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2 September 2025



capAI plc

(the "Company" and, together with its subsidiaries and subsidiary undertakings, the "Group" or "capAI")

### **Execution of Licence and Option Agreement for Game42, an AI-Powered Book-to-Game Platform**

capAI (LSE: CPAI) is pleased to announce that, having addressed the necessary regulatory considerations, it has executed a definitive Licence and Option Agreement ("LOA") with R42 Group LLC ("R42") for Game42, a generative artificial intelligence ("AI") platform designed to convert written content into immersive, interactive gameplay experiences ("Game42").

The LOA follows the non-binding heads of terms ("HOTS") between capAI and R42, announced on 4 August 2025, and the terms remain aligned with that framework. Game42 remains under active development by R42, with delivery of a minimum viable product ("MVP") targeted by 31 December 2025. Consistent with the HOTS, the licence and option rights that are granted to capAI under the LOA will only become effective upon formal delivery of a mutually agreed completion notice (the "Completion Notice") confirming Game42 is ready for commercialisation.

Creator42's development has allowed for accelerated MVP delivery, while Game42 is advancing along its original timetable, reflecting the greater scope of its build-out. The Board sees this as a natural sequencing: with Author42 now commercialising and Creator42 next in line, Game42 provides the subsequent phase of growth in the pipeline. This measured progression ensures each platform is validated before launch, creating a consistent cadence of product rollouts across publishing, screen, and gaming. The Board believes this disciplined approach positions the Group to capture long-term value across multiple high-growth markets.

Game42 also creates natural synergies with Author42 and Creator42, enabling authors not only to write and publish their works but also to extend them into interactive game formats. This forms part of capMedia's wider strategy to deliver a fully integrated suite of products and services for creators across publishing, screen, and gaming. The Board believes this holistic approach strengthens the Group's competitive position and enhances its ability to capture value across multiple fast-growing entertainment verticals.

### **About Game42**

Game42 is a next-generation generative AI platform that transforms written content into immersive, interactive game experiences. It combines intelligent narrative adaptation, procedural level design, dynamic dialogue systems, and AI-powered character rendering.

The platform is designed to serve independent authors, content studios, and IP holders by significantly reducing the cost, complexity, and development time of traditional game production. By leveraging generative AI, Game42 enables rapid adaptation of literary IP into playable formats, strategically positioning itself within one of the fastest-growing segments of the entertainment industry.

## Principal Commercial Terms

Under the LOA, capAI has secured an exclusive, worldwide right to use, develop, commercialise and sub-license Game42, for a period of 12 months ("**Licence Period**"), with full operational and strategic control. The Licence Period and all rights under the LOA will only commence upon delivery of a mutually agreed Completion Notice confirming Game42 is ready for commercialisation. The LOA also grants capAI a discretionary option (the "**Option**") to acquire full ownership of the intellectual property ("**IP**") associated with Game42.

Key terms include:

### ***No Upfront Cost, Immediate Control***

The LOA has been executed as a deed, and carries no upfront payment or consideration, giving capAI operational freedom without initial capital outlay.

### ***Commencement of Rights***

Since Game42 is still in development by R42, capAI's Licence Period and all associated rights shall only commence upon delivery of a Completion Notice by R42 to capAI.

### ***Completion Notice***

The Completion Notice shall confirm, in good faith and in consultation with the capAI / R42 committee formed under the Alliance Agreement entered into between capAI and R42 (the "**Alliance Steering Committee**") , that Game42 meets the mutually agreed MVP criteria and is functionally complete and ready for commercialisation, albeit not necessarily final or market-polished.

### ***Development Timeline***

R42 shall use commercially reasonable efforts to deliver the Completion Notice by 31 December 2025, it being acknowledged by the parties that this is a non-binding estimate subject to development progress.

### ***Termination Right***

If the Completion Notice has not been delivered by 30 June 2026, either party may terminate the LOA with immediate effect by written notice to the other party, without liability, save in respect of any clauses that are normally expressed to survive termination.

### ***Good Faith Development Obligation***

Following delivery of the Completion Notice, capAI will be committed to advancing Game42 in good faith, including maintaining a dedicated development team, overseen via the capAI / R42 Alliance Steering Committee, and undertaking any final development work during the initial stages of the Licence Period as part of the broader commercialisation roadmap.

### ***Discretionary Option to Acquire Full IP Ownership***

capAI has the right-but not the obligation-to acquire 100% of the Game42 IP (including any enhancements or derivative works) at any time during the Licence Period; R42 cannot oblige capAI to exercise the Option under the terms of the LOA.

### ***£2 Million Option Consideration***

If exercised, capAI will settle the £2 million Option consideration through:

- the issue of new ordinary shares of nominal value £0.00001 each in the capital of capAI ("**Ordinary Shares**"), valued using the 20-trading day volume-weighted average price per Ordinary Share prior to Option exercise ("**Consideration Shares**"); or
- if regulatory constraints apply (e.g., Rule 9 of the UK Takeover Code or insufficient prospectus headroom), a combination of Consideration Shares (subject to such regulatory constraints) and non-transferable unsecured convertible loan notes ("**UCLNs**"). The UCLNs would carry a 10% non-compounding annual interest rate.

### ***Admission***

Any Consideration Shares issued under the Option (or new Ordinary Shares issued upon UCLN conversion) will be admitted to listing on the equity shares (transition) category of the Official List of the Financial Conduct Authority ("FCA") and to trading on the main market for listed securities of London Stock Exchange plc.

### **Exit Participation (Post-Acquisition)**

Upon full Game42 IP transfer, R42 will be entitled to 20% of the net proceeds from any monetisation, sale, or liquidity event involving all or substantially all of the Game42 IP. This ensures long-term alignment without affecting capAI's operational control.

### **Reversion Rights**

If capAI does not exercise the Option within the Licence Period, all rights revert to R42, including any improvements or derivative works created by capAI.

This balanced structure provides capAI with near-term flexibility while securing long-term strategic alignment with R42.

### **Related Party Considerations**

The entry by capAI and R42 into the LOA constitutes a material related party transaction for the purposes of DTR 7.3 and was, accordingly, voted upon by the statutory directors of capAI (the "Directors") deemed independent in relation to the LOA, comprising Richard Edwards, Sarah Day and Marcus Yeoman (excluding Professor Nag, who constituted a "related party" (as such term is defined in IFRS)), and such independent Directors consider the material related party transaction in respect of the LOA to be fair and reasonable from the perspective of the Company and holders of Ordinary Shares ("Shareholders") who are not a related party. Shareholders should note that Professor Nag recused himself from all deliberations concerning the LOA, ensuring robust governance and full compliance with applicable regulatory standards. These steps reflect the Company's ongoing commitment to transparent corporate governance and robust Shareholder protections.

### **Substantial Property Transaction**

The grant of the Option does not itself constitute a substantial property transaction for the purposes of section 190 of the UK Companies Act 2006, as amended ("CA 2006").

However, if capAI elects to exercise the Option, such exercise would require R42 to transfer the Game42 IP and the Company to allot and issue of the Consideration Shares and UCLNs (as applicable and in compliance with applicable regulatory obligations) by the Company on exercise of the Option under the LOA constitute a 'substantial property transaction' under section 190 of CA 2006, as the Company will allot and issue Consideration Shares and/or UCLNs with an aggregate value of £2,000,000 to R42, which is a body corporate connected with Ronjon Nag, a Director designated as Executive Director.

The Company may therefore proactively seek Shareholder approval of such possible 'substantial property transaction' at a forthcoming general meeting. This approach reflects the Board's commitment to ensuring full compliance with the relevant thresholds, disclosure obligations, and governance procedures under applicable regulation.

### **Management Commentary**

Richard Edwards, Executive Chairman of capAI, commented:

*"With Author42 already live and Creator42 accelerated toward launch, Game42 represents the next logical step in our pipeline. While it requires more development work and sits behind the other two platforms in terms of timing, it addresses one of the largest opportunities in global media: gaming. This structure gives us near-term operational flexibility, while preserving the option to own the IP outright in due course."*

Professor Ronjon Nag, Executive Director of capAI, added:

*"Generative AI is reshaping creative industries one by one. Game42 brings that transformation into gaming - compressing timelines, reducing costs, and enabling entirely new forms of interactive storytelling. Together with Author42 and Creator42, it further strengthens the unique ecosystem capAI is building across media and entertainment."*

Further updates will be provided as Game42 progresses toward full launch.

For the purposes of UK MAR, the person responsible for arranging release of this Announcement on behalf of capAI is Richard Edwards, Executive Chairman.

### **Enquiries**

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This Announcement may include forward-looking statements, which are based on current expectations and projections about future events, including about the Groups operations, strategy, financial performance, development milestones, and the future prospects of its business divisions, including capMedia Inc and the Game42 platform. These statements may include, without limitation, any statements preceded by, followed by or including words such as "target", "believe", "expect", "aim", "intend", "may", "anticipate", "estimate", "plan", "project", "will", "can have", "likely", "should", "would", "could" and any other words and terms of similar meaning or the negative thereof.

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