

HD **China's MMG cuts zinc output f'cast, says tight supply lifting prices**

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* Cuts 2014 zinc output forecast to 575,000-600,000 T

* Q2 output at Century mine in Australia down 13 pct yoy

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* MMG pours water on mkt talk it's eyeing BHP nickel asset

By James Regan

SYDNEY, July 17 (Reuters) - **China's** MMG Ltd cut its 2014 zinc output target and said mounting supply concerns, heightened by the pending closure of its key Century mine in Australia, were driving world prices of the rust-inhibiting material higher.

The mine, one of world's biggest sources of zinc, is set to run dry next year, removing close to a half-**million** tonnes of the metal from the 13-**million**-tonne global market.

That has helped spark a rush among firms such as Glencore and Nyrstar to find new zinc deposits to feed rising demand from **China** which is buying the metal to rust-proof new cars and coat steel.

London Metal Exchange three-month zinc traded at its highest price in almost three years this week. Prices have climbed 20 percent since late March.

MMG, the **Hong Kong**-listed offshore arm of **China's** state-owned Minmetals Corp, cut on Thursday its 2014 output target to between 575,000 and 600,000 tonnes of zinc in concentrate from 600,000-625,000, following an underperforming second quarter at the Century mine.

The Century mine's second-quarter output was down 13 percent year-on-year to 110,891 tonnes. Nyrstar's refineries in Europe are the main buyers of zinc mined by MMG.

"What we are seeing now is a recognition that not only Century but a number of other mines are coming to an end," Andrew Michelmores, managing director of MMG, said in a conference call with media and analysts.

"Concentrate is going to get tighter and tighter."

MMG's Dugald River deposit in Australia is being assessed for future development, but at best will only partially replace lost output from the Century mine.

Canada's big Brunswick and Perseverance mines closed last year, eliminating a combined 335,000 tonnes of zinc, while ageing mines in Europe and Africa are also close to depletion.

Zinc is primarily used as an anti-corrosive in the galvanising process.

The global zinc market fell into a 194,000 tonne deficit in the five months to May 31, according to industry tracker International **Lead** and Zinc Study Group. That is more than 10 times the deficit recorded in the first 11 months of 2013.

Michelmores also watered down speculation it was circling fellow miner BHP Billiton's Australian nickel assets.

BHP has earmarked Nickel West for **sale** or spinoff to focus on production of **iron ore** and other commodities, triggering speculation MMG was among a handful of **mining** companies showing interest.

Rather than new acquisitions, MMG's immediate focus was on completing its \$5.85 **billion purchase** of Peru's Las Bambas **copper mining** project from Glencore, Michelmore said. (Editing by Muralikumar Anantharaman)

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CO orieml : MMG Limited | bkhlp : BHP Billiton Ltd | bltplc : BHP Billiton PLC | cminmc : China Minmetals Corporation | imreht : Inner Mongolia Baotou Steel Rare-Earth (Group) Hi-Tech Co Ltd | lawspr : Minmetals Land Limited

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