 Points named by Iceland	To be determined by Iceland	2 Points named by Iceland	To be determined by Iceland

NOTES:

- (1) The designated airline(s) of either Party may on any or all flights omit calling at any intermediate or beyond points.
- (2) Any traffic rights not specified in this Agreement are subject to an agreement between the respective aeronautical authorities of the Contracting Parties.

Handwritten signature and date: 07.03.22