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*Presidential action sends positive message for resource companies in Mongolia*

## Mongolia pardons foreign businessmen

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Mongolia's president has pardoned one US and two Filipino former mining executives jailed for tax evasion in a case that had damaged the resource-rich nation's reputation among overseas investors.

The decree pardoning the trio was announced in a statement on President Tsakhiagiin Elbegdorj's website, saying he made the decision in accordance with his "constitutional rights".

Mr Elbegdorj, who is trying to encourage overseas investment in the vital but troubled mining sector, called his decision "difficult" in a tweet, adding that he did it out of his love for Mongolia.

US citizen Justin Kapla and Filipinos Hilarion Cajucom and Cristobal David were each sentenced to more than five years late last month and incarcerated in a maximum-security prison.

The charges stemmed from a 2011 tax dispute with their former employer, coal miner SouthGobi Sands, that dragged on for years before the three were indicted in 2014.

The firm's parent company SouthGobi Resources is listed in Toronto and Hong Kong. It was formerly controlled by one of British-Australian mining giant Rio Tinto's subsidiaries, which has announced the sale of its shares to a Chinese firm.

Sprawling and sparsely-populated Mongolia enjoyed world-leading economic growth in recent years - peaking at 17.5 per cent in 2011 - on the back of a minerals boom exemplified by the giant copper and gold Oyu Tolgoi mine, operated by Rio Tinto.

But that expansion has slumped to troubling levels, as rising resource nationalism, a global resources bust and an increasingly stringent investment environment led many foreign firms to abandon the country, and the three foreigners' jailing sent a chill through potential investors.

Foreign direct investment into Mongolia dropped 74 per cent last year.

The US embassy in Ulan Bator welcomed the pardon.

"We appreciate President Elbegdorj's action," it said in a statement, adding that it had confirmed Kapla had been released and a ban on him leaving the country had been lifted.

But it warned that the case had damaged Mongolia's reputation among investors.

"The business community has made clear to us that this case negatively affects its assessment of Mongolia as a destination for foreign direct investment," it said. **Ends.**

## Mongolia pardons three foreigners accused of tax evasion

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ULAN BATOR, Feb 26 (Reuters) - Mongolian President Tsakhiagiin Elbegdorj on Thursday pardoned three former foreign employees of coal miner SouthGobi Resources Ltd who were sentenced to more than five years each in prison in January.

Mongolia's sentencing of American citizen Justin Kapla and Filipinos Hilarion Cajucom Jr and Cristobal David had raised concern among foreign workers in Mongolia that they may be targeted by the government.

A court in January found the three former SouthGobi employees guilty of tax evasion and levied a fine of 35 billion tugrik (\$18 million) on Toronto-listed SouthGobi in a case that had been going on for three years.

Travel bans during the investigations had kept the convicted men in Mongolia since May 2012. A statement from President Elbegdorj posted on his official web site on Thursday said the three had been pardoned and released from detention.

Perceived resource nationalism and disputes over the country's largest mines have slowed developments in the mining sector, which is key to the country's economy, and led to a 74 percent drop in foreign investment last year.

The case began after Mongolian authorities raided the offices of SouthGobi Resources' mining unit, SouthGobi Sands, in May 2012. SouthGobi mines the Ovoot Tolgoi coal deposit in the Gobi desert, 40 km (25 miles) from the Chinese border.

The raid followed SouthGobi Resources' acceptance of an offer from Aluminum Corp of China Ltd to buy a majority stake. Mongolia blocked the deal as the government was worried about the prospect of a Chinese state-owned company taking control of the mine.

The U.S. embassy, which had raised concerns about "interpretation problems" at the trial, said Kapla was now free to return to the United States.

"The business community has made clear to us that this case negatively affects its assessment of Mongolia as a destination for foreign direct investment," the embassy said in a statement. **ends**"