

Polymetal Lowers 2010 Silver Output Forecast on Q3 Drop

By [The Moscow Times](#)

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Polymetal, the country's largest silver producer, on Friday lowered its 2010 output forecast for the precious metal to 18.5 million to 19 million ounces after a drop in the third quarter from a year earlier.

The company, based in St. Petersburg, earlier forecast 19 million to 20 million ounces of silver output this year. It reported production of 3.8 million ounces in the third quarter, down from 4.1 million ounces.

Gold output increased 51 percent to 116,000 ounces, Polymetal said in a statement. Third-quarter revenue also rose 79 percent to \$235 million, thanks in part to higher precious metals prices.

Polymetal cut its 2011 gold, silver and copper production target to between 1 million and 1.06 million ounces of gold equivalent, a drop of about 7 percent from its earlier estimate.

This is mostly because of a slower-than-expected ramp-up of output at the Dukat deposit following an expansion there, the company said.

“Dukat underperformance is a concern that we believe will be addressed decisively over the next six months,” chief executive Vitaly Nesis said in the statement.

Open-pit mining began at Dukat in 2002, although it is not expected to be fully operational until next year. Polymetal said it would bring new equipment on line at Dukat in December to improve its results.

"The underperformance at Dukat is a major surprise — and the fact that silver production is down almost 20 percent quarter on quarter," ING analyst Maxim Matveyev said.

Polymetal's shares closed down 2 percent on Friday, underperforming the benchmark MICEX Index, which was off 0.6 percent.

The company holds the world's third-largest silver deposits in terms of reserves and production volume, and it also holds significant quantities of gold.

(Bloomberg, Reuters)

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