

iolite Renews Call for Leadership Change at Dynacor Following Weak Q2 Results and Lack of Accountability and Transparency

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A few days of full plant utilization and vague promises of future projects cannot offset major leadership issues and a year of sustained underperformance.

- iolite renews its call for Chairman Pierre Lépine and CEO Jean Martineau to resign, following the Company's press release yesterday.
- Severe underperformance: Q2 operating income of US\$3.3 million is down 56% year-over-year, despite a 40% gold rally; Dynacor lost market share while nearly all Peruvian peers grew strongly.
- Unconvincing explanations: management blames seasonality, curfews, and inventory pricing, yet competitors surged and recent company statements contradict prior assurances.
- Operational red flags: stockpile collapse, an oddly worded restructuring announcement long after the fact and despite previously having a widely praised winning team, personnel costs up 27% over the last twelve months with expansion projects still in infancy.
- Governance & capital allocation failures: discounted equity raise despite now holding US\$58 million cash (almost half of market cap), erratic buyback policy, and lack of transparency on Veta Norte.
- Credibility collapse: board entrenched, attacking stakeholders and hiring proxy solicitors while withholding key information instead of engaging; ESG narrative undermined.

iolite Partners Ltd. ("iolite"), the largest shareholder of [Dynacor Group Inc.](#) ("Dynacor", TSX:DNG), today renews its call for the resignation of Chairman Pierre Lépine and CEO Jean Martineau. Despite repeated warnings and rising shareholder concern, Dynacor continues to lag peers, issue contradictory statements, and erode market credibility. While management highlights expansion into West Africa and Ecuador, the Company's core Peruvian operation, Veta Dorada - which generates all current revenue - has clearly lost ground.

Unexplained Loss of Market Share: Q2 operating income of US\$3.3 million is down 56% year-over-year (-\$4.2 million). Two of the last three quarters rank among the weakest in Dynacor's history relative to plant capacity, while the other failed to capture the benefits of a major gold price rally. Meanwhile, publicly available data show that nearly all Peruvian gold producers grew strongly between January and June 2025. Management's explanations for Veta Dorada's underperformance are wholly inadequate.

Unconvincing Production Shortfall Explanation - Erosion of Business: Dynacor lost 10 production days in Q4 2024 and 15 in Q2 2025, relative to available capacity. Cash gross margin dropped to 10.9% in Q4 2024 (vs. 15.0% in Q4 2023) and 11.2% in Q2 2025 (vs. 19.2% in Q2 2024). Operating Income collapsed to US\$3 million in both Q4 2024 (vs. US\$5m) and Q2 2025 (vs. US\$8m). Management blames seasonality, curfews, and roadblocks. But the evidence points clearly to internal issues and market share erosion, not external headwinds. Dynacor is attempting to shift attention to outside factors when the real issue is mismanagement of its core operations.

Contradictions in Explanations: Dynacor should have realized US\$4-6m in windfall gains from inventory pricing in Q1 2025 - when the gold rally was strongest. Instead, results were presented as "seasonably weak," with Operating Income falling to US\$6m (vs. US\$7m). When iolite raised this issue publicly ahead of Dynacor's shareholder meeting, the Company dismissed it as a poor understanding of its business model - only to contradict itself in Q2 by citing pricing and inventory to explain weak results.

Stockpile Contradictions: Why did Dynacor not enter Q1 2025 with a larger stockpile, particularly after the extended shutdown in December 2024? Management had repeatedly assured investors that the rainy season would be bridged by stockpile buildup and even suggested Veta Dorada could run above capacity in 2025 thanks to "tweaks" in operations. The gap between those assurances and actual results is glaring.

Unexplained Asset Disposal: Equally concerning is management's dismissal of a US\$500,000 asset disposal in Q2 2025 as "immaterial."

Veta Norte: iolite demands clarity on the planned plant in Northern Peru. Public disclosures and repeated statements from IR and management suggested the project was awaiting permits, with construction expected to start in late 2025 or early 2026. What is the current status and timeline?

Restructuring Narrative and Lack of Update on Investigation: The July 2025 "restructuring" press release was odd and unconvincing. Management mainly attributes higher personnel costs to "one-off" restructuring expenses, yet those costs have risen by nearly one-third across consecutive quarters, despite an unchanged operational footprint and weak results. Shareholders deserve clarity: what exactly is being restructured, why has performance deteriorated in a highly favorable gold market, and how credible is the need to restructure at all - and why was this never disclosed? Veta Dorada was once Peru's leading and most respected ASM gold aggregator. The Company itself described its local team as the best in the industry and the guarantor of international expansion. Are these people still with the Company - and if not, why not? In addition, while Dynacor announced that it had launched a review of certain practices and incidents, no update has been provided to stakeholders. This lack of transparency is unacceptable.

Expansion vs. Core Operations: Management emphasizes projects in West Africa and Ecuador, yet the Peruvian core - which generates 100% of revenues - has clearly lost ground. Rather than addressing this decline, management expanded headcount in Montreal - historically a small office focused only on compliance and listing - while promoting an international expansion narrative. Attempting to build four plants on two continents while simultaneously overhauling the only cash-generating asset raises serious risk questions. Why was a proven team "restructured" without disclosure? Who is running Veta Dorada now, and what tangible results has the new team delivered beyond continued underperformance?

Guidance Credibility: Dynacor reaffirmed 2025 guidance on July 17, only to cut it less than a month later on August 11, citing planned maintenance, curfews, and road closures in May and June. If these factors were already affecting Q2 and extended into July, why was guidance not revised earlier - particularly in the run-up to a hotly contested shareholder meeting? If the plant is now "running at capacity," for how many days has this been true - and how sustainable is it, given the lost market share, the odd "restructuring" announcement, and July's status as the strongest seasonal supply month? The materially weaker gross cash margin is another red flag. If full capacity is being claimed, at what cost? Shareholders care about cash generation, not sales headlines.

Capital Allocation & Governance: The sequence of halting buybacks, issuing shares, and then reinstating buybacks is indefensible. Dynacor has long traded at a depressed valuation relative to its cash flow and balance sheet - in part because the market never gave credit for its large cash reserves. On the very day before the misguided January 2025 equity raise, Mr. Martineau himself acknowledged the Company was materially undervalued at CAD 6.25 per share. With US\$58 million in cash now on hand, the raise was clearly unnecessary - except perhaps to entrench the board. To refer to "disciplined capital allocation," "sophisticated timing," or "bench strength" is self-congratulatory and plainly inconsistent with results.

ESG & Credibility: Dynacor promotes itself as an ESG leader, yet under Mr. Lépine and Mr. Martineau its actions - evasion, contradictions, and disregard for stakeholder rights - tell a very different story. Instead of engaging, leadership has entrenched itself while resisting transparency and accountability.

Call to Action: The record of poor performance, shifting explanations, and lost credibility is undeniable. Shareholders deserve leadership fit for purpose. iolite therefore renews its call for the Chairman and CEO to step down, so Dynacor can rebuild trust, stabilize its core business, and realize its potential. iolite continues to believe in Dynacor's potential - but the Company urgently needs a fresh start under credible leadership. iolite reserves all its rights as a shareholder to take action on its own behalf and/or on behalf of Dynacor.

About iolite

Founded in 2011 iolite Capital is a Switzerland-based investment manager with a focus on hidden champions: exceptional businesses with untapped potential. 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

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Contact

iolite Capital
Gwattstrasse 15
8808 Freienbach SZ
Switzerland

Investor Relations
+41 79 227 29 08
dynacor@iolitecapital.com

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