

# iolite Partners Ltd. Issues Letter to Fellow Shareholders Urging them to WITHHOLD their votes in the election of Mr. Pierre Lépine (Chairman) at Dynacor's Annual General Meeting

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iolite Capital Management AG, a Switzerland-based investment manager, which beneficially owns, controls or directs approximately 10% of the issued and outstanding common shares of [Dynacor Group Inc.](#) (TSX:DNG), issued an open letter to fellow shareholders of Dynacor, urging them to WITHHOLD their votes in the election of Mr. Pierre Lépine, Chairman, at Dynacor's Annual General Meeting on June 17, 2025.

## Dynacor's Key Failings

- **Underperformance:** Since the January capital raise, Dynacor's share price has declined 21%, despite a 26% increase in the gold price and a 43% rise in the junior gold miner index.
- **Persistent undervaluation:** The company continues to trade at a steep discount to peers - with a 2.9x EV/EBITDA multiple (5-year average: 3.4x) versus 8-10x for the sector. Its cash-adjusted P/E is below 5x, compared to 10-15x for comparable businesses.
- **Eroding margins:** Despite record Q1 sales (+18% YoY) and significant mark-to-market gains on inventory, the cash margin declined from 17.2% to 14.0%, the gross margin from 13.5% to 11.2%, and the EBITDA margin from 12.0% to 8.8%. Gross profit was flat at US\$9 million, and EBITDA fell from US\$8 million to US\$7 million.
- **Deteriorating operational momentum:** April 2025 sales are down 8.8% YoY, despite a 38.8% YoY increase in the gold price and full plant utilization.
- **Erratic capital management:** In just six months, the company: 1) suspended share buybacks, 2) increased the dividend, 3) conducted a discounted capital raise to friendly parties, 4) signaled further dilution, 5) resumed buybacks.
- **Erosion of trust:** Hostile and misleading communication underscores a deeper problem - a disregard for transparency, accountability, and shareholder interests.
- **Path to professionalization:** Following the Special Meeting in April, iolite nominated a credentialed independent director, as Dynacor had stated it would support such a candidate. However, the Board rejected him without any engagement and refused to put him up for election at the AGM.

The full text of the letter is set forth below:

Dear Fellow Dynacor Shareholders,

iolite Partners Ltd. ("iolite") - a 10% beneficial owner of issued and outstanding common shares of Dynacor - recommends you WITHHOLD your votes in the election of Chairman Pierre Lépine at Dynacor Group Inc.'s ("Dynacor" or the "Company") Annual General Meeting ("AGM") on June 17, 2025.

iolite is seeking board reform in response to mounting concerns over operational underperformance at the company's sole Peruvian site despite favorable conditions and scaling benefits, a lack of meaningful progress on international expansion, persistent undervaluation, repeated governance failures, and what iolite considers erratic, value-destructive capital allocation.

Share price performance: Since the January capital raise, Dynacor's share price has dropped 21%, despite a 26% rise in the gold price and a 43% increase in the junior gold miner index. The stock continues to trade at a steep discount to peers - 2.9x EV/EBITDA (5-year average: 3.4x) versus 8-10x for the sector. Its

a) cash-adjusted P/E remains below 5x, compared to 10-15x for comparable businesses. The market consistently assigns zero value to Dynacor's growing cash balance - a clear sign of lost confidence in management's ability to allocate capital effectively. When new shares were issued, the market simply marked down the stock further, assigning no value to the additional cash.

Eroding margins: Despite record Q1 sales (+18% YoY) and mark-to-market gains on inventory, the cash

b) margin declined from 17.2% to 14.0%, the gross margin from 13.5% to 11.2%, and the EBITDA margin from 12.0% to 8.8%. Gross profit was flat at US\$9 million, and EBITDA fell from US\$8 million to US\$7 million.

Revenue growth is irrelevant - what matters is cash generation per share. Given the sharp rise in the gold price, inventory gains alone should have added roughly US\$7.6 million to Q1 profit (26% on US\$29 million held), on top of US\$11.2 million in processing cash margin (vs. US\$11.7 million in Q1/24). In April 2025, sales fell 8.8% YoY - despite a 38.8% increase in the gold price and full plant utilization. On a like-for-like basis, this implies an effective sales decline of 44%. Fundamentals are clearly weakening, and management's explanation - limited to ore grade variability and a delayed shipment of the 'last pour' - falls short.

International expansions: To its credit, the local team in Peru has done a solid job maximizing permitted capacity at the Chala site. But with no proven track record abroad, Dynacor is now abruptly pursuing simultaneous expansion into Ecuador, Northern Peru, Senegal, Ivory Coast, and Ghana - a high-risk strategy

c) with significant potential for capital misallocation. The share price reflects serious market skepticism about the company's ability to execute. The track record justifies that skepticism: the Senegal pilot plant, first announced in July 2020, showed no meaningful progress until early this year. The Ecuador project, now being promoted as new, has been under discussion with sellers and shareholders for nearly two years. What has changed - and what ensures this time will be different?

Capital allocation: In just six months, the company: 1) suspended share buybacks, 2) increased the dividend,

d) 3) conducted a discounted capital raise to handpicked parties, 4) signaled further dilution, 5) resumed buybacks. This is erratic behavior.

As of March 31, Dynacor held US\$59 million in cash (42% of market cap), US\$23 million in working capital (17%), and generated annual earnings of roughly US\$17 million.

Investor relations and public communication: Dynacor's business model depends on trust - yet its actions around the April Special Meeting have undermined its reputation and that of its broader ecosystem, including the PX Impact Gold label. The Ecuador announcement was another misstep: basic M&A discipline dictates

e) that deals - especially pricing - should not be disclosed before signing. Q1 results were presented in an overly promotional tone, unsupported by fundamentals and contradicted by the market's flat response. Despite Dynacor's deep statistical undervaluation, the share price reflects a persistent lack of credibility.

When iolite called a Special Meeting of Shareholders following the January capital raise, it may have appeared as a rapid escalation. It was not. It was a necessary step after repeated efforts to address long-standing corporate dysfunction had failed. The Company's subsequent actions have only confirmed that iolite's deepest concerns were well-founded.

Despite benefitting from easy production gains, a rising gold price, insider advantages, a capital raise to friendlies, and heavy campaign spending, more than one-third of votes at the Special Meeting supported iolite.

The Company publicly claimed it had offered iolite a reasonable compromise - the appointment of an independent non-executive director nominated by iolite. Yet when such a candidate - a highly credentialed, independent nominee - was put forward following the Special Meeting, the Board rejected him without any engagement and refused to put him up for election at the AGM.

What follows is background on the strategic underperformance and governance failures that have led us to this point.

## 1. An Accidental Success: Dynacor's Growth Despite Mr. Martineau's Plan

Dynacor began as a gold exploration story centered on Tumipampa. After sinking US\$18 million into unsuccessful drilling - effectively wiping out the first eight years of post-IPO profits - the Company pivoted, almost by accident, into a far more profitable model: processing ore from formalized artisanal and small-scale miners (ASM) using existing infrastructure. This unexpected but lucrative shift laid the foundation for Dynacor's current stable, cash-generating operation in Chala, Peru.

While day-to-day operations are competently run by a strong local team, the business remains concentrated in a single asset and exposed to significant country risk. Iolite attributes Dynacor's recent progress largely to the strength of its Peruvian team, the strategic support of PX Group under Philippe Chave, and growing institutional backing from partners such as the FIDAMAR Foundation. Notably, much of this growth occurred while CEO Jean Martineau was grounded during COVID - a testament to the depth and capability of the team on the ground.

## 2. Can This Leadership Team Deliver Internationally?

Iolite has long urged CEO Jean Martineau to pursue measured, strategic international expansion - leveraging Dynacor's proven model and its alliance with PX Group - to capture what Iolite sees as a unique growth opportunity and mitigate country risk. For years, however, little progress was made. The Company simply maximized output at Chala and benefited from rising gold prices.

Now, without a proven international track record, Dynacor is abruptly pursuing simultaneous expansion in Ecuador, Northern Peru, Senegal, Ivory Coast, and Ghana.

Iolite is not convinced the Company has the leadership depth to execute such an ambitious strategy. The Board refuses meaningful dialogue, clinging to past growth - a self-congratulatory stance that ignores the mounting risks. This disconnect highlights the urgent need to strengthen governance and professionalize oversight. These reforms are no longer optional; they are essential to protect shareholder capital and ensure that any future success is real, sustainable, and aligned with shareholder interests.

## 3. Board Reform Is Essential

With eight directors, Dynacor's board is disproportionately large relative to the Company's size and operational complexity - a structure that reinforces the current regime. Appointing a new chairman would create an opportunity to initiate a board review, potentially leading to a leaner, more effective board composed of fewer, highly qualified, and financially independent members. This would improve decision-making, reduce costs, and better align governance with shareholder interests.

It is also important to separate board-level oversight from operational roles. Not all current directors would meet standard governance criteria for board membership. That does not mean capable individuals must be excluded - some could continue to add value in non-board roles more suited to their expertise and the Company's evolving needs.

## 4. Timeline of the Escalation

This is not a sudden campaign. Iolite has engaged constructively with Dynacor since initiating its investment in 2021. Discussions around board participation began in April 2024, followed by a formal request in August - driven by growing concerns over governance, stalled international expansion, and weak capital allocation.

a) These issues were raised repeatedly and directly with CEO Jean Martineau and other board members. Recent events have only confirmed that Iolite's concerns were well-founded and that more professional oversight is urgently needed.

- Coincidence or intent? The timeline speaks volumes. Dynacor quietly suspended its share buyback program just two days after iolite reiterated governance concerns in a call with Chairman Pierre Lépine - and after two months of silence following the formal board application of Mr. Leitz, iolite's proposed representative. The Company then invited Mr. Leitz to Montreal under the pretense of onboarding him. Within hours of that
- b) meeting - while he was en route to the airport - Dynacor announced a discounted, non-rights capital raise. Long-term shareholders were diluted, meaningful participation was excluded, and the raise was executed so hastily that even some invited investors were unable to take part. The sequence of events suggests the raise was not driven by operational need, but by a deliberate attempt to entrench management and obstruct oversight.
- c) A necessary escalation. Calling a Special Shareholder Meeting was not a reactionary move - it was a measured, proportionate response to a persistent pattern of entrenchment and governance failure.

The Board's response was revealing: it refused to call the properly requisitioned meeting, filed a court injunction against both iolite and its representative personally - falsely claiming the meeting was 'illegal,' 'abusive,' and 'self-serving' - and hired costly proxy advisors to defend its position. Rather than address valid shareholder concerns, the Board sent a clear message: past decisions are off-limits, and future oversight is unwelcome.

The Company's campaign reflected a wholesale rejection of accountability. Independent views are treated as threats. Shareholders are viewed as adversaries. Basic governance rights - raising concerns, calling meetings, or nominating directors - are treated as hostile acts to be suppressed.

- This is about governance. Shareholders and proxy advisors must look beyond short-term share price movements. The real issue is a company consistently underperforming its potential, with growing risks tied to
- d) an outsized cash balance, an ambitious international growth strategy with no proven track record, and increasingly erratic management behavior. Dynacor's board, chaired by Mr. Lépine, resists oversight and uses corporate resources to insulate itself from accountability.

## 5. A Path Forward

Change is necessary to restore trust and reposition Dynacor for long-term global success. Withholding your votes in the election of Mr. Lépine clears the path for meaningful governance reform - without disrupting operations.

iolite invites you to support a future where your voice as a shareholder is respected, not resisted.

Respectfully,

Robert Leitz  
iolite Partners Ltd.

## Information in Support of Public Broadcast Solicitation

iolite is relying on the exemption under section 9.2(4) of Regulation 51-102 respecting Continuous Disclosure Obligations to make this public broadcast solicitation.

The following information is provided in accordance with corporate and securities laws applicable to public broadcast solicitations.

Dynacor's head office address is 606 Cathcart Street, Suite 640, Montréal, Québec H3B 1K9, Canada. A copy of this news release may be obtained on Dynacor's SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca).

A shareholder who has given a proxy has the power to revoke it. If a shareholder who has given a proxy attends the AGM at which the proxy is to be voted, such shareholder, may revoke the proxy and vote at the AGM. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing signed by the shareholder or his or her attorney authorized in writing, or, if the

shareholder is a corporation, under its corporate seal and signed by a duly authorized officer or attorney for the corporation, and deposited at the registered office of TSX Trust, Dynacor's transfer agent, at any time up to and including the last business day preceding the day of the AGM, or any adjournment thereof, at which the proxy is to be used, or with the Chair of the AGM on the day of the AGM or any adjournment thereof, and upon either of such deposits the proxy is revoked.

This news release and any solicitation made by iolite in advance of the AGM is, or will be, as applicable, made by iolite, and not by or on behalf of the management of the Company. All costs incurred for any solicitation will be borne by iolite, except that, subject to corporate and securities laws, iolite may seek reimbursement from the Company for its out-of-pocket expenses, including proxy solicitation expenses and legal fees, incurred in connection with the solicitation.

iolite is not soliciting proxies in connection with the AGM at this time.

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With the exception of the foregoing, none of iolite, to its knowledge, or any of its associates or affiliates, has any material interest, direct or indirect, in any matter proposed to be acted on at the AGM, other than the election of directors.

To the knowledge of iolite, none of iolite, nor any of its associates or affiliates, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in the matters to be acted upon at the AGM, other than the election of directors and the appointment of auditors.

#### About iolite

Founded in 2011 iolite Capital is a Switzerland-based investment manager with a focus on hidden champions: good businesses at attractive valuations. iolite serves a select circle of private and institutional clients who share the same entrepreneurial mindset, are willing to invest for the long term, and who would like to have first-hand access to a dedicated portfolio manager with substantial and meaningful skin in the game. Using a private equity approach, iolite conducts deep fundamental research, constructively engages with management, and adopts a long-term investment horizon. For more information on iolite, please visit [www.iolitecapital.com](http://www.iolitecapital.com).

#### Important Notice

This letter is published by iolite Partners Ltd., 4th Floor, Harbour Place, 103 South Church Street, PO Box 10240, KY1-1002, Grand Cayman, Cayman Islands, on [www.iolitecapital.com](http://www.iolitecapital.com). Its sole purpose is to inform shareholders of the voting intentions and recommendations of the undersigned, the beneficial owner of 10% of the common shares of Dynacor Group Inc., 606 Cathcart Street, Suite 640, Montréal, Québec H3B 1K9, Canada (the "Issuer").

Do not send the undersigned any proxy, voting instruction form, or other authorization. If you choose to vote, use only the proxy or voting instruction form supplied by the Issuer, or vote in the manner described in the Issuer's materials. The Issuer's 2025 Annual Meeting of Shareholders will be held virtually by live webcast on June 17, 2025, at 10:00 a.m. ET. To attend, vote, or ask questions, follow the procedures set out in the Issuer's management information circular or on its investor-relations webpage. The undersigned accepts no responsibility for any shareholder's inability to access the webcast.

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