



SHORT FORM PROSPECTUS AND INVESTMENT STATEMENT

SEALEGS CORPORATION LIMITED

This Short Form Prospectus and Investment Statement is prepared for the purposes of the Securities Act 1978 as at 27 May 2005 in relation to a Renounceable Rights issue of up to 14,158,012 New Shares at \$0.15 per share.

The Offer carries an entitlement for Sealegs shareholders as at Record Date (5:00pm on 27 May 2005). All Shareholders are entitled to apply for one New Share for every three Shares they own at Record Date. The New Shares will be issued at \$0.15 each.

Overseas Shareholders are not eligible to accept the Offer.

All Entitlements are Renounceable, which means that they can be transferred or sold.

Please read this Short Form Prospectus and Investment Statement carefully and if you decide to apply for New Shares, please complete the Letter of Entitlement and Acceptance Form enclosed.

This document is a combined Short Form Prospectus and Investment Statement for the purposes of the Securities Act 1978. A copy of this Short Form Prospectus and Investment Statement which has been signed by the Directors of Sealegs Corporation Limited and has attached to it copies of the documents required by section 41 of the Securities Act 1978 (being the NZX acknowledgement pursuant to Regulation 23 of the Securities Regulations 1983 and the financial statements of the Company for the year ended 31 March 2005), was delivered to the Registrar of Companies for registration as a prospectus on 27 May 2005 under section 42 of the Securities Act 1978.

Important Information

(The information in this section is required under the Securities Act 1978).
Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

Choosing an Investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

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Choosing an Investment Adviser

You have the right to request from any investment adviser a written disclosure statement stating his or her experience and qualifications to give advice. That document will tell you:

- Whether the adviser gives advice only about particular types of investment; and
- Whether the advice is limited to the investments offered by one or more particular financial organisations; and
- Whether the adviser will receive a commission or other benefit from advising you.

You are strongly encouraged to request that statement. An investment adviser commits an offence if he or she does not provide you with a written disclosure statement within five working days of your request. You must make the request at the time the advice is given or within one month of receiving the advice.

In addition:

- If an investment adviser has any conviction for dishonesty or has been adjudged bankrupt, he or she must tell you this in writing; and
- If an investment adviser receives any money or assets on your behalf, he or she must tell you in writing the methods employed for this purpose.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes.

Key Dates

| | |
|--|--------------|
| Prospectus registered | 27 May 2005 |
| Record Date for entitlement to Rights | 27 May 2005 |
| Offer opens and rights commence quotation | 30 May 2005 |
| Short Form Prospectus and Investment Statement and Letters of Entitlement sent to Shareholders | 31 May 2005 |
| Rights quotation closes | 23 June 2005 |
| Offer closes – last day for receipt of applications and renunciations | 27 June 2005 |
| Allotment of New Shares and commencement of trading of New Shares | 29 June 2005 |
| Despatch of FASTER statements for New Shares | 30 June 2005 |

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Statutory Index

As required by Regulation 5(6) of the Securities Regulations 1983:

Clause numbers of the First Schedule to the Securities Regulations 1983 (as required by Regulation 4 of the Securities Regulations 1983).

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No Guarantee or Liability

None of the persons named or referred to in this Short Form Prospectus and Investment Statement guarantees or undertakes any liability in respect of the New Shares or the Existing Shares.

Registration

This Short Form Prospectus and Investment Statement is dated 27 May 2005. A copy of this Short Form Prospectus and Investment Statement, signed by or on behalf of the Directors of Sealegs Corporation Limited, together with copies of the documents required by section 41 of the Securities Act 1978 has been delivered to the District Registrar of Companies at Auckland for registration under section 42 of the Securities Act 1978.

Accompanying Documents

- ☞ Letter of Entitlement and Acceptance Form
- ☞ Reply-paid Envelope

Important Notice to Overseas Shareholders

This Short Form Prospectus and Investment Statement is dated 27 May 2005. It provides information relevant to the Shareholders of the Company who are New Zealand residents and who may wish to exercise their Rights to buy the New Shares available in this Offer.

Because of the costs and complexity of complying with the legal requirements to enable the Offer to be extended to Overseas Shareholders, New Zealand Exchange Limited (**NZX**) has granted a waiver from the requirement in Listing Rule 7.3.4(a) to extend this Offer to Overseas Shareholders. The offer is therefore not made to Overseas Shareholders and those Shareholders are not eligible to accept the Rights offered under this Short Form Prospectus and Investment Statement.

The Rights referred to in this Offer which those Overseas Shareholders would otherwise receive will be issued to a nominee who will endeavour to sell those Rights, hold the proceeds on trust and account to those shareholders on a pro rata basis (net of costs) for the proceeds.

Receipt of this Short Form Prospectus and Investment Statement or the Letter of Entitlement and Acceptance Form will not constitute an offer in any jurisdiction outside New Zealand. The Company prohibits the sending of this Short Form Prospectus and Investment Statement and/or Letter of Entitlement and Acceptance Form into any such jurisdiction and reserves the right to refuse to issue any New Shares to an Applicant if it believes to do so would result in an issue of New Shares to any person in such jurisdiction or violate any applicable legal or regulatory requirements. Unless otherwise agreed with the Company, each person subscribing for any New Shares the subject of this Offer shall be deemed to represent that he or she is not in a jurisdiction which prohibits the making of an offer of this kind and is not acting for the account or benefit of a person in such jurisdiction.

How to Apply

Eligible Shareholders are encouraged to submit their acceptances as soon as possible. Acceptances must be received before 5:00pm on 27 June 2005. Details about how to accept this Offer are set out on page 10 of this Short Form Prospectus and Investment Statement.

If you are in any doubt as to how to deal with this document, please consult a Primary Market Participant or your financial or legal adviser immediately.

Chairman's letter

Dear Shareholder,

The material attached sets out the terms of a renounceable rights issue for you to consider participating in. The rights issue seeks to raise just over \$2 million to fund the next stage of the Company's growth and development.

Our amphibious boat is developing well. Feedback from those who have purchased a boat has been very complimentary. The Board has confidence in the boat and in its potential. New Zealand sales have been most encouraging.

With the release of Sealegs *All Terrain* model and the planned completion of the Sealegs *RAC-Jet* prototype later this year, the capital needs of the Company need to be met. We have been investing heavily in research and development and in the protection of our intellectual property. We have outgrown our current assembly facility.

The marketing of Sealegs overseas is at an early stage. We now need to invest to promote Sealegs outside New Zealand and to develop and then support distribution channels.

The Board has decided to boost the capital of the Company by way of a rights issue to existing shareholders rather than a placement. In order to ensure that the full amount sought by management will be raised, the rights issue has been underwritten. The Board invites shareholders to consider the material in this package carefully and to seek independent advice if needed.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John Robertson', written in a cursive style.

John Robertson
Chairman

MAIN TERMS OF THE OFFER

The Offer

The Issuer for this Offer is Sealegs Corporation Limited. Sealegs' registered office is at 7b Douglas Alexander Parade, Albany, Auckland. Sealegs Corporation Limited is offering, on a Renounceable basis, to Eligible Shareholders holding Existing Shares as at the Record Date, 27 May 2005, an entitlement to subscribe for one fully paid-up ordinary New Share for every three Existing Shares held at Record Date, at an issue price of \$0.15 per New Share. Fractional entitlements will be rounded down to the next whole number.

No Minimum Subscription per Shareholder

The Offer may be accepted in whole or in part.

The proceeds from the issue of the New Shares will be used to fund the further expansion of the Company's business and for the following purposes:

- New Production Facility
- Consignment Stock
- Intellectual Property Protection
- Staff Recruitment
- Research & Development
- Sales & Marketing

More information about these projects is set out on pages 14-15.

Any Shareholder who has acquired Existing Shares after 5:00pm on Record Date will not qualify to participate in the Offer in respect of those Shares. If you have sold your Shares in the Company on or before 27 May 2005 please send this Short Form Prospectus and Investment Statement and the enclosures to the Primary Market Participant, or other person or share broker through whom you made the sale, requesting that they be forwarded to the new Shareholder.

Price

The consideration for each New Share offered is \$0.15 payable in full on application. The maximum number of New Shares to be issued under this Offer is 14,158,012. The maximum amount to be raised under the Offer is \$2,123,702.00.

Ranking of New Shares

The New Shares will rank equally in all respects with the Existing Shares in the capital of the Company. As such, every New Share will be entitled to one vote on a poll at a meeting of Shareholders, and the right to an equal share in dividends authorised by the Board and on any distribution of the surplus assets of the Company. The New Shares will be able to be traded through FASTER in the same manner as the Existing Shares.

Entitlement

Each Eligible Shareholder has an entitlement to subscribe for one fully paid-up ordinary New Share for every three Existing Shares held at the Record Date.

No Minimum Subscription for the Offer

The Directors have not set a minimum level of subscriptions for the Offer to proceed. Major Shareholders have indicated an intention to take up Rights.

Underwriting

The Offer is underwritten by McDouall Stuart Group Limited to the extent of \$1,400,000 (or around 9,333,333 New Shares). Major Shareholders have indicated their intention to take up \$536,000 worth of Rights. The agreement signed with McDouall Stuart Group includes marker and share price termination clauses of the sort usually included in such agreements.

No Guarantee

No person named in this Short Form Prospectus and Investment Statement, nor any other person, guarantees payment of any moneys payable in respect of the New Shares to be issued pursuant to this Short Form Prospectus and Investment Statement, nor in respect of the Existing Shares.

Listing of New Shares and Rights

The New Shares have been accepted for listing by NZX and will be quoted on the NZSX upon completion of allotment procedures. However, NZX accepts no responsibility for any statement contained in this Short Form Prospectus and Investment Statement.

Application has been made to NZX for permission to list the Rights and all the requirements of NZX related thereto that can be complied with on or before the date of this Short Form Prospectus and Investment Statement have been duly complied with. However, NZX accepts no responsibility for any statements in this Short Form Prospectus and Investment Statement.

Closing Date

The Offer closes on 27 June 2005.

HOW TO DEAL WITH YOUR RIGHTS ENTITLEMENT

The Letter of Entitlement and Acceptance Form (found in the back of this Short Form Prospectus and Investment Statement) sets out the number of Rights to which you are entitled.

The Rights are Renounceable which means that Eligible Shareholders who do not wish to take up all of their Entitlements may subscribe for only those Rights they wish to acquire and renounce and sell the balance. Those Rights can be traded on the NZSX.

If you are interested in acquiring more New Shares than the number set out in the Letter of Entitlement and Acceptance Form enclosed with this Short Form Prospectus and Investment Statement, you may buy Rights on market. Please contact a Primary Market Participant once Rights trading commences but before Closing Date.

Trading of Rights will commence on NZSX on 30 May 2005 and will cease on 23 June 2005. Those Rights may be sold on NZSX between these dates should you choose not to accept your full Entitlement.

Listed below are the steps to be taken if you wish to:

- ☞ Accept your Entitlement in full; or
- ☞ Sell your Entitlement in full; or
- ☞ Accept part of your Entitlement and sell the balance.

How to Accept your Entitlement in full

If you want to accept ALL of your Entitlement, you should:

- ☞ Complete the enclosed Letter of Entitlement and Acceptance Form; and
- ☞ Send your completed Letter of Entitlement and Acceptance Form together with your cheque made payable to "Sealegs Rights Issue" and crossed "Not Transferable" for the amount of the acceptance money shown on your Letter of Entitlement and Acceptance Form, to the Company's Share Registrar, any Primary Market Participant or any other channel approved by NZX, in time to allow those parties to forward the documentation to the Share Registrar prior to Closing Date.

The completed Letter of Entitlement and Acceptance Form and payment must be received by the Share Registrar not later than 5.00pm 27 June 2005.

How to Sell your Entitlement in full

If you want to sell ALL of your Entitlement, your Rights may be sold on NZSX through a Primary Market Participant or the Organising Participant. If you wish to sell ALL of that Entitlement you should:

- ☞ Instruct a Primary Market Participant to sell the number of Rights specified on your Letter of Entitlement and Acceptance Form. You will need to provide your Common Shareholder Number.
- ☞ Rights may only be traded in the period between 30 May and 23 June 2005.

It is not certain that you will be able to sell your Rights. This will depend on the volume of Rights offered for sale and purchase and the price at which you are seeking to sell your Rights.

If you wish to sell your Rights, you must do so before Rights trading ceases on 23 June 2005.

How to Accept part of your Entitlement only

If you wish to take up part of your Entitlement and sell the balance of that Entitlement on the NZSX through a Primary Market Participant, you should:

- ☞ Instruct a Primary Market Participant to sell the number of Rights you wish to renounce. You will need to provide your Common Shareholder Number.
- ☞ Complete the enclosed Letter of Entitlement and Acceptance Form for the number of New Shares you wish to accept.
- ☞ Send your completed Entitlement and Acceptance Form, together with your cheque for payment in full for the number of New Shares you have decided to accept directly to the Primary Market Participant through whom you sold your Rights.
- ☞ Rights may only be traded in the period between 30 May and 23 June 2005.

If you wish to sell any of your Rights, you must do so before Rights trading ceases on 23 June 2005.

If a renunciation and an acceptance are given by a Shareholder in relation to the same Rights, effect shall be given to the renunciation in priority to the acceptance.

Method of Payment for New Shares

Cheques and drafts should be made payable to "Sealegs Rights Issue" and crossed "Not Transferable". Please do NOT forward any cash. Receipts for payment will not be issued.

Payment will only be accepted in New Zealand currency as follows:

- ☞ Personal cheque drawn on and payable at any New Zealand bank;
- ☞ Bank cheque issued by and payable at any New Zealand bank; or
- ☞ Bank draft drawn on and payable at any New Zealand bank.

If you do nothing, you will not get any New Shares. The Directors recommend that you accept all or part of your Entitlement. However, if you wish to sell any of your Rights, you must do so before Rights trading ceases on 23 June 2005.

Allotment and Mailing of Statements

Shareholders who apply for New Shares in excess of the number to which they are entitled will not be allocated the excess applied for. If you are interested in acquiring more New Shares than the number set out in the Letter of Entitlement and Acceptance Form enclosed with this Short Form Prospectus and Investment Statement, you may buy Rights on market. Please contact a Primary Market Participant once Rights trading commences but before Closing Date.

Any amounts exceeding the consideration payable for New Shares allotted will be repaid to the Applicant by cheque within five working days of the allotment of New Shares. No interest will be payable on surplus funds returned to Applicants.

The New Shares will be allotted, and statements for New Shares sent to the Applicants, as soon as practicable after the Offer closes but, in any event, allotment will be completed no later than 29 June 2005, and statements for New Shares will be sent to Shareholders no later than 30 June 2005.

OTHER TERMS OF THE OFFER

There are no other terms of the Offer than those set out in this Short Form Prospectus and Investment Statement.

THE SEALEGS BUSINESS

Sealegs Corporation Limited was incorporated under the Companies Act 1993 on 16 July 1987. Its registered number is 345055.

Sealegs Corporation owns 100% of Sealegs International Limited, the world's leading manufacturer of amphibious boats. Sealegs International Limited has its office in Albany, Auckland and the Sealegs amphibious boats are built in stages in East Tamaki and Auckland's North Shore. Sealegs amphibious boats are used by customers in New Zealand, Australia, France, the United Kingdom, the United Arab Emirates and the United States.

The Group has developed a boat with motorised and retractable wheels that is able to be driven into and out of the water. The primary boat in production and being sold is a 5.6 metre rigid inflatable with motorised wheels which give a user variable speeds of 0 – 10 kilometres per hour on land.

The boat can be driven down a boat ramp or beach and into the water. Once in the water, the wheels are retracted, and the boat is driven and used on water as normal. When approaching land, and while the boat is still in the water, the wheels are lowered and the boat is driven out of the water and up onto the beach. The Sealegs system uses fully submersible components and is salt water compatible.

Further to this, the Company has released the 5.6m Sealegs All Terrain Amphibious Craft (ATAC). This craft is built around the standard 5.6m boat but has an extremely low ground pressure which is less than a human footprint.

This is achieved by having two special purpose-built 31 inch by 18 inch hydraulically powered wheels on the rear and three steerable tyres at the front. These enable the Sealegs ATAC to traverse estuary mud flats and soft shingle beaches that are beyond the reach of conventional boats and trailers.

Sealegs also has announced the Sealegs RAC-Jet which is currently in the process of having a prototype built. This second generation craft is called RAC or Rugged Amphibious Craft. It will have a single 140hp inboard engine for powering the vehicle on land and water and a specially developed air/water cooling system for the engine.

The Sealegs RAC-Jet, being developed as a result of market feedback, will be a robust craft constructed of marine grade aluminium with a large work/payload area and a big hard-top canopy.

Unlike the existing Sealegs 5.6m amphibious rigid inflatable boat, which has inflatable tubes and both an inboard and outboard engine, the Sealegs RAC-Jet will have a single engine, jet drive and a hull with solid aluminium sides.

The Sealegs RAC-Jet is expected to be able to be driven on land at speeds of up to 15km/h, and then straight into the water with no stopping. Once afloat, the wheels would hydraulically retract clear of the water at the push of a button. The Sealegs RAC-Jet would then be transformed into a deep-V sea-going boat ready for work on the water at speeds up to 60km/h.

With the large rear balloon tyres powered by high-torque hydraulic wheel motors the Sealegs RAC is expected to be a go-anywhere all-terrain amphibious boat with recreational, commercial and military applications. Sealegs International has had some initial discussions with certain armed forces regarding the possible development of a Jet drive version of its existing Sealegs amphibious boats.

The Company has been working to a strategic plan which in summary is as follows:



↑
We are here

The Company has successfully completed stages 1 to 4 and is preparing to move onto stage 5 which is the primary reason for the Company's decision to make this Offer.

Use of Proceeds

The Offer is expected to raise up to a maximum of \$2,123,702.00. In order to fund some immediate capital requirements, the Company may make a private placement to one or more professional investors in the short term (and possibly prior to the Closing Date). However, no placements will be made before Record Date so there will be no entitlement for these investors to participate in this Offer.

The proceeds of this Offer will be used to fund the expansion of the business generally and for the following specific purposes:

- New Production Facility
- Consignment Stock
- Intellectual Property Protection
- Staff Recruitment
- Research & Development
- Sales & Marketing

New Production Facility

The Company is currently confined to a 2,600sq feet factory and a move to larger premises will enable more cost and process-efficient production. Capital raised from this Offer will be used to rent and fit out a new factory.

Consignment Stock

Many international dealers require the first unit of stock to be delivered on consignment. This first unit is then used for demonstrations and replaced when sold.

Sealegs intends to place consignment units internationally over the coming year. Some of the funds raised in this Offer will be applied to this consignment stock.

Intellectual Property Protection

Sealegs has already applied for many local and international patents, design marks and trade marks. Continuing this process will be vital to the protection of the Company's intellectual property in the concept. Some of the funds raised under this Offer will be applied to the costs of this intellectual property protection programme.

Staff Recruitment

The Company currently outsources most of the manufacturing with final assembly undertaken by Sealegs. Once the Company has a suitable production facility it will be able to bring some of the currently outsourced functions in-house. This will ultimately decrease the unit cost of production however in the short term, funding will need to be applied to both in house and outsourced production whilst staff are trained.

Research and Development

The Company has been successful in obtaining a \$100,000 grant from the Government for the development of the RAC-Jet. The Company will also need to apply some of the funds raised under the Offer to the development of this second generation boat which upon completion will open new markets for sales.

Sales and Marketing

Some of the funds will be applied to developing an international distributor channel and attending an increasing number of international boat shows. Travel, training, advertising and PR will all be significant items but all are anticipated to have a positive effect on sales over time.

Trading Prospects

The Company started selling its boats in April 2004 and to the year ended 31 March 2005 sold in excess of 20 boats. The majority of these boats were sold in New Zealand demonstrating a local market. This has given management the confidence to seek larger global markets.

To date resellers have been appointed in France, Dubai and the United Kingdom and initial market feedback has been positive. International press has been positive and the public response at international boat shows has been very motivating. Experience in New Zealand suggests the more boats exposed to the market the greater the sales demand generated. With the placement of these few international seed units we have initiated public exposure thus increasing the possibility of a successful international product introduction.

Management is forecasting the next 12 months' sales in New Zealand should improve on last year and international sales should see an increase of over 100% in that period.

Dividend Policy

The Company will pay dividends when it is able to, but there is no current dividend policy.

Issue Expenses

Issue expenses including share registry expenses, lead management and underwriting expenses, legal expenses and printing, are estimated at \$115,000 and are payable by the Company.

Financial Statements

The Company's financial statements for the year ended 31 March 2005 are enclosed with this Short Form Prospectus and Investment Statement as part of the Company's annual report for the year ended 31 March 2005. For more detailed information about Sealegs, please refer to the Company's website at www.sealegs.com and the website of NZX www.nzx.com which provide further background and financial information in relation to the Company and developments relating to the Company.

Ownership of Sealegs Shares

The Company's top ten shareholders as at 3 May 2005 are set out in the table below.

| Owner | Number of shares | Percentage |
|--|-------------------|----------------|
| Nada Daisy Bryham and KPMG Legal Trustee Company Limited | 9,150,769 | 21.54 |
| Kenneth Edward McKee Wright & Christina Carol McKee Wright | 6,656,061 | 15.67 |
| Raphael Chaikin | 2,852,284 | 6.72 |
| Brian Ernest Taylor | 2,711,472 | 6.38 |
| Cross Atlantic Capital Partners Inc | 1,829,190 | 4.31 |
| ANZ Nominees Limited | 932,520 | 2.20 |
| Primdonn Nominees Pty Limited | 790,000 | 1.86 |
| The Co Investment 2000 Fund LP | 781,250 | 1.84 |
| Glenn James Robinson | 626,288 | 1.47 |
| Johnny Lum | 479,110 | 1.13 |
| Others | 15,665,097 | 36.88 |
| TOTAL | 42,474,041 | 100.00% |

The total number of Shareholders in the Company as at 3 May 2005 is 2081. No Shareholder guarantees any securities in the Company.

ANSWERS TO IMPORTANT QUESTIONS

What sort of investment is this?

Eligible Shareholders are being offered an Entitlement to subscribe for one fully paid-up ordinary New Share for every three Existing Shares they hold at the Record Date. The issue price of the New Shares is \$0.15 per New Share.

The New Shares are being offered on a Renounceable basis. This means that Eligible Shareholders may accept their Entitlement either in full or in part but that any Rights which the Shareholder chooses not to accept may be sold and some benefit may be received in respect of those Rights.

The New Shares will rank equally in all respects with the Existing Shares.

This means the New Shares being offered confer the following rights on their holder:

- The right to vote at general meetings of Shareholders (one vote per Share on a poll);
- The right to participate in dividends on the same basis as other holders of ordinary Shares;
- The right to share in surplus assets in a liquidation on the same basis as other holders of ordinary Shares;
- The right to receive an annual report and other information required by the Companies Act 1993; and
- The other rights conferred by the Company's Constitution and the Companies Act 1993 on Shareholders generally.

Who is involved in providing it for me?

Sealegs Corporation Limited is the issuer of the New Shares being offered. Its address is 7b Douglas Alexander Parade, Albany, Auckland. Its registered office is 7b Douglas Alexander Parade, Albany, Auckland.

The Company

The Company's principal activity, through its subsidiary Sealegs International Limited, is the manufacture of amphibious boats. It has carried on this activity since 31 August 2002.

How much do I pay?

Applicants for the New Shares being offered must pay \$0.15 for each New Share subscribed for by sending, to any of the following, a personal or bank cheque or bank draft for the appropriate amount, made payable to "Sealegs Rights Issue", crossed "Not Transferable" and for immediate value, together with their completed Letter of Entitlement and Acceptance Form to:

- Computershare Investor Services Limited
Private Bag 92119
Auckland 1020; or

- any Primary Market Participant; or
- the Organising Participant; or
- any other channel approved by NZX,

so as to be received by the Share Registrar no later than 5:00pm on 27 June 2005.

The number of New Shares to which each Eligible Shareholder is entitled is set out in the Letter of Entitlement and Acceptance Form which accompany this Short Form Prospectus and Investment Statement. Shareholders who apply for New Shares in excess of the number to which they are entitled will not be allocated the excess applied for. If you are interested in acquiring more New Shares than the number set out in the Letter of Entitlement and Acceptance Form, you may buy Rights on market. Please contact a Primary Market Participant once Rights trading commences but before Closing Date.

If an Applicant for New Shares fails to pay for the number of New Shares he or she wishes to subscribe for before 5:00pm on 27 June 2005, that Applicant's Entitlement to participate in the Offer lapses to the extent payment is not received.

Any amounts exceeding the consideration payable for New Shares allotted will be repaid to the Applicant within five working days of the allotment of New Shares. No interest will be payable on surplus funds returned to Applicants.

There is no "cooling off" period in which Applicants can change their minds once the application for New Shares has been submitted.

What are the Charges?

There are no charges payable by Applicants in connection with the Offer other than the issue price of \$0.15 for each New Share. All expenses or overheads incidental to the Offer are being met by the Company.

What returns will I get?

Shares

A return on the New Shares may be derived by way of dividend or capital gain. Sealegs does not currently have a dividend policy due to its current lack of opportunity to pay any dividends. However, this is a matter which is regularly considered by the Directors.

The key factors which will determine those returns will be:

- The Company's Shares becoming worth more on the NZSX than the price the Shareholder paid for them;
- The Company's future earnings, cash flow and dividends (if any) and the effect of those on the perceived value of the Company's Shares; and
- The success and the prospects of the Company as perceived by Shareholders and those who advise them.

Returns will also be influenced by general economic factors such as interest rates and consumer confidence.

No return, in the form of dividend, capital gain or otherwise, is guaranteed or promised by any persons named in this Short Form Prospectus and Investment Statement and the dates at which any capital gains in respect of the New Shares will be either realised or reflected in the price of the Company's Shares cannot be predicted with accuracy. There is no guarantee that the value of the New or Existing Shares will increase.

The person legally liable to pay any returns which are in the nature of capital gains on the New Shares and Existing Shares will be the person who purchases the Shares. The Company is the party legally liable to pay any dividends which are declared by the Directors and must pay any dividends to those persons appearing on the share register in proportion to their respective shareholdings.

Tax

The imposition of tax may affect returns depending on the status of individual investors. If in doubt, obtain professional advice. Any dividends will be subject to deductions of such withholding taxes as the law requires. The Company will attach imputation credits as it is able.

No Guarantees

No return on the Rights is guaranteed or promised by any persons named in this Short Form Prospectus and Investment Statement. No person guarantees the New Shares being offered or any return on them.

What are my risks?

The principal risks in respect of the New Shares are that an Applicant may not be able to recoup his or her initial investment or that the Applicant may not receive the returns described in the preceding section. More specifically, these risks are that:

- The price at which the Applicant is able to sell the New Shares is less than the price paid due to changes in market circumstances;
- The Applicant is unable to sell the Shares;
- The Company is placed in receivership or liquidation making it reasonably foreseeable that Shareholders could receive none, or only some, of their initial investment; and
- Sealegs fails to generate sufficient profit in order to pay dividends.

In addition, share prices can be adversely affected by prevailing economic conditions irrespective of the value of returns on the New Shares.

The New Shares will be fully paid on issue and there is no risk of an Applicant being required to pay more money in respect of the New Shares over and above the issue price per New Share. It is reasonably foreseeable that on a sale of the New Shares below the issue price, or on a liquidation of the Company, where there is insufficient money to repay the Shareholders their original subscription money, a Shareholder will receive less than the amount paid to the Company for his or her Shares.

In the event of insolvency, the holders of fully paid ordinary Shares would not normally be liable to pay money to any person as a result. An exception could occur where a

distribution, such as a dividend, has been made to Shareholders in circumstances where the Company was unable at that time to meet the solvency test set out in the Companies Act 1993. In that case, a liquidator may call for a return of such distributions.

In the event of the Company being put into liquidation or wound up, all its creditors are entitled to be paid in priority to any return of capital to Shareholders. Once all creditors have been paid, Shareholders rank equally amongst themselves, and are entitled to share in the distribution of any remaining assets in proportion to their shareholding.

Specific Business Risks

The future risks to the Company include, but are not limited to:

- The possibility that Sealegs has its intellectual property copied or competitors are otherwise able to take advantage of the Company's intellectual property.
- The possibility that Sealegs fails to meet management's sales expectations.
- The possibility of product failure.
- Manufacturing hold-ups or product issues that require redesign.

These risks have been assessed by the management of Sealegs and measures have been taken to try to minimise these risks.

The Company currently has little operating cash flow and if forecasts are not met the Company will require further capital to execute its business plan, otherwise it will have to cease trading.

Sealegs' business is very specialised. The Company's key staff with their knowledge of the business and its product are of great value to the business. Departure of these staff could have a negative impact on the business.

General economic risk

Sealegs will be exposed to the risk of a general downturn in the New Zealand economy or elsewhere. This could reduce the value of the business by, for example, reducing Sealegs' potential customer base in New Zealand or offshore.

Can the investment be altered?

The rights of the holders of ordinary Shares in the Company can generally only be altered by special resolution of all Shareholders of the Company in accordance with its Constitution. This requires a 75% majority of Shareholders voting in favour of the resolution. In limited circumstances, rights can be altered by a Court order.

The terms and conditions on which Eligible Shareholders may apply for New Shares may be altered by an amendment to this Short Form Prospectus and Investment Statement by the Company prior to the Closing Date. Details of any such amendment must be filed with the Registrar of Companies.

Neither the Applicant nor the Company nor any other person has a right to terminate, cancel or surrender the New Shares, except as set out in the Constitution of the Company or provided by law.

How do I cash in my investment?

Except as otherwise prescribed by law, an Applicant has no right to receive back from the Company the amount subscribed for the New Shares, except in circumstances where the Company is being wound up, or in circumstances where the Company seeks to buy back its own Shares.

Entitlements are Renounceable and can be sold. It is not possible to predict what sort of price, if any, Shareholders might receive for Rights they choose to sell.

New Shares, like Existing Shares, may, after issue and allotment, be sold or transferred by the holder at any time on the NZSX, which is, in the Board's opinion, an established market.

Sales through a broker will attract brokerage at the rates charged by that broker. The Company does not charge fees for registering share transfers.

Who do I contact with enquiries about my investment?

Enquiries about the Rights or the New Shares may be directed to:

The Company

7b Douglas Alexander Parade
Albany
Auckland
Attention: David McKee Wright

Tel: 09 414-5528
Fax: 09 414-5546
Website: www.sealegs.com

Enquiries concerning the details which may be entered on the share register should be directed to:

The Share Registrar

The Share Registrar
Sealegs Corporation Limited
C/- Computershare Investor Services Limited
Private Bag 92119
Auckland 1020

Tel: (09) 488 8700

Is there anyone to whom I can complain if I have problems with the investment?

Complaints about the Rights or the New Shares can be directed to:

7b Douglas Alexander Parade
Albany
Auckland
Attention: David McKee Wright

Tel: 09 414-5528
Fax: 09 414-5546
Website: www.sealegs.com

There is no ombudsman to whom complaints can be addressed in relation to the Rights or the New Shares.

What other information can I obtain about this investment?

Other information about Sealegs or the securities is contained in the most recent financial statements of the Company for the year ended 31 March 2005. A copy of those financial statements is enclosed with this Short Form Prospectus and Investment Statement as part of the Company's annual report for the year ended 31 March 2005 and is also available on the Company's website at www.sealegs.com.

A copy of this Short Form Prospectus and Investment Statement, the Constitution and the most recent financial statements for the year ended 31 March 2005 of Sealegs Corporation Limited and reports required by the Companies Act 1993 to be annexed or attached thereto may be inspected without fee during normal business hours at, or obtained on your written request, from the Company's offices at 7b Douglas Alexander Parade, Albany, Auckland.

Copies of this Short Form Prospectus and Investment Statement, the Constitution and the most recent financial statements of the Company and reports required by the Companies Act to be annexed or attached thereto are also available on the public file relating to the Company's incorporation which is kept by the Companies Office of the Ministry of Economic Development. Documents on the public file may be viewed at the Companies Office website, www.companies.govt.nz or (in relation to documents which are not able to

be viewed via the Internet) upon request by submitting a search request form which may be obtained from the Companies Office at:

- Level 5, District Court Building, 3 Kingston Street, Auckland; or
- ASB Building, 500 Victoria Street, Hamilton; or
- Level 9, 86-90 Lambton Quay, Wellington; or
- Ministry of Economic Development House, 55 Woodsworth Street, Christchurch; or
- By contacting the Companies Office contact centre on 0508 266 726.

A prescribed fee may be payable.

You may also receive copies of:

- The most recent published Annual Report of the Company; and
- The Constitution of the Company

on written request to

Sealegs Corporation Limited
PO Box 9505
Newmarket
Auckland

A fee of \$0.20 per page for photocopying may be charged.

Shareholders will receive on an annual basis, unless they notify the Company otherwise, a copy of the most recent Annual Report for the Company, which will include the audited financial statements and report on the activities of the Company. In addition, Shareholders will receive interim reports that will include the unaudited half-yearly financial statements for the Company.

Lodging the application

To make an application to exercise your Entitlement, you need to:

- read this Short Form Prospectus and Investment Statement and complete the Letter of Entitlement and Acceptance Form in accordance with the instructions set out on the reverse of that form
- make sure the Letter of Entitlement and Acceptance Form bear your adviser's stamp if relevant
- fill in all necessary personal details
- complete the number of New Shares you wish to subscribe for
- make sure all Applicants have signed the Letter of Entitlement and Acceptance Form as required
- if signed by your attorney, complete the certificate of non-revocation of Power of Attorney which is included in the Letter of Entitlement and Acceptance Form

- make your investment cheque payable to “Sealegs Rights Issue” and cross it “Non-Transferable”
- forward the cheque and the completed Letter of Entitlement and Acceptance Form to the Share Registrar at:

Computershare Investor Services Limited
Private Bag 92119
Auckland 1020

or to any Primary Market Participant, the Organising Participant or any other channel approved by NZX, in time to allow those parties to forward the documentation to the Share Registrar prior to 5:00pm on 27 June 2005.

This Short Form Prospectus and Investment Statement has been signed by each Director or his/her duly authorised agent as follows:

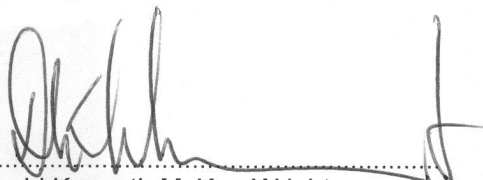
DIRECTORS' STATEMENT

The Directors of Sealegs Corporation Limited state that, after due enquiry by them in relation to the period between the date of the latest statement of financial position of Sealegs Corporation Limited set out or referred to in this Short Form Prospectus and Investment Statement and the date of registration of this Short Form Prospectus and Investment Statement, there have not, in their opinion, arisen any circumstances that materially adversely affect the trading or profitability of the Company, the value of its assets, or the ability of the Company to pay its liabilities due within the next 12 months.

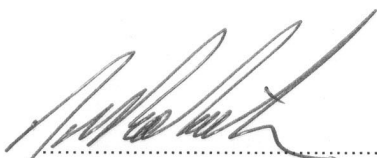
The Short Form Prospectus and Investment Statement of which this registered Short Form Prospectus and Investment Statement is an identical copy, except as to the matters specified in paragraphs (a) and (b) of Section 41 of the Securities Act 1978, was signed by or on behalf of all of the Directors of the Company as follows.



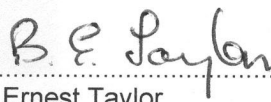
John Struan Robertson



David Kenneth McKee Wright



Donald Caldwell



Brian Ernest Taylor



Simon Gerard Vodanovich

GLOSSARY

| | |
|---|---|
| Applicant | An Eligible Shareholder who applies for New Shares pursuant to the Offer |
| Board | The board of directors of Sealegs |
| Closing Date | 5 pm on 27 June 2005 |
| Company | Sealegs Corporation Limited |
| Director | A director of Sealegs Corporation Limited |
| Eligible Shareholder | A shareholder in Sealegs Corporation Limited as at the Record Date, not being an Overseas Shareholder |
| Entitlement | Rights on the part of Eligible Shareholders to acquire New Shares |
| Existing Shares | Existing ordinary shares in the capital of Sealegs Limited on issue at the Record Date |
| FASTER | Fully Automated Screen Trading and Electronic Registration System |
| Group | The Company and its subsidiaries at the date of this Short Form Prospectus and Investment Statement |
| Short Form Prospectus and Investment Statement | This short form prospectus and investment statement relating to the Offer |
| Letter of Entitlement and Acceptance Form | The letter of entitlement and acceptance form accompanying and forming part of this Short Form Prospectus and Investment Statement and which sets out an Eligible Shareholder's Entitlement and the form on which to apply for New Shares |
| Listing Rules | The listing rules of NZX applying to the NZSX market (or any successor to that market) in force from time to time |
| New Shares | Ordinary shares in Sealegs Corporation Limited issued pursuant to this Offer |
| NZX | New Zealand Exchange Limited |
| NZSX | The NZSX market operated by NZX or any alternative or substitute market for ordinary shares or other arrangement in New Zealand on or through which ordinary shares or other equity securities may be freely traded and which is generally regarded as the principal market or arrangement for the trading of ordinary shares in New Zealand. |

| | |
|-----------------------------------|--|
| Offer | The Company's offer of New Shares to Eligible Shareholders as set out in this Short Form Prospectus and Investment Statement |
| Organising Participant | McDouall Stuart Securities Limited |
| Overseas Shareholder | A shareholder in the Company whose registered address is outside New Zealand |
| Primary Market Participant | A Primary Market Participant as that term is defined in the NZX Market Participant Rules, being generally a person or organisation accredited and designated by NZX to bring new offers of securities to a market provided by NZX. |
| Record Date | 5 pm on 27 May 2005 |
| Renounceable | Able to be transferred or sold by the Eligible Shareholder |
| Rights | The entitlement to subscribe for New Shares under the Offer |
| Sealegs | Sealegs Corporation Limited |
| Share | An ordinary share in Sealegs Corporation Limited |
| Shareholder | A shareholder in Sealegs, but excluding Overseas Shareholders |
| Share Registrar | Computershare Investor Services Limited (see Directory for contact details) |

DIRECTORY

Issuer

Sealegs Corporation Limited

Organising Participant

McDouall Stuart Securities Limited

Level 6, Bayleys Building
28 Brandon Street
PO Box 1886
Wellington
Tel +64 4 472 2716
Facsimile +64 4 472 2719

Board of Directors

John Struan Robertson – Chairman

14 Ritchie Crescent
Takanini
Auckland

Underwriter

McDouall Stuart Group Limited

Level 6, Bayleys Building
28 Brandon Street
PO Box 1886
Wellington
Tel +64 4 472 2716
Facsimile +64 4 472 2719

David Kenneth McKee Wright

278 Vipond Road
Stanmore Bay
Whangaparaoa
Auckland

Legal Advisers

Buddle Findlay
Level 18
PricewaterhouseCoopers Tower
188 Quay Street
Auckland

Brian Ernest Taylor

22 Hampton Drive
Kohimarama
Auckland

Share Registrar

Computershare Investor Services Limited
Private Bag 92119
Auckland 1020

Tel: (09) 488 8700
Fax (09) 488 8787

Simon Gerard Vodanovich

38 Collingwood Street
Freemans Bay
Auckland

Auditors

Ernst & Young
41 Shortland Street
Auckland

Donald Caldwell

531 North Rose Lane
Haverford
Pennsylvania 19041
United States Of America

Business Address of the Company

7b Douglas Alexander Parade
Albany
Auckland
Attention: David McKee Wright

Postal Address of the Company

PO Box 9505
Newmarket
Auckland

Contact Details of the Company

Tel: 09 414-5528
Fax: 09 414-5546
Email: info@sealegs.com
Website: www.sealegs.com

The Directors can be contacted at the Business Address of the Company.