

ABERDEEN AUSTRALIA EQUITY FUND INC

Form N-2/A

November 29, 2005

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As filed with the Securities and Exchange Commission on November 29, 2005

Securities Act File No. 333-127305

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-2

Registration Statement Under the Securities Act of 1933

Pre-effective Amendment No. 1

Post-effective Amendment No. __

Registration Statement Under the Investment Company Act of 1940

Amendment No. __

ABERDEEN AUSTRALIA EQUITY FUND, INC.

(Exact name of Registrant as Specified in Charter)

800 Scudders Mill Road

Plainsboro, New Jersey 08536

(Address of Principal Executive Offices)

1-866-839-5205

(Registrant's telephone number, including Area Code)

Mr. Beverley Hendry

Aberdeen Asset Management Inc.

300 S.E. 2nd Street, Suite #820

Fort Lauderdale, Florida 33301

(Name and Address of Agent for Service)

Copies to:

Sander M. Bieber, Esq.

Dechert LLP

1775 I Street, N.W.

Washington, D.C. 20006

BANKGESELLSCHAFT BERLIN AG

Alexanderplatz 2-10178

Berlin, Germany

(Name and Address of Selling Stockholder)

Approximate date of proposed public offering: As soon as practicable after the effective date of this Registration Statement.

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box

It is proposed that this filing will become effective (check appropriate box)

when declared effective pursuant to Section 8(c)

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per	Proposed Maximum Aggregate Offering	Amount of Registration Fee
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			Unit*		Price		
Common Stock (\$.01 par value)	3,975,000	\$	11.96	\$	47,541,000	\$	5,596

* Estimated pursuant to Rule 457(c) on the basis of market value per share on July 22, 2005. The price at which securities will be offered pursuant to this Registration Statement will be the then current market price of such shares on the American Stock Exchange, or on such other registered national securities exchanges, inter-dealer quotation systems, or alternative trading systems, through which such shares are traded, which may differ from the market value per share on July 22, 2005.

The Registrant hereby amends this Registration Statement under the Securities Act of 1933 on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with the provisions of Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

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Prospectus dated _____, 2005

ABERDEEN AUSTRALIA EQUITY FUND, INC.

3,975,000 Shares of Common Stock

Par value \$.01 per Share

This Prospectus relates to the offer and sale of 3,975,000 shares of Common Stock par value \$.01 (Common Stock) of Aberdeen Australia Equity Fund, Inc. (Fund) by the Selling Stockholder, identified under the heading Selling Stockholder. No shares of the Fund's Common Stock are being offered by the Fund pursuant to this Prospectus.

The Selling Stockholder may offer its shares of Common Stock from time to time through broker-dealers at prevailing market prices on the American Stock Exchange (Amex), or on such other registered national securities exchanges, inter-dealer quotation systems, or alternative trading systems, through which such shares are traded. The Selling Stockholder's shares of Common Stock which are registered hereunder are referred to in this Prospectus as the Shares. The Fund will not receive any of the proceeds from the sale of Shares by the Selling Stockholder. See Use of Proceeds.

The Fund's Common Stock is traded on the Amex and the Pacific Stock Exchange (PSE) under the symbol IAF. The last reported sale price of the Fund's Common Stock, as reported by the Amex on November 23, 2005 was \$12.85 per share.

The Fund is a non-diversified, closed-end management investment company. The Fund's principal investment objective is long-term capital appreciation through investment primarily in equity securities of Australian companies listed on the Australian Stock Exchange Limited. The Fund's secondary investment objective is current income. The Fund's investment manager is Aberdeen Asset Management Asia Limited (Investment Manager), an affiliate of the Fund's investment adviser, Aberdeen Asset Management Limited (Investment Adviser), and of the Fund's administrator, Aberdeen Asset Management Inc. (Administrator). The Fund's address is 800 Scudders Mill Road, Plainsboro, New Jersey 08536, and its telephone number is 1-866-839-5205.

Investment in the Shares involves certain risks and special considerations, including risks associated with currency fluctuations. The Fund also has authority (which it has not exercised) to borrow to finance investments and to issue preferred stock. Both practices entail risks. For a discussion of these and other risks, see Risks and Special Considerations.

This Prospectus sets forth concisely the information about the Fund and the Selling Stockholder that a prospective investor should know before investing. It should be retained for future reference. The Statement of Additional Information (SAI), dated _____, 2005, contains more information about the Fund and the Selling Stockholder and is incorporated by reference into this Prospectus. The Table of Contents for the SAI is on page 37 of the Prospectus. You may call 1-866-839-5205 or email InvestorRelations@aberdeen-asset.com to obtain, free of charge, copies of the SAI and the Fund's annual and semi-annual reports to stockholders, as well as to obtain other information about the Fund and to make stockholder inquiries. The Fund's SAI, as well as the annual and semi-annual reports to stockholders, is also available on the Fund's website at www.aberdeeni.af.com. The Securities and Exchange Commission (SEC) maintains a website at <http://www.sec.gov> that contains the SAI, material incorporated by reference into the Fund's registration statement and other information about the Fund.

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The following table applies to the proposed offering of the Shares by the Selling Stockholder:

	<u>Price to the Public(1)</u>	<u>Sales Load</u>	<u>Proceeds to the Selling Stockholder(2)</u>
Per Share	\$ 12.85	\$.06(3)	\$ 12.79(4)
Total	\$ 51,078,750	\$ 238,500(3)	\$ 50,840,250(4)

- (1) Based on the market price of the Fund's shares at the close of trading on the Amex on November 23, 2005. The price at which securities will be offered pursuant to this registration statement will be the then current market price of such shares on the Amex, or on such other registered national securities exchanges, inter-dealer quotation systems, or alternative trading systems, through which such shares are traded, which may differ from the market price at the close of trading on the Amex on November 23, 2005.
- (2) The total expenses of the offering, estimated to be approximately \$529,000, will be borne by the Selling Stockholder, and have not been deducted from the Proceeds to the Selling Stockholder.
- (3) The Selling Stockholder has informed the Fund that the Selling Stockholder intends to use the services of one or more brokers to sell Shares pursuant to this Registration Statement, and that the Selling Stockholder will pay such brokers commissions of between \$.01 to \$.06 per share. For purposes of this table, the maximum estimated commission of \$.06 per share has been used.
- (4) In the event the Selling Stockholder pays the minimum estimated commission of \$.01 per share, the proceeds to the Selling Stockholder would be \$12.84 per share, or an aggregate of \$51,039,000.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or passed upon the adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

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In purchasing Shares, you should rely only on the information contained in, or incorporated by reference into, this Prospectus or in any amendment or supplement thereto. Neither the Fund nor the Selling Stockholder has authorized any person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Selling Stockholder is not making an offer to sell the Shares in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this Prospectus, or in any amendment or supplement thereto, is accurate only as of the date of this Prospectus, or of such amendment or such supplement, as applicable. The Fund's business, financial condition and prospects, as well as information regarding the Selling Stockholder, may have changed since the date of its description in this Prospectus, or since the date of any such description in an amendment or supplement thereto.

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PROSPECTUS SUMMARY

The following information is only a summary. You should consider the more detailed information contained in the Prospectus and the SAI before purchasing Shares, especially the information under Risks and Special Considerations on page 20 of the Prospectus.

The Selling Stockholder	The Selling Stockholder is Bankgesellschaft Berlin AG, a German banking corporation organized under the laws of the Federal Republic of Germany (Selling Stockholder). The Selling Stockholder has advised the Fund that, as of November 21, 2005, it was the beneficial owner of 4,613,450 shares, and the owner of record and beneficially of 7,500 shares, of the Fund s Common Stock. Of such shares, 3,975,000 shares (the Shares) are registered hereunder and are being offered by this Prospectus. One of the Fund s Directors is a representative of the Selling Stockholder. See Selling Stockholder.
Use of Proceeds	The Fund will not receive any of the proceeds from sale of the Shares. The Selling Stockholder has indicated that such proceeds will be used by the Selling Stockholder for general corporate purposes. See Use of Proceeds.
Plan of Distribution	The Shares will be sold at their then current price on the Amex, or on such other registered national securities exchanges, inter-dealer quotation systems, or alternative trading systems, through which such shares are traded, at such times and in such numbers as the Selling Stockholder may determine from time to time. The Selling Stockholder reserves the right to terminate sales of Shares pursuant to this offering at any time. See Plan of Distribution.
Amex and PSE Listed	The Fund s shares of Common Stock are listed for trading on the Amex and on the PSE, under the symbol IAF. As of November 23, 2005, the Fund had 16,803,510 shares of Common Stock, par value \$.01 per share , outstanding. As of November 23, 2005, the last reported sale price of a Fund share on the Amex was \$12.85. See Description of Common Stock.
Stock Repurchase Program	Under the Fund s stock repurchase program, the Fund is permitted to repurchase up to 10% of its outstanding shares on the open market during any 12 month period if and when the discount from net asset value is at least 10%. The Fund may borrow to repurchase shares under this program. There have not been any repurchases of shares under this program since 2002. Applicable law may prevent such repurchases during the offering of the Shares described herein. See Description of Common Stock Stock Repurchase Program.
The Fund	The Fund is a non-diversified, closed-end management investment company organized as a Maryland corporation. See The Fund.
Investment Objectives	The Fund s principal investment objective is long-term capital appreciation through investment primarily in equity securities of Australian companies listed on the Australian Stock Exchange

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Limited (ASX). Its secondary objective is current income, which is expected to be derived primarily from dividends and interest on Australian corporate and governmental securities. The Fund's investment objectives may not be changed without approval of stockholders. See Investment Objectives.

Investment Policies

The Fund normally invests at least 80% of its net assets, plus borrowings for investment purposes, in common, preferred and convertible stock listed on the ASX. The Fund may invest up to 10% of its total assets in unlisted equity securities. It may also invest in debt securities issued by Australian companies, Australian Federal and State governments and the U.S. government. The Fund's investments in any one industry or group of industries are generally limited to 25% of its total assets, except that it may invest between 25% and 35% of its total assets in securities of an industry group that, at the time of investment, represents 20% or more of the S&P/ASX 200 Accumulation Index. The Fund has authority to engage in options transactions, to enter into repurchase agreements, and to lend its portfolio securities. See Investment Policies.

Investment Restrictions

The Fund has certain investment restrictions that may not be changed without approval by a majority of the Fund's outstanding voting securities. These restrictions concern issuance of senior securities, borrowing, lending, concentration, diversification and other matters. See Investment Restrictions.

Risks (See generally Risks and Special Considerations for more information on these and other risks)

The value of the Fund's assets, as well as the market price of its shares, will fluctuate. You can lose money on your investment. Investing in the Fund involves other risks, including the following:

Offer of Shares. Because the Shares constitute a significant block of the Fund's outstanding Common Stock, their offering may exert downward pressure on the market price of the Fund's shares to the extent not offset by demand.

Currency Exchange Rate Fluctuations. The Fund invests substantially in instruments denominated in foreign currencies—primarily the Australian dollar, but also the New Zealand dollar. Fluctuations in the value of these non-U.S. currencies relative to the U.S. dollar can adversely affect the U.S. dollar value of the Fund's assets. A decline in the value of such a foreign currency can require the Fund to liquidate portfolio securities to pay distributions previously calculated in U.S. dollars and can increase the relevant foreign currency cost of expenses incurred in U.S. dollars. Currency exchange losses can reduce or eliminate the Fund's ability to make ordinary income distributions.

Foreign Securities. In addition to foreign currency risks, investments in non-U.S. securities involve risk of loss in the event of tax increases or adverse political, economic or diplomatic

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developments in Australia and New Zealand. The Australian securities market for both listed and unlisted securities may be more volatile and is less liquid than the major U.S. markets, and investing in non-U.S. securities may involve greater costs plus more uncertainty regarding legal protections. Regulatory oversight of markets and custody facilities may differ from that in the U.S.

Concentration. The Fund may invest up to 35% of its total assets in securities of an industry group that, at the time of investment, represents 20% or more of the S&P/ASX 200 Accumulation Index. An industry sector can include more than one industry group. As of July 31, 2005, 33.3% of the Fund's net assets were invested in the financials sector of the Standard & Poor's Global Industry Classification Sectors. Such a concentration of investments in a single industry sector makes the Fund particularly vulnerable to adverse economic, political or other developments affecting that sector. Also, because the Fund's investments are primarily in Australian securities, The Fund will be particularly affected by adverse political, economic and other developments impacting Australia.

Net Asset Value Discount. Shares of the Fund, a closed-end investment company, may trade in the market at a discount from their net asset value.

Distribution Rate. There can be no assurance that the Board will maintain the Fund's distribution rate at a particular level, or that the Board will continue a managed distribution policy. Additionally, distributions may include return of capital as well as net investment income and capital gains. If the Fund's investments do not generate sufficient income, the Fund may be required to liquidate a portion of its portfolio to fund these distributions. See Dividends and Distributions.

Non-Diversified Fund. As a non-diversified investment company, the Fund can invest more of its assets in fewer issuers than an investment company that is diversified, exposing the Fund to greater risk.

Stock Repurchases. When the Fund repurchases shares of its Common Stock pursuant to the Fund's stock repurchase program, the resulting decrease in shares outstanding may increase the Fund's expense ratio; any borrowing to finance repurchases would reduce net income; and any sales of portfolio securities to finance repurchases may not be at a preferred time from a portfolio management perspective and would increase portfolio turnover and related expenses.

Anti-Takeover Provisions. The Fund's bylaws contain several provisions that may be regarded as anti-takeover because they have the effect of maintaining continuity of management. Also, Articles Supplementary approved by the Board of Directors subject the Fund to certain provisions of the Maryland General Corporation Law with respect to unsolicited takeovers. See Certain Provisions of the Charter and Bylaws.

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Leverage. The Fund has authority to issue preferred stock and to borrow to finance investments. Each of these is a form of leverage that entails particular risks for holders of Common Stock. The issuance of preferred stock would affect the amount of income available for distribution on the Fund's Common Stock as well as the net asset value of the Common Stock and the voting rights of holders of Common Stock. Leverage would exaggerate the effects of both currency fluctuations and of market downturns or upturns on the net asset value and market value of the Fund's Common Stock, as well as on distributions to holders of Common Stock. Leverage can also increase the volatility of the Fund's net asset value, and expenses related to leverage can reduce the Fund's income. In the case of leverage, if Fund assets decline in value so that legal asset coverage requirements for any preferred stock or borrowings would not be met, the Fund may be prevented from paying distributions, which could jeopardize its qualification for pass-through tax treatment, make it liable for excise taxes and/or force it to sell portfolio securities at an inopportune time. Holders of preferred stock have the right to elect two directors, and such holders, as well as Fund creditors, have the right under certain circumstances to elect a majority of the Fund's directors.

Unlisted Securities. The Fund may invest up to 10% of its total assets in unlisted equity securities. Because the market for unlisted securities is not liquid, it may be difficult for the Fund to sell these securities at a desirable price. Unlisted securities are not subject to the disclosure and other investor protection requirements of Australian law applicable to listed securities.

Securities Lending. With respect to loans of its portfolio securities, the Fund is exposed to risks of loss in the event of default or bankruptcy of the borrower, and in the event that the return on the loan, or on invested collateral, will be less than the related costs.

Options. Options strategies may not be successful if the Investment Adviser's expectations about market trends are not fulfilled. These strategies can also increase portfolio turnover and involve costs to the Fund.

Repurchase Agreements. These transactions involve risks in the event of counterparty default or insolvency.

Investment Manager and Investment Adviser The Fund's Investment Manager is Aberdeen Asset Management Asia Limited, a Singapore corporation located at 21 Church Street, #01-01 Capital Square Two, Singapore 049480. The Investment Manager serves as investment manager to both equity and fixed income investment portfolios for a range of clients, with approximately \$18.8 billion in assets, including the Fund and two other U.S. registered closed-end funds with aggregate net assets of approximately \$2.7 billion, as of September 30, 2005. The Investment Manager, in accordance with the Fund's stated investment objectives, policies and limitations and subject to the supervision of the Fund's Board of Directors, manages the Fund's investments and makes

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investment decisions on behalf of the Fund, including the selection of, and being responsible for the placement of orders with, brokers and dealers to execute the Fund's portfolio transactions.

The Fund's Investment Adviser is Aberdeen Asset Management Limited, an Australian corporation affiliated with the Investment Manager. The Investment Adviser is located at Level 6, 201 Kent Street, Sydney, NSW 2000, Australia. The Investment Adviser's principal business focus is to provide investment management services with regard to equity and fixed income investments in Australian securities. The Investment Adviser managed approximately \$0.4 billion of assets, as of September 30, 2005. The Investment Adviser makes recommendations to the Investment Manager as to specific portfolio securities to be purchased, retained or sold by the Fund and provides or obtains such research and statistical data as may be necessary in connection therewith.

The Investment Adviser is a wholly-owned subsidiary of Aberdeen Asset Management Holdings Limited (AAMHL), an Australian corporation, which in turn is a wholly-owned subsidiary of the Investment Manager. The Investment Manager is a wholly-owned subsidiary of Aberdeen Asset Management PLC (Aberdeen PLC), a United Kingdom corporation, that is the parent company of an asset management group (the Aberdeen Group) managing approximately \$52.3 billion of assets as of September 30, 2005, including approximately \$31.5 billion of investments in equity securities as of August 31, 2005, for pension funds, financial institutions, investment trusts, unit trusts, U.S. registered investment companies, offshore funds, charities and private clients. Aberdeen PLC entered into an agreement with Deutsche Asset Management Group Limited (Deutsche Bank) on July 7, 2005 to acquire certain fund management businesses (the Target Businesses) of Deutsche Bank. The Target Businesses comprise a global fixed income business, itself made up of a London-based business and a Philadelphia-based business, a UK open-ended investment company business, a London-based UK and global equities business and a London-based multi-asset business. As at September 30, 2005, the Target Businesses had assets under management of approximately \$53.2 billion. See Management of the Fund The Investment Manager and the Investment Adviser.

The Fund pays a fee to the Investment Manager computed at the annual rate of 1.10% of the Fund's average weekly Managed Assets (defined as net assets plus the amount of any borrowings for investment purposes) up to \$50 million, 0.90% of such assets between \$50 million and \$100 million, and 0.70% of such assets in excess of \$100 million, computed as of the end of each week and payable at the end of each calendar month.

The Investment Manager pays the fees of the Investment Adviser. These fees are computed at the annual rate of 0.30% of the Fund's average weekly Managed Assets (defined as net assets plus the

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amount of any borrowings for investment purposes) up to \$50 million, 0.25% of such assets between \$50 million and \$100 million, and 0.15% of such assets in excess of \$100 million, computed as of the end of each week and payable at the end of each calendar month.

Portfolio Managers

The following persons have day-to-day management of the Fund's portfolio: Hugh Young, Managing Director of the Investment Manager; and Augustine Mark Daniels, Michelle Casas and Natalie Tam, investment professionals of the Investment Adviser. See "Management of the Fund" Portfolio Management.

Administrator

Aberdeen Asset Management Inc., 1114 Avenue of the Americas, 34th Floor, New York, New York 10036, acts as the Fund's administrator ("Administrator"). The Administrator is a subsidiary of Aberdeen PLC and an affiliate of the Investment Manager and Investment Adviser. The Fund pays a fee to the Administrator at an annual rate equal to 0.04% of the Fund's average weekly net assets plus the amount of any borrowings for investment purposes. The Administrator delegates certain of its responsibilities to a sub-administrator, Princeton Administrators, L.P. See "Management of the Fund" Administrator.

Custodian and Transfer Agent

State Street Bank and Trust Company, One Heritage Drive, North Quincy, Massachusetts 02171, acts as the Fund's custodian. The Bank of New York, 101 Barclay Street, New York, New York 10286, acts as the Fund's stock transfer agent, dividend paying agent and agent for the Fund's Dividend Reinvestment and Cash Purchase Plan. See "Management of the Fund" Custodian and Transfer Agent.

Dividends and Distributions

The Board of Directors has implemented a managed distribution policy of paying quarterly distributions at an annual rate, set once a year, that is a percentage of the rolling average of the Fund's prior four quarter-end net asset values. The current rolling distribution rate is 10%, but this rate may be changed by the Board. There can be no assurance that the Board will continue a managed distribution policy. See "Dividends and Distributions."

Dividend Reinvestment and Cash Purchase Plan

Stockholders may elect to have their distributions automatically reinvested in Fund shares which will be either issued by the Fund or purchased on the open market, depending on the market price per share plus any brokerage commissions, relative to the Fund's net asset value per share.

Taxation

Withholding and/or other taxes may apply in the countries in which the Fund invests, which will reduce the Fund's cash return in those countries. The Fund intends to elect, when eligible, to "pass-through" to the Fund's stockholders the ability to claim (subject to limitations) a deduction or credit for the amount of foreign income and similar taxes paid by the Fund. Tax considerations for an investor in the Fund are summarized under "Taxation." See also "Risks and Special Considerations."

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Maximum Sales Load* (as a percentage of offering price)	0%
Dividend Reinvestment and Cash Purchase Plan Fees	0%

Annual Operating Expenses (As a Percentage of Average Net Assets Attributable to the Fund's Common Stock)

Management Fee(1)	0.85%
Administration Fee(2)	0.04%
Other Expenses(3)	0.58%
Total Annual Operating Expenses	1.47%

* The sales load of \$.01 cents to \$.06 cents per Share sold pursuant to this Prospectus will be borne entirely by the Selling Stockholder.

(1) See Management of the Fund The Investment Manager and the Investment Adviser for additional information.

(2) See Management of the Fund Administrator for additional information.

(3) Other Expenses have been estimated for the current fiscal year.

Example

An investor would pay the following expenses on a \$1,000 investment in the Fund, assuming a 5% annual return.

<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>Ten Years</u>
\$14.96	\$ 46.51	\$ 80.36	\$ 176.16

The above tables are intended to assist investors in understanding the various costs and expenses directly or indirectly associated with investing in the Fund. This Example assumes that all dividends and other distributions are reinvested at net asset value and that the percentage amounts listed in the table above under Total Annual Operating Expenses remain the same in the years shown. The above tables and the assumption in the Example of a 5% annual return are required by regulations of the SEC that are applicable to all investment companies; the assumed 5% annual return is not a prediction of, and does not represent, the projected or actual performance of the Fund's Common Stock. For more complete descriptions of certain of the Fund's costs and expenses, see Management of the Fund and Expenses.

This Example should not be considered a representation of past or future expenses, and the Fund's actual expenses may be greater than or less than those shown.

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The financial highlights table is intended to help you understand the Fund's financial performance. Information is shown for the Fund's last ten fiscal years, and for the six months ended April 30, 2005. Certain information reflects financial results for a single Fund share. The following information, insofar as it relates to each year of the ten-year period ended October 31, 2004, has been audited by PricewaterhouseCoopers LLP, independent registered public accounting firm for the Fund, whose reports thereon were unqualified. The report of PricewaterhouseCoopers LLP, together with the financial statements of the Fund, are included in the Fund's October 31, 2004 Annual Report, and are included in the SAI, which is available upon request. The information for the six months ended April 30, 2005 is unaudited.

	For the Six Months Ended April 30, 2005 (unaudited)	Year Ended October 31,		
		2004	2003	2002
PER SHARE OPERATING PERFORMANCE:				
Net asset value, beginning of period	\$ 10.64	\$ 9.38	\$ 6.84	\$ 5.97
Net investment income	0.19	.28	.12	.15
Net realized and unrealized gains (losses) on investments and foreign currencies	0.93	1.76	2.58	.93
Total from investment operations	1.12	2.04	2.70	1.08
DIVIDENDS AND DISTRIBUTIONS FROM:				
Net investment income	(0.19)	(.30)	(.10)	(.15)
In excess of net investment income	(0.32)			
Net capital and currency gains		(.36)	(.07)	(.07)
Tax return of capital		(.12)		
Total dividends and distributions	(0.51)	(.78)	(.17)	(.22)
Capital reduction with respect to issuance of Fund shares				
Increase resulting from Fund share repurchase			.01	.01
Net asset value, end of period	\$ 11.25	\$ 10.64	\$ 9.38	\$ 6.84
Market price per share, end of period	\$ 11.16	\$ 10.25	\$ 8.40	\$ 5.73
TOTAL INVESTMENT RETURN BASED ON(1):				
Market value	13.97%	32.53%	50.40%	12.55%
Net asset value	10.68%	23.19%	40.69%	19.04%
RATIOS/SUPPLEMENTAL DATA:				
Ratio of expenses to average net assets	1.47%(2)	1.75%	2.55%	1.76%
Ratio of net investment income to average net assets	3.27%(2)	2.85%	1.66%	2.33%
Portfolio turnover rate	12%	23%	32%	56%
Net assets, end of year (000 omitted)	\$ 188,720	\$ 178,551	\$ 157,419	\$ 115,490
Average net assets (000 omitted)	\$ 194,202	\$ 166,284	\$ 128,662	\$ 114,213

(1)

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Total investment return is calculated assuming a purchase of common stock on the first day and a sale on the last day of each period reported. Dividends and distributions are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions.

(2) Annualized.

(3) Less than \$0.005 per share.

NOTE: Contained above is operating performance for a share of common stock outstanding, total investment return, ratios to average net assets and other supplemental data for each of the periods indicated. This information has been determined based upon financial information provided in the financial statements and market value data for the Fund's shares.

See Notes to Financial Statements.

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	Year Ended October 31,			
	2001	2000	1999	1998
PER SHARE OPERATING PERFORMANCE:				
Net asset value, beginning of period	\$ 6.86	\$ 8.78	\$ 8.25	\$ 9.35
Net investment income	.12	.14	.08	.21
Net realized and unrealized gains (losses) on investments and foreign currencies	(.33)	(1.25)	1.26	(.41)
Total from investment operations	(.21)	(1.11)	1.34	(.20)
DIVIDENDS AND DISTRIBUTIONS FROM:				
Net investment income		(.12)	(.30)	(.23)
In excess of net investment income				
Net capital and currency gains		(.69)	(.51)	(.66)
Tax return of capital	(.68)			
Total dividends and distributions	(.68)	(.81)	(.81)	(.89)
Capital reduction with respect to issuance of Fund shares				(.01)
Increase resulting from Fund share repurchase	(3)			
Net asset value, end of period	\$ 5.97	\$ 6.86	\$ 8.78	\$ 8.25
Market price per share, end of period	\$ 5.29	\$ 5.875	\$ 8.00	\$ 6.5625
TOTAL INVESTMENT RETURN BASED ON(1):				
Market value	1.06%	(17.31)%	34.91%	(0.38)%
Net asset value	(2.32)%	(12.02)%	17.77%	(0.34)%
RATIOS/SUPPLEMENTAL DATA:				
Ratio of expenses to average net assets	1.80%	1.66%	2.58%	1.61%
Ratio of net investment income to average net assets	1.77%	1.66%	.87%	2.38%
Portfolio turnover rate	50%	120%	143%	180%
Net assets, end of year (000 omitted)	\$ 102,361	\$ 117,941	\$ 150,916	\$ 141,794
Average net assets (000 omitted)	\$ 115,051	\$ 143,801	\$ 157,565	\$ 149,827

(1) Total investment return is calculated assuming a purchase of common stock on the first day and a sale on the last day of each period reported. Dividends and distributions are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions.

(2) Annualized.

(3) Less than \$0.005 per share.

NOTE: Contained above is operating performance for a share of common stock outstanding, total investment return, ratios to average net assets and other supplemental data for each of the periods indicated. This information has been determined based upon financial information provided in the financial statements and market value data for the Fund's shares.

See Notes to Financial Statements.

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	Year Ended October 31,		
	1997	1996	1995
PER SHARE OPERATING PERFORMANCE:			
Net asset value, beginning of period	\$ 10.98	\$ 10.04	\$ 11.76
Net investment income	.18	.20	.22
Net realized and unrealized gains (losses) on investments and foreign currencies	(1.45)	1.25	(.71)
Total from investment operations	(1.27)	1.45	(.49)
DIVIDENDS AND DISTRIBUTIONS FROM:			
Net investment income	(.17)	(.23)	(.22)
In excess of net investment income			
Net capital and currency gains	(.18)	(.26)	(.94)
Tax return of capital			
Total dividends and distributions	(.35)	(.49)	(1.16)
Capital reduction with respect to issuance of Fund shares	(.01)	(.02)	(.07)
Increase resulting from Fund share repurchase			
Net asset value, end of period	\$ 9.35	\$ 10.98	\$ 10.04
Market price per share, end of period	\$ 7.44	\$ 9.125	\$ 8.19
TOTAL INVESTMENT RETURN BASED ON(1):			
Market value	(15.17)%	17.76%	(7.84)%
Net asset value	(11.37)%	15.55%	(2.70)%
RATIOS/SUPPLEMENTAL DATA:			
Ratio of expenses to average net assets	1.39%	1.41%	1.50%
Ratio of net investment income to average net assets	1.68%	1.86%	2.24%
Portfolio turnover rate	270%	133%	45%
Net assets, end of year (000 omitted)	\$ 159,422	\$ 185,756	\$ 168,111
Average net assets (000 omitted)	\$ 182,588	\$ 178,756	\$ 162,228

- (1) Total investment return is calculated assuming a purchase of common stock on the first day and a sale on the last day of each period reported. Dividends and distributions are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions.
- (2) Annualized.
- (3) Less than \$0.005 per share.

NOTE: Contained above is operating performance for a share of common stock outstanding, total investment return, ratios to average net assets and other supplemental data for each of the periods indicated. This information has been determined based upon financial information provided in the financial statements and market value data for the Fund's shares.

See Notes to Financial Statements.

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SELLING STOCKHOLDER

The Shares to be offered and sold pursuant to this registration statement are beneficially owned by Bankgesellschaft Berlin AG (Selling Stockholder), a German banking organization which is a corporation formed under the laws of the Federal Republic of Germany, with its registered office located at Alexanderplatz 2-10178, Berlin, Germany.

The Selling Stockholder has advised the Fund that, as of November 21, 2005, it was the beneficial owner of 4,613,450 shares (constituting approximately 27.5% of the then outstanding shares), and the owner of record and beneficially of 7,500 shares (constituting less than .04% of the then outstanding shares), of the Fund's Common Stock. Of such shares, 3,975,000 shares (the Shares) are registered hereunder and are being offered by this Prospectus.

The Selling Stockholder has advised the Fund that the Selling Stockholder acquired a total of 5,370,349 shares of the Fund's Common Stock in October and November 2002, of which 5,348,149 shares were purchased from Mira L.P. in a private transaction that closed on October 22, 2002 and 22,200 shares were purchased in open market transactions in November 2002. Together with 4,600 shares of Common Stock previously owned by the Selling Stockholder, after these purchases, the Selling Stockholder owned a total of 5,374,949 shares, or approximately 31.4% of the then outstanding shares, of the Fund. The Selling Stockholder has informed the Fund that, from November 2004 through November 21, 2005, the Selling Stockholder has sold a total of 753,999 shares of Common Stock in at-the-market transactions pursuant to the provisions of Rule 144 under the Securities Act of 1933, as amended (1933 Act). The Selling Stockholder has informed the Fund that the Selling Stockholder intends to sell Shares in this offering periodically in at-the-market sales on the Amex, or on such other registered national securities exchanges, inter-dealer quotation systems, or alternative trading systems, through which such Shares are traded, at such times and in such manner as the Selling Stockholder may determine to be advantageous. See Plan of Distribution. The Selling Stockholder has informed the Fund that the Selling Stockholder has not determined how many Shares it will sell pursuant to this offering and reserves the right to terminate sales and this offering at any time. The Selling Stockholder has also informed the Fund that the Selling Stockholder may continue to sell its shares of the Fund's Common Stock under Rule 144, to the extent permitted by Rule 144, at the same time as it is selling Shares pursuant to this offering. Any Shares sold pursuant to Rule 144 will not be covered by this registration statement.

For purposes of this registration statement, the Selling Stockholder may be presumed to be a control person of the Fund, because the Selling Stockholder is the beneficial owner of more than 25% of the voting securities of the Fund. The Selling Stockholder has informed the Fund that it deems itself currently to be a controlling party with respect to the Fund, as a result of its continued ownership of almost 30% (constituting by far the largest block) of the outstanding shares of the Fund's Common Stock.

The Board of Directors indicated in the proxy statement for the Fund's 2004 Annual Meeting of Stockholders that, if the Fund's stockholders voted to recommend the adoption of the alternative directors qualifications set forth in such proxy statement, the Board would amend the Fund's bylaws accordingly. The Board of Directors further indicated in the proxy statement that, in the event the bylaws were so amended by the Board, then it was the intention of the Board of Directors promptly thereafter to increase the size of the Board by one Director and to elect one representative of the Selling Stockholder to the Board of Directors for a three-year term as a Class I Director, provided that, at the time of such appointment, the Selling Stockholder continued to own at least 25% of the Fund's Common Stock, and further provided that such representative then satisfied the alternative director qualifications. At the 2004 Annual Meeting of Stockholders, the stockholders voted to recommend that the Board amend such provisions of the Fund's bylaws by adopting the alternative director qualifications. The Selling Stockholder submitted Mr. Moritz Sell as its proposed representative to serve on the Board of Directors. The Fund's Nominating Committee, composed entirely of directors who are not deemed interested persons (as that term is defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (1940 Act)) of the Fund, the Investment Manager or the Investment Adviser (Independent

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Directors), determined that Mr. Sell met the alternative director qualifications and was otherwise an appropriate candidate to serve as a Director of the Fund. In May 2004, the Board of Directors amended the Fund's bylaws to adopt the alternative director qualifications and increased the size of the Board of Directors by one Director. Upon the recommendation of the Nominating Committee, the Board of Directors appointed Mr. Sell as a Class I Director to serve for the remainder of a three-year term expiring at the Annual Meeting of Stockholders to be held in 2007. The Selling Stockholder has informed the Fund that Mr. Sell has been a director, market strategist with the Selling Stockholder since 1996. The Selling Stockholder has informed the Fund that the Selling Stockholder has agreed to indemnify Mr. Sell in connection with his service as a Director of the Fund.

USE OF PROCEEDS

The Selling Stockholder has advised the Fund that proceeds received by the Selling Stockholder as a result of any sale of Shares hereunder will be utilized by the Selling Stockholder for general corporate purposes.

The Fund will not receive any of the proceeds from the sale of the Shares by the Selling Stockholder.

PLAN OF DISTRIBUTION

The Selling Stockholder has informed the Fund that the Selling Stockholder intends to sell Shares in this offering periodically in at-the-market sales on the Amex, or on such other registered national securities exchanges, inter-dealer quotation systems, or alternative trading systems, through which the Shares are traded, at such times and in such number as the Selling Stockholder may determine to be advantageous in light of the price at which the Shares trade from time to time, the volume of trading, the relationship of the Shares' trading price to their net asset value, and any other factors that the Selling Stockholder considers relevant.

The last reported sale price of the Fund's Common Stock, as reported by the Amex on November 23, 2005 was \$12.85 per share. The price at which securities will be offered pursuant to this registration statement will be the then current market price of such shares on the Amex, or on such other registered national securities exchanges, inter-dealer quotation systems, or alternative trading systems, through which such shares are traded, which may differ from the market price at the close of trading on the Amex on November 23, 2005.

The Selling Stockholder has indicated that it has not determined how many Shares it will sell pursuant to this offering and reserves the right to terminate sales and this offering at any time. The Selling Stockholder has indicated that if it determines that it is able to sell its Shares in accordance with the provisions of Rule 144 under the 1933 Act in a manner other than pursuant to this offering, either during this offering or after termination of this offering, it may choose to do so.

The Selling Stockholder has informed that Fund that, in connection with sales of substantial blocks of Shares, the Selling Stockholder reserves the right to enter into arrangements with the buyer either to repurchase from that buyer some or all of the Shares sold to that buyer on a specified date or dates if the price at which the Shares trade on a specified date or dates is below a specified level or levels or to enter into other arrangements to provide price protection to such a buyer.

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The Selling Stockholder has informed the Fund that the Selling Stockholder intends to use the services of one or more brokers (collectively, Selling Brokers), which may include, without limitation, Cantor Fitzgerald & Co., Seaboard Securities, Inc., and TFS Securities, Inc., to sell Shares pursuant to this Registration Statement, and that the Selling Stockholder will pay the Selling Brokers commissions of 1 ¢ to 6 ¢ per share.

The Fund and the Selling Stockholder will enter into an agreement, upon the effectiveness of this Registration Statement, pursuant to which they will agree to indemnify each other against certain liabilities, including liabilities under the 1933 Act.

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The Selling Stockholder has informed the Fund that pursuant to the sales agreement that the Selling Stockholder intends to enter into with each Selling Broker, the Selling Stockholder will agree to indemnify the Selling Broker in connection with the accuracy and completeness of the information provided by the Selling Stockholder to the Fund for inclusion in and/or Preparation of this Registration Statement and in fact included herein.

The Fund anticipates entering into an agreement with each Selling Broker, pursuant to which the Fund will agree to indemnify the Selling Broker in connection with the accuracy and completeness of the information provided by the Fund for inclusion in this Registration Statement.

DESCRIPTION OF COMMON STOCK

The Fund, which was incorporated under the laws of the State of Maryland on September 30, 1985, is authorized to issue 50,000,000 shares, consisting of 20,000,000 shares of Common Stock, \$.01 par value per share, and 30,000,000 shares of preferred stock, \$.01 par value per share. As of the date of this Prospectus, the Fund has not issued any shares of preferred stock and the Board of Directors has no present intention to issue shares of preferred stock. All references to stock or shares herein refer to Common Stock, unless otherwise indicated. Each share of Common Stock has equal voting, dividend, distribution and liquidation rights. The shares of Common Stock outstanding, including the Shares offered hereby, are fully paid and non-assessable. Shares of Common Stock are not redeemable and have no preemptive, conversion or cumulative voting rights. The number of shares of Common Stock outstanding as of November 23, 2005, including the Shares offered hereby, was 16,803,510.

The Fund's shares are publicly held and listed and traded on the Amex and the PSE. The Fund determines its net asset value on a daily basis. The following table sets forth, for the quarters indicated, the highest and lowest daily closing prices on the Amex per share of Common Stock, and the net asset value per share and the premium to or discount from net asset value, on the date of each of the high and low market prices. The table also sets forth the number of shares of Common Stock traded on the Amex during the respective quarters.

During Quarter Ended	NAV per Share on Date of Market Price High and Low(1)		Amex Market Price Per Share(2)		Premium/(Discount) on Date of Market Price High and Low(3)		Amex Volume(4)
	High	Low	High	Low	High	Low	
January 31, 2003	\$ 7.16	\$ 6.73	\$ 6.30	\$ 5.70	(12.0)%	(15.3)%	1,084,500
April 30, 2003	7.44	6.66	6.39	5.90	(14.1)	(11.4)	1,135,900
July 31, 2003	8.29	7.62	7.36	6.39	(11.2)	(16.1)	1,457,800
October 31, 2003	9.35	8.25	8.44	7.12	(9.7)	(13.7)	950,400
January 31, 2004	10.39	9.41	9.50	8.14	(8.6)	(13.5)	1,685,378
April 30, 2004	10.61	9.74	9.79	7.92	(7.7)	(18.7)	3,964,000
July 31, 2004	9.94	9.15	8.90	7.60	(10.5)	(16.9)	1,657,200
October 31, 2004	10.64	9.73	10.25	8.42	(3.7)	(13.5)	2,590,300
January 31, 2005	11.84	10.68	11.94	10.37	0.8	(2.9)	4,229,700
April 30, 2005	12.33	11.13	13.53	10.54	9.7	(5.3)	4,386,200
July 31, 2005	11.81	10.78	12.41	10.37	5.1	(3.8)	2,635,900
October 31, 2005	12.49	11.62	13.99	11.75	12.0		