

ABERDEEN AUSTRALIA EQUITY FUND INC  
Form 497  
October 11, 2013

## PROSPECTUS SUPPLEMENT

(To Prospectus dated October 8, 2013)

### **Aberdeen Australia Equity Fund, Inc.**

### **Up to 3,250,000 Shares of Common Stock**

Aberdeen Australia Equity Fund, Inc. (the Fund) has entered into an amended and restated sales agreement (the sales agreement) with JonesTrading Institutional Services LLC ( JonesTrading ) relating to the shares of its common stock, par value \$0.01 per share, ( Common Shares ), offered by this Prospectus Supplement and the accompanying Prospectus. In accordance with the terms of the sales agreement, the Fund may offer and sell up to 3,250,000 Common Shares from time to time through JonesTrading as its agent for the offer and sale of the Common Shares. As of October 10, 2013, the Fund had offered and sold 796,519 Common Shares pursuant to a prior sales agreement with JonesTrading. Under the Investment Company Act of 1940, as amended (the 1940 Act ), the Fund may not sell any Common Shares at a price below the current net asset value of such Common Shares, exclusive of any distributing commission or discount. 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, which is expected to be derived primarily from dividends and interest on Australian corporate and governmental securities. There can be no assurance that the Fund will achieve its investment objectives.

The Fund's currently outstanding Common Shares are, and the Common Shares offered by this Prospectus Supplement and the accompanying Prospectus will be, subject to notice of issuance, listed on the NYSE MKT under the symbol IAF. The last reported sale price for the Fund's Common Shares on the NYSE MKT on September 13, 2013 was \$10.81 per share. The net asset value of the Fund's Common Shares at the close of business on September 13, 2013 was \$9.31 per share.

Sales of the Common Shares, if any, under this Prospectus Supplement and the accompanying Prospectus may be made in negotiated transactions or transactions that are deemed to be at the market as defined in Rule 415 under the Securities Act of 1933, as amended (the 1933 Act ), including sales made directly on the NYSE MKT or sales made to or through a market maker other than on an exchange.

JonesTrading will be entitled to compensation of 100 to 300 basis points of the gross sales price per share for any Common Shares sold under the sales agreement, with the exact amount of such compensation to be mutually agreed upon by the Fund and JonesTrading from time to time. In connection with the sale of the Common Shares on the Fund's behalf, JonesTrading may be deemed to be an underwriter within the meaning

of the 1933 Act and the compensation of JonesTrading may be deemed to be underwriting commissions or discounts.

**You should review the information set forth under *Risks and Special Considerations* on page 21 of the accompanying Prospectus before investing in the Fund's Common Shares.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this Prospectus Supplement or the accompanying Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this Prospectus Supplement is October 11, 2013.

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You should rely only on the information contained in or incorporated by reference into this Prospectus Supplement and the accompanying Prospectus. This Prospectus Supplement and the accompanying Prospectus set forth certain information about the Fund that a prospective investor should carefully consider before deciding whether to invest in the Fund's Common Shares. This Prospectus Supplement, which describes the specific terms of this offering including the method of distribution, also adds to and updates information contained in the accompanying Prospectus and the documents incorporated by reference into the accompanying Prospectus. The accompanying Prospectus gives more general information, some of which may not apply to this offering. If the description of this offering varies between this Prospectus Supplement and the accompanying Prospectus, you should rely on the information contained in this Prospectus Supplement; provided that if any statement in one of these documents is inconsistent with a statement in another document having a later date and incorporated by reference into the accompanying Prospectus or Prospectus Supplement, the statement in the incorporated document having a later date modifies or supersedes the earlier statement. Neither the Fund nor JonesTrading has authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Fund is not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. The information contained in or incorporated by reference into this Prospectus Supplement and the accompanying Prospectus is accurate only as of the respective dates on their front covers, regardless of the time of delivery of this Prospectus Supplement, the accompanying Prospectus, or the sale of the Common Shares. The Fund's business, financial condition, results of operations and prospects may have changed since those dates.

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You should read this Prospectus Supplement and the accompanying Prospectus before deciding whether to invest and retain them for future reference. A Statement of Additional Information, dated October 8, 2013 ( "SAI" ), as supplemented from time to time, containing additional information about the Fund, has been filed with the Securities and Exchange Commission ( "SEC" ) and is incorporated by reference in its entirety into this Prospectus Supplement. You may request a free copy of the SAI or request other information about the Fund (including the Fund's annual and semi-annual reports to shareholders) or make shareholder inquiries by calling 1-866-839-5205, emailing [InvestorRelations@aberdeen-asset.com](mailto:InvestorRelations@aberdeen-asset.com) or by writing to the Fund at 1735 Market Street, 32nd Floor, Philadelphia, Pennsylvania 19103. The Fund's SAI, as well as the annual and semi-annual reports to shareholders, are also available at the Fund's website at [www.aberdeeniaf.com](http://www.aberdeeniaf.com). You may also obtain copies of these documents (and other information regarding the Fund) from the SEC's website (<http://www.sec.gov>).

#### CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus Supplement, the accompanying Prospectus and the SAI contain forward-looking statements. Forward-looking statements can be identified by the words may, will, intend, expect, estimate, continue, plan, anticipate, and similar terms and the negative of such terms. In nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect the Fund's actual results are the performance of the portfolio of securities the Fund holds, the price at which the Fund's Common Shares will trade in the public markets and other factors discussed in the Fund's periodic filings with the SEC.

Although the Fund believes that the expectations expressed in the forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in such forward-looking statements. The Fund's future financial condition and results of operations, as well as any forward-looking statements, are subject to change and are subject to inherent risks and uncertainties, such as those disclosed in the "Risks and Special Considerations" section of the accompanying Prospectus. All forward-looking statements contained in or incorporated by reference into this Prospectus Supplement or the accompanying Prospectus are made as of the date of this Prospectus Supplement or the accompanying Prospectus, as the case may be. Except for the Fund's ongoing obligations under the federal securities laws, it does not intend, and it undertakes no obligation, to update any forward-looking statements. The forward-looking statements contained in this Prospectus Supplement, the accompanying Prospectus and the SAI are excluded from the safe harbor protection provided by Section 27A of the 1933 Act.

**PROSPECTUS SUPPLEMENT SUMMARY**

*The following information is only a summary. You should consider the more detailed information contained in this Prospectus Supplement, the accompanying Prospectus, dated October 8, 2013, and the SAI, dated October 8, 2013, especially the information under Risks and Special Considerations on page 21 of the accompanying Prospectus.*

**The Fund**

The Fund is a non-diversified, closed-end management investment company organized as a Maryland corporation.

The Fund's Common Shares are listed for trading on the NYSE MKT under the symbol IAF. As of September 13, 2013, the net assets of the Fund were \$210,264,953 and the Fund had outstanding 22,574,121 Common Shares. The last reported sale price of the Fund's Common Shares, as reported by the NYSE MKT on September 13, 2013 was \$10.81 per Share. The net asset value of the Fund's Common Shares at the close of business on September 13, 2013 was \$9.31 per Share. See Description of Share in the accompanying Prospectus.

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 (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 will normally invest at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in equity securities, consisting of common stock, preferred stock and convertible stock, of Australian Companies. As a fundamental policy, at least 65% of the Fund's total assets must be invested in companies listed on the Australian Stock Exchange Limited (ASX). Australian Companies are companies that are tied economically to Australia. Aberdeen Asset Management Asia Limited, the Fund's investment manager (AAMAL or the Investment Manager), uses the following criteria in determining if a company is tied economically to Australia: whether the company: (i) is a constituent of the ASX; (ii) has its headquarters located in Australia; (iii) pays dividends on its stock in Australian dollars; (iv) has its accounts audited by Australian auditors; (v) is subject to Australian taxes levied by the Australian Taxation Office; (vi) holds its annual general meeting in Australia; (vii) has common stock/ordinary shares and/or other principal class of securities registered with Australian regulatory authorities for sale in Australia; (viii) is incorporated in Australia; or (ix) has a majority of its assets located in Australia or a majority of its revenues derived from Australian sources. In determining whether a company is tied economically to Australia, the Investment



Manager will consider certain of these criteria separately while others will only be considered in combination with other criteria.

The Fund may invest up to 10% of its total assets in unlisted equity securities. The Fund may also invest in debt securities issued by companies tied economically to Australia, Australian Federal and State governments and the U.S. government. Such debt securities will be rated in one of the four highest rating categories by a nationally recognized statistical rating organization or, if unrated, determined to be of comparable quality by the Investment Manager, and will typically have a maturity of 10 years or less. 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 enter into repurchase agreements and to lend its portfolio securities. See "Investment Policies" in the accompanying Prospectus.

#### Investment Manager and Investment Adviser

The Fund's investment manager is Aberdeen Asset Management Asia Limited (the "Investment Manager") and the Fund's investment adviser is Aberdeen Asset Management Limited (the "Investment Adviser"). The Investment Manager is a Singapore corporation located at 21 Church Street, #01-01 Capital Square Two, Singapore 049480. The Investment Manager manages the Fund's investments and makes investment decisions on behalf of the Fund. The Investment Adviser is an Australian corporation located at Level 6, 201 Kent Street, Sydney, NSW 2000, Australia. The Investment Adviser makes recommendations to the Investment Manager as to the overall structure of the Fund's portfolio, including asset allocation advice and general advice on investment strategy relating to the Fund's overall investment objectives and the selection of and the placement of orders with brokers and dealers to execute portfolio transactions on behalf of the Fund. Each of the Investment Manager and the Investment Adviser (together, the "Advisers") is a registered investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act").

Each of the Investment Manager and the Investment Adviser is a wholly-owned subsidiary of Aberdeen Asset Management PLC ("Aberdeen PLC"), which is the parent company of an asset management group managing approximately \$317.9 billion in assets as of June 30, 2013 for a range of pension funds, financial institutions, investment trusts, unit trusts, offshore funds, charities and private clients, in addition to U.S. registered investment companies. The registered offices of Aberdeen PLC are located at 10 Queen's Terrace,



Aberdeen, Scotland AB 10 1 YG. Aberdeen PLC, its affiliates and subsidiaries are referred to collectively herein as Aberdeen. Aberdeen PLC was formed in 1983 and was first listed on the London Stock Exchange in 1991. See Management of the Fund The Investment Manager and the Investment Adviser in the accompanying Prospectus.

The Offering

The Fund, the Investment Manager and the Investment Adviser have entered into a sales agreement with JonesTrading relating to the Common Shares offered by this Prospectus Supplement and the accompanying Prospectus. In accordance with the terms of the sales agreement, the Fund may offer and sell up to 3,250,000 of its Common Shares, par value \$0.01 per share, from time to time through JonesTrading as its agent for the offer and sale of the Common Shares.

The Fund's Common Shares are listed for trading on the NYSE MKT under the symbol IAF. The last reported sale price of the Fund's Common Shares, as reported on the NYSE MKT on September 13, 2013, was \$10.81 per share.

Sales of the Fund's Common Shares, if any, under this Prospectus Supplement and the accompanying Prospectus may be made in negotiated transactions or transactions that are deemed to be at the market as defined in Rule 415 under the 1933 Act, including sales made directly on the NYSE MKT or sales made to or through a market maker other than on an exchange. See Plan of Distribution in this Prospectus Supplement. The Fund's Common Shares may not be sold through agents, underwriters or dealers without delivery or deemed delivery of a prospectus and a prospectus supplement describing the method and terms of the offering of the Fund's securities. Under the 1940 Act, the Fund may not sell any Common Shares at a price below the current net asset value of such Common Shares, exclusive of any distributing commission or discount.

Prior Sales Agreement

On April 13, 2011, the Fund entered into a sales agreement (the Prior Sales Agreement) with the Investment Manager, the Investment Adviser and JonesTrading pursuant to which 796,519 Common Shares were sold, resulting in proceeds of \$9,050,999 (net of all agent commissions and offering costs). The proceeds were used to acquire portfolio securities in accordance with the Fund's investment objectives and policies and for general corporate purposes. The Fund suspended sales of Common Shares under the Prior Sales Agreement on September 2, 2011.

Use of Proceeds

The Fund intends to invest the net proceeds of this

offering in accordance with its investment objectives and policies as stated in the accompanying Prospectus within approximately 60 days of receipt of such proceeds. Pending such investment, the Fund anticipates investing the proceeds in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations or money market instruments.

Risks and Special Considerations

See Risks and Special Considerations beginning on page 21 of the accompanying Prospectus for a discussion of factors you should consider carefully before deciding to invest in the Fund's Common Shares.

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**DISTRIBUTIONS**

It is the Fund's policy to continue to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable net income and capital gains, if any, to shareholders.

It is the Fund's current policy to pay distributions from net investment income supplemented by net realized foreign exchange gains, net realized short-term capital gains and return of capital distributions, if necessary, on a quarterly basis. The Fund will also declare and pay distributions at least annually from net realized gains on investment transactions and net realized foreign exchange gains, if any. Dividends and distributions to shareholders are recorded on the ex-dividend date.

The amounts of the last four distributions paid by the Fund are as set out below:

<b>Payment Date</b>	<b>Distribution per Common Share</b>	
October 12, 2012	\$	0.25
January 11, 2013	\$	0.25
April 12, 2013	\$	0.25
July 12, 2013	\$	0.26

On September 3, 2013, the Board of Directors of the Fund declared a quarterly distribution of 0.25 cents per share, payable on October 18, 2013 to all shareholders of record as of September 30, 2013.

**SUMMARY OF FUND EXPENSES**

<b>Shareholder Transaction Expenses</b>	
Sales Load (as a percentage of offering price)(1)	1.50%
Offering Expenses (as a percentage of offering price)(1)	0.51%
Dividend Reinvestment and Cash Purchase Plan Fees(2)	None
<b>Annual Operating Expenses</b>	
<b>(As a Percentage of Average Net Assets Attributable to the Fund's Common Stock)</b>	
Management Fee(3)	0.83%
Other Expenses(4)(5)	0.59%
<b>Total Annual Operating Expenses</b>	<b>1.42%</b>

(1) Represents the estimated commission with respect to the Common Shares being sold in this offering, which the Fund will pay to JonesTrading in connection with the sales of Common Shares effected by JonesTrading in this offering. While JonesTrading is entitled to a commission of up to 3% of the gross sales price for Common Shares sold, with the exact amount to be agreed upon by the parties, the Fund has assumed, for purposes of this offering, that JonesTrading will receive a commission of 1.50% of such gross sales price. This is the only sales load to be paid in connection with this offering. There is no guarantee that there will be any sales of Common Shares pursuant to this Prospectus Supplement and the accompanying Prospectus. Actual sales of the Common Shares under this Prospectus Supplement and the accompanying

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Prospectus, if any, may be less than as set forth under Capitalization below. In addition, the price per share of any such sale may be greater or less than the price set forth under Capitalization below, depending on market price of the Common Shares at the time of any such sale. The Fund has also agreed to reimburse JonesTrading for certain expenses it will incur in connection with this offering. See Plan of Distribution below which sets forth the amount of such reimbursable expenses.

- (2) If you participate in the Dividend Reinvestment and Direct Stock Purchase Plan sponsored and administered

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by Computershare Trust Company, N.A., you will be subject to any fees imposed by Computershare Trust Company, N.A.

(3) The Fund pays a fee to the Investment Manager computed at the following annual rates: 1.10% of the Fund's average weekly Managed Assets up to \$50 million, 0.90% of the Fund's average weekly Managed Assets between \$50 million and \$100 million and 0.70% of the Fund's average weekly Managed Assets in excess of \$100 million.

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

(5) Includes an administration fee of 0.08% of managed assets attributable to the Fund's common stock. See Management of the Fund - Administrator for additional information.

### Example

An investor would pay the following expenses on a \$1,000 investment in the Fund, assuming (1) Total Annual Operating Expenses of 1.42%, (2) a Sales Load of 1.50% and estimated offering expenses of 0.51%, and (3) a 5% annual return:

	One Year	Three Years	Five Years	Ten Years
\$	34	64	96	187

The above table and example are intended to assist investors in understanding the various costs and expenses directly or indirectly associated with investing in Common Shares of the Fund. The 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 table and example 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 Shares.

**The 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. Moreover, the Fund's actual rate of return may be greater or less than the hypothetical 5% return shown in the example.**

### USE OF PROCEEDS

Sales of the Fund's Common Shares, if any, under this Prospectus Supplement and the accompanying Prospectus may be made in negotiated transactions or transactions that are deemed to be at the market as defined in Rule 415 under the 1933 Act, including sales made directly on the NYSE MKT or sales made to or through a market maker other than on an exchange. There is no guarantee that there will be any sales of the Fund's Common Shares pursuant to this Prospectus Supplement and the accompanying Prospectus. Actual sales, if any, of the Fund's Common Shares under this Prospectus Supplement and the accompanying Prospectus may be less than as set forth in this paragraph. In addition, the price per share of any such sale may be greater or less than the price set forth in this paragraph, depending on the market price of the Fund's Common Shares at the time of any such sale. As a result, the actual net proceeds the Fund receives may be more or less than the amount of net proceeds estimated in this Prospectus Supplement. Assuming the sale of all of the Fund's Common Shares offered under this Prospectus Supplement and the accompanying Prospectus, at the last reported sale price of \$10.81 per share for the Fund's Common Shares on the NYSE MKT as of September 13, 2013, the Fund estimates that the net proceeds of this offering will be approximately \$34,427,113 after deducting the estimated

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sales load and the estimated offering expenses payable by the Fund.

The Fund intends to invest the net proceeds of offerings in accordance with its investment objectives and policies. It is anticipated that the Fund will be able to invest substantially all of the net proceeds of an offering in accordance with its investment objectives and policies within approximately 60 days after completion of the offering. Pending such investment, the Fund anticipates investing the proceeds in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations or money market instruments.

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## CAPITALIZATION

The Fund may offer and sell up to 3,250,000 of its Common Shares, par value \$0.01 per share, from time to time through JonesTrading as its agent for the offer and sale of the Common Shares under this Prospectus Supplement and the accompanying Prospectus. There is no guarantee that there will be any sales of the Fund's Common Shares pursuant to this Prospectus Supplement and the accompanying Prospectus. The table below assumes that the Fund will sell 3,250,000 Common Shares, at a price of \$10.81 per share (the last reported sale price per share of the Fund's Common Shares on the NYSE MKT on September 13, 2013). Actual sales, if any, of the Fund's Common Shares under this Prospectus Supplement and the accompanying Prospectus may be less than as set forth in the table below. In addition, the price per share of any such sale may be greater or less than \$10.81, depending on the market price of the Fund's Common Shares at the time of any such sale. To the extent that the market price per share of the Fund's Common Shares on any given day is less than the net asset value per share on such day, the Fund will instruct JonesTrading not to make any sales on such day.

The following table sets forth the unaudited capitalization of the Fund (i) on an actual basis as of October 31, 2012, (ii) on an actual basis as of July 31, 2013 (unaudited) (iii) and on a pro forma basis as further adjusted to reflect the assumed sale of 3,250,000 Common Shares at \$10.81 per share (the last reported sale price per share of the Fund's Common Shares on the NYSE MKT on September 13, 2013), in an offering under this Prospectus Supplement and the accompanying Prospectus.

	As of October 31, 2012(audited)		As of July, 31, 2013 (unaudited)		Pro Forma As Adjusted (unaudited)
<b>Composition of Net Assets:</b>					
Common stock, par value \$0.01 per share, 30,000,000 shares authorized (22,574,121 shares issued and outstanding as of October 31, 2012 and July 31, 2013, and 25,824,121 shares estimated issued and outstanding as adjusted)(1)(2)	\$ 225,741	\$	225,741	\$	258,241
Paid-in capital in excess of par	164,921,111		164,921,111		199,315,724
Distributions in excess of net investment income	(1,287,616)		(14,434,780)		(14,434,780)
Accumulated net realized gain from investment transactions	234,039		14,183,895		14,183,895
Net unrealized appreciation on investments	11,109,520		13,487,771		13,487,771
Accumulated net realized foreign exchange gains	30,559,411		30,346,707		30,346,707
Net unrealized foreign exchange gains	19,472,496		(9,521,958)		(9,521,958)
<b>Net Assets</b>	<b>\$ 225,234,702</b>	<b>\$</b>	<b>199,208,487</b>	<b>\$</b>	<b>233,635,600</b>

(1) The Fund does not hold any of these outstanding shares for its account.

(2) As adjusted, additional paid-in capital reflects the issuance of 3,250,000 Common Shares offered hereby (\$34,427,113), less \$0.01 par value per Common Share (\$32,500), less the estimated offering expenses borne (including commissions payable to JonesTrading) by the Fund (\$705,388) related to the issuance of Common Shares.

## PLAN OF DISTRIBUTION

Under the sales agreement among the Fund, the Investment Manager, the Investment Adviser and JonesTrading, upon written instructions from the Fund, JonesTrading will use its commercially reasonable efforts consistent with its normal trading and sales practices to sell, as the Fund's agent, the Common Shares under the terms and subject to the conditions set forth in the sales agreement. JonesTrading's sales efforts will continue until the Fund instructs JonesTrading to suspend sales. The Fund will instruct JonesTrading as to the amount of Common Shares to be sold by JonesTrading. The Fund may instruct JonesTrading not to sell Common Shares if the sales cannot be effected at or above the price designated by the Fund in any instruction. The Fund or JonesTrading may suspend the offering of Common Shares upon proper notice and subject to other conditions.

JonesTrading will provide written confirmation to the Fund no later than the opening of the trading day on the NYSE MKT immediately following the trading day on which Common Shares are sold under the sales agreement. Each confirmation will include the number of shares sold on the preceding day, the net proceeds to the Fund and the compensation payable by the Fund to JonesTrading in connection with the sales.

The Fund will pay JonesTrading commissions for its services in acting as agent in the sale of Common Shares. JonesTrading will be entitled to compensation of 100 to 300 basis points of the gross sales price per share of any Common Shares sold under the sales agreement, with the exact amount of such compensation to be mutually agreed upon by the Fund and JonesTrading from time to time. There is no guarantee that there will be any sales of the Fund's Common Shares pursuant to this Prospectus Supplement and the accompanying Prospectus. Actual sales, if any, of the Fund's Common Shares under this Prospectus Supplement and the accompanying Prospectus may be less than as set forth in this paragraph. In addition, the price per share of any such sale may be greater or less than the price set forth in this paragraph, depending on the market price of the Fund's Common Shares at the time of any such sale. Assuming 3,250,000 of the Fund's Common Shares offered hereby are sold at a market price of \$10.81 per share (the last reported sale price for the Fund's Common Shares on the NYSE MKT on September 13, 2013), the Fund estimates that the total expenses for the offering, excluding compensation payable to JonesTrading under the terms of the sales agreement, would be approximately \$178,400. This estimate is inclusive of reimbursable expenditures to JonesTrading of up to (a) \$50,000 in reasonable fees and expenses of counsel for JonesTrading in connection with the commencement of the at the market offering, including the preparation and execution of the sales agreement, and (b) \$25,000 in reasonable fees and expenses of counsel for JonesTrading in each annual period following the date of the sales agreement.

Settlement for sales of Common Shares will occur on the third business day (or such earlier day as is industry practice for regular-way trading) following the date on which such sales are made, or on some other date that is agreed upon by the Fund and JonesTrading in connection with a particular transaction, in return for payment of the net proceeds to the Fund. There is no arrangement for funds to be received in an escrow, trust or similar arrangement.

In connection with the sale of the Common Shares on the Fund's behalf, JonesTrading may, and will with respect to sales effected in an at the market offering, be deemed to be an underwriter within the meaning of the 1933 Act, and the compensation of JonesTrading may be deemed to be underwriting commissions or discounts. The Fund has agreed to provide indemnification and contribution to JonesTrading against certain civil liabilities, including liabilities under the 1933 Act.

The offering of the Fund's Common Shares pursuant to the sales agreement will terminate upon the earlier of (1) the sale of all Common Shares subject to the sales agreement or (2) termination of the sales agreement. The sales agreement may be terminated by the Fund in its sole discretion at any time by giving notice to JonesTrading. In addition, JonesTrading may terminate the sales agreement under the circumstances specified in the sales agreement and in its sole discretion at any time following a period of 12 months from the date of the sales agreement by giving notice to the Fund.



The principal business address of JonesTrading is 780 Third Avenue, 3rd Floor, New York, New York 10017.

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### **LEGAL MATTERS**

Certain legal matters will be passed on by Willkie Farr & Gallagher LLP, 787 Seventh Avenue, New York, New York 10019, counsel to the Fund, in connection with the offering of the Common Shares. Willkie Farr & Gallagher LLP will rely as to matters of Maryland law on the opinion of Venable LLP, 750 East Pratt Street, Suite 900, Baltimore, Maryland 21202.

### **ADDITIONAL INFORMATION**

This Prospectus Supplement and the accompanying Prospectus constitute part of a Registration Statement filed by the Fund with the SEC under the 1933 Act and the 1940 Act. This Prospectus Supplement and the accompanying Prospectus omit certain of the information contained in the Registration Statement, and reference is hereby made to the Registration Statement and related exhibits for further information with respect to the Fund and the Common Shares offered hereby. Any statements contained herein concerning the provisions of any document are not necessarily complete, and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the SEC. Each such statement is qualified in its entirety by such reference. The complete Registration Statement may be obtained from the SEC upon payment of the fee prescribed by its rules and regulations or free of charge through the SEC's web site (<http://www.sec.gov>).

**BASE PROSPECTUS**

**\$130,000,000**

**ABERDEEN AUSTRALIA EQUITY FUND, INC.**

**Shares of Common Stock**

Aberdeen Australia Equity Fund, Inc. ( Fund, we, us or our ) 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.

We may offer, from time to time, in one or more offerings, including through rights offerings, our shares of common stock, par value \$0.01 per share ( Shares ). Shares may be offered at prices and on terms to be set forth in one or more supplements to this Prospectus (each, a Prospectus Supplement ). You should read this Prospectus and the applicable Prospectus Supplement carefully before you invest in our Shares.

Our Shares may be offered directly to one or more purchasers, through agents designated from time to time by us, or to or through underwriters or dealers. The Prospectus Supplement relating to the offering will identify any agents or underwriters involved in the sale of our Shares, and will set forth any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters, or among our underwriters, or the basis upon which such amount may be calculated. We may not sell any of our Shares through agents, underwriters or dealers without delivery of a Prospectus Supplement describing the method and terms of the particular offering of our Shares.

Our Shares are listed on the NYSE MKT ( NYSE MKT ) under the symbol IAF. The last reported sale price of our Shares, as reported by the NYSE MKT on September 13, 2013, was \$10.81 per Share. The net asset value of our Shares at the close of business on September 13, 2013, was \$9.31 per Share.

**An 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.**

**Shares of closed-end investment companies frequently trade at a discount to their net asset value. If the Fund's Shares trade at a discount to its net asset value, the risk of loss may increase for purchasers in a public offering. See Risks and Special Considerations - Net Asset Value Discount.**

**Neither the Securities and Exchange Commission ( SEC ) 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.**

## Edgar Filing: ABERDEEN AUSTRALIA EQUITY FUND INC - Form 497

This Prospectus, together with any Prospectus Supplement, sets forth concisely the information about the Fund that a prospective investor should know before investing. You should read this Prospectus and applicable Prospectus Supplement, which contain important information, before deciding whether to invest in the Shares. You should retain the Prospectus and Prospectus Supplement for future reference. A Statement of Additional Information ( SAI ), dated October 8, 2013, containing additional information about the Fund, has been filed with the SEC and is incorporated by reference in its entirety into this Prospectus. The Table of Contents for the SAI is on page 37 of the Prospectus. You may call 1-866-839-5205, email [InvestorRelations@aberdeen-asset.com](mailto:InvestorRelations@aberdeen-asset.com) or write to the Fund at 1735 Market Street, 32nd Floor, Philadelphia, Pennsylvania 19103 to obtain, free of charge, copies of the SAI and the Fund's annual and semi-annual reports to shareholders, as well as to obtain other information about the Fund and to make shareholder inquiries.

The Fund's SAI, as well as the annual and semi-annual reports to shareholders, are also available on the Fund's website at [www.aberdeeniaf.com](http://www.aberdeeniaf.com). The SEC maintains a website at [www.sec.gov](http://www.sec.gov) that contains the SAI, material incorporated by reference into the Fund's registration statement and other information about the Fund.

Our Shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

Prospectus dated October 8, 2013

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**You should rely only on the information contained in, or incorporated by reference into, this Prospectus and any related Prospectus Supplement in making your investment decisions. The Fund has not 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 Fund 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 and any Prospectus Supplement is accurate only as of the dates on their covers. The Fund's business, financial condition and prospects may have changed since the date of its description in this Prospectus or the date of its description in any Prospectus Supplement.**

## PROSPECTUS SUMMARY

*The following information is only a summary. You should consider the more detailed information contained in the Prospectus and in any related Prospectus Supplement and in the SAI before purchasing Shares, especially the information under Risks and Special Considerations on page 21 of the Prospectus.*

### The Fund

The Fund is a non-diversified, closed-end management investment company organized as a Maryland corporation. See The Fund.

The Fund's Shares are listed for trading on the NYSE MKT under the symbol IAF. As of September 13, 2013, the net assets of the Fund were \$210,264,953 and the Fund had outstanding 22,574,121 Shares. The last reported sale price of the Fund's Shares, as reported by the NYSE MKT on September 13, 2013 was \$10.81 per Share. The net asset value of the Fund's Shares at the close of business September 13, 2013 was \$9.31 per Share. See Description of Shares.

### The Offering

We may offer, from time to time, in one or more offerings, including through rights offerings, up to \$130,000,000 of our Shares on terms to be determined at the time of the offering. The Shares may be offered at prices and on terms to be set forth in one or more Prospectus Supplements. You should read this Prospectus and the applicable Prospectus Supplement carefully before you invest in our Shares. Our Shares may be offered directly to one or more purchasers, through agents designated from time to time by us, or to or through underwriters or dealers. The Prospectus Supplement relating to the offering will identify any agents, underwriters or dealers involved in the sale of our Shares, and will set forth any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters, or among our underwriters, or the basis upon which such amount may be calculated. See Plan of Distribution. We may not sell any of our Shares through agents, underwriters or dealers without delivery of a Prospectus Supplement describing the method and terms of the particular offering of our Shares.

### Use of Proceeds

We intend to use the net proceeds from the sale of our Shares primarily to invest in accordance with our investment objectives and policies. Proceeds will be invested within approximately 60 days of receipt by the Fund. See Use of Proceeds.

### 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 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 the approval of a majority of the Fund's outstanding voting securities. See Investment Objectives.

#### Investment Policies

The Fund will normally invest at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in equity securities, consisting of common stock, preferred stock and convertible stock, of Australian Companies. As a fundamental policy, at least 65% of the Fund's total assets must be invested in companies listed on the Australian Stock Exchange Limited (ASX). Australian Companies are companies that are tied economically to Australia. Aberdeen Asset Management Asia Limited, the Fund's investment manager (AAMAL or the Investment Manager), uses the following criteria in determining if a company is tied economically to Australia: whether the company: (i) is a constituent of the ASX; (ii) has its headquarters located in Australia; (iii) pays dividends on its stock in Australian dollars; (iv) has its accounts audited by Australian auditors; (v) is subject to Australian taxes levied by the Australian Taxation Office; (vi) holds its annual general meeting in Australia; (vii) has common stock/ordinary shares and/or other principal class of securities registered with Australian regulatory authorities for sale in Australia; (viii) is incorporated in Australia; or (ix) has a majority of its assets located in Australia or a majority of its revenues derived from Australian sources. In determining whether a company is tied economically to Australia, the Investment Manager will consider certain of these criteria separately while others will only be considered in combination with other criteria.

The Fund may invest up to 10% of its total assets in unlisted equity securities. The Fund may also invest in debt securities issued by companies tied economically to Australia, Australian Federal and State governments and the U.S. government. Such debt securities will be rated in one of the four highest rating categories by a nationally recognized statistical rating organization or, if unrated, determined to be of comparable quality by the Investment Manager, and will typically have a maturity of 10 years or less. 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 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



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

Fund's outstanding voting securities. These restrictions concern issuance of senior securities, borrowing, lending, concentration, diversification and other matters. See Investment Restrictions.

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:

- *General.* The Fund is a non-diversified, closed-end investment company designed primarily as a long-term investment and not as a trading tool. The Fund invests primarily in Australian equity securities. An investment in the Fund's Shares may be speculative and involves a high degree of risk. The Fund should not be considered a complete investment program. Due to the uncertainty in all investments, there can be no assurance that the Fund will achieve its investment objectives.

- *Management Risk.* The Investment Manager's and the Investment Adviser's (as defined below) judgment about the attractiveness, relative value or potential appreciation of a particular security or investment strategy may prove to be incorrect.

- *Investment and Market Risk.* An investment in the Fund's Shares is subject to investment risk, including the possible loss of the entire principal amount that you invest. Your investment in Shares represents an indirect investment in the securities owned by the Fund. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably. The value of the securities in which the Fund invests will affect the value of the Shares. Your Shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of Fund dividends and distributions.

The financial crisis that began in 2008 has caused a significant decline in the value and liquidity of many securities of issuers worldwide. In response to the crisis, governments and central banks around the world have taken steps to support financial markets. The withdrawal of this support, failure of efforts to respond to the crisis, or investor perception that such efforts are not succeeding could also negatively affect financial markets generally as well as the value and liquidity of

certain securities.

- *Currency Exchange Rate Fluctuations.* The Fund invests substantially in instruments denominated in foreign currencies primarily the Australian dollar, but also the New Zealand dollar. However, the Fund may also invest in securities denominated in other foreign currencies. 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.
- *Equity Risk.* The value of equity securities, including common stock, preferred stock and convertible stock, will fluctuate in response to factors affecting the particular company, as well as broader market and economic conditions. Moreover, in the event of the company's bankruptcy, claims of certain creditors, including bondholders, will have priority over claims of common stock holders such as the Fund and are likely to have varying types of priority over holders of preferred and convertible stock.
- *Foreign Securities Risk.* 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 developments in Australia and New Zealand or other non-U.S. jurisdictions. 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.
- *Foreign Custody Risk.* The Fund's custodian generally holds the Fund's non-U.S. securities and cash in non-U.S. bank sub-custodians and securities depositories generally in Australia. (See Management of the Fund Custodian and Transfer Agent. ) Regulatory oversight of non-U.S. banks and securities depositories may

differ from that in the U.S. Additionally, laws applicable to non-U.S. banks and securities depositories may limit the Fund's ability to recover its assets in the event the non-U.S. bank, securities depository or issuer of a security held by the Fund goes bankrupt.

- *Conflicts of Interest Risk.* The Investment Manager's and the Investment Adviser's advisory fees are based on net assets plus the amount of any borrowings for investment purposes. Consequently, the Investment Manager and the Investment Adviser will benefit from an increase in the Fund's net assets resulting from an offering. In addition, a Director who is an interested person (as such term is defined under the Investment Act of 1940 ( "1940 Act" )) of the Fund or a portfolio manager of the Fund could benefit indirectly from an offering because of such affiliations.

- *Australian Securities Risk.* Because the Fund's investments are primarily in Australian securities, the Fund is particularly vulnerable to loss in the event of adverse political, economic, financial and other developments that affect Australia, including fluctuations of Australian currency versus the U.S. dollar. Also, Australia is located in a part of the world that has historically been prone to natural disasters such as drought and is economically sensitive to environmental events. Any such event could result in a significant adverse impact on the Australian economy.

- *Concentration Risk.* 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, 2013, 37% of the Fund's total assets were invested in the financials sector of the Standard & Poor's Global Industry Classification Sectors. While the Fund did not concentrate its investments in the materials sector, as of July 31, 2013, 24% of the Fund's total assets were invested in the materials sector. Such a concentration or significant amount of investments in a single industry sector makes the Fund particularly vulnerable to adverse economic, political or other developments affecting that sector. Concentration in the financials sector may make the Fund vulnerable to risks of regulation, consolidation, financial innovation and

technological progress. Significant exposure to the materials sector may make the Fund vulnerable to risks that the issuers in such sector will underperform the market as a whole due to legislative or regulatory changes and/or increased competition affecting that sector.

- *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. A return of capital is a return to investors of a portion of their original investment in the Fund. In general terms, a return of capital would involve a situation in which a Fund distribution (or a portion thereof) represents a return of a portion of a shareholder's investment in the Fund, rather than making a distribution that is funded from the Fund's earned income or other profits. Although return of capital distributions may not be currently taxable, such distributions would decrease the basis of a shareholder's shares, and therefore, may increase a shareholder's tax liability for capital gains upon a sale of shares, even if sold at a loss to the shareholder's original investments. 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 Status.* 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.

- *Share Repurchases.* When the Fund repurchases its shares pursuant to the Fund's share 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 charter and 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. Such provisions may be regarded as anti-takeover provisions and may have the effect of depriving shareholders of an opportunity to sell their shares at a premium over prevailing market prices. The Board has considered these provisions and determined that they are in the best interest of shareholders. See Certain Provisions of the Maryland General Corporation Law and the Charter and Bylaws.

- *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 the Fund's 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.
- *Repurchase Agreements Risk.* These transactions involve risks in the event of counterparty default or insolvency.
- *Tax Risk.* The Fund may invest in securities for which the federal income tax treatment may not be clear or may be subject to recharacterization by the Internal Revenue Service (the "IRS"). It could be more difficult for the Fund to comply with the United States tax requirements applicable to regulated investment companies, or with other tax requirements applicable to foreign investors, if the tax characterization of the Fund's investments or the tax treatment of the income from such investments were successfully challenged by the IRS. See "Taxation."
- *Tax Considerations.* The Fund intends to qualify and to continue to qualify as a regulated investment company under the Internal Revenue Code (the "Code"). If it so qualifies, it generally will be relieved of U.S. federal income tax on its investment company taxable income and net capital gains, if any, which it distributes to shareholders in accordance with requirements under the Code. In order to continue to meet the requirements of the Code applicable to regulated investment companies and to minimize its U.S. federal income tax liability, it is the Fund's policy to distribute substantially all of its net income and capital gains, if any, to shareholders. To the extent that the Fund has earnings available for distribution, its distributions in the hands of shareholders may be treated as ordinary dividend income, although certain distributions may be reported by the Fund as capital gain distributions, which would be treated as long-term capital gain, or qualified dividend income, which may be eligible for long-term capital gain tax rates if certain holding period rules apply. Dividends and capital gains distributions paid by the Fund are not expected to qualify for the corporate

dividends- received deduction. Distributions in excess of the Fund's current and accumulated earnings and profits will first reduce a shareholder's basis in his shares and, after the shareholder's basis is reduced to zero, will constitute capital gains to the shareholder who holds his shares as capital assets. Subject to certain limitations imposed by the Code, foreign taxes withheld from distributions or otherwise paid by the Fund may be creditable or deductible by U.S. shareholders for U.S. federal income tax purposes, if the Fund is eligible to and makes an election to treat the shareholders as having paid those taxes for U.S. federal income tax purposes. No assurance can be given that the Fund will be eligible to make this election each year, but it intends to do so if it is eligible. See Taxation.

Investment Manager and Investment Adviser

The Fund's investment manager is Aberdeen Asset Management Asia Limited and the Fund's investment adviser is Aberdeen Asset Management Limited (the Investment Adviser). The Investment Manager is a Singapore corporation located at 21 Church Street, #01-01 Capital Square Two, Singapore 049480. The Investment Manager manages the Fund's investments and makes investment decisions on behalf of the Fund. The Investment Adviser is an Australian corporation located at Level 6, 201 Kent Street, Sydney, NSW 2000, Australia. The Investment Adviser makes recommendations to the Investment Manager as to the overall structure of the Fund's portfolio, including asset allocation advice and general advice on investment strategy relating to the Fund's overall investment objectives and the selection of and the placement of orders with brokers and dealers to execute portfolio transactions on behalf of the Fund. Each of the Investment Manager and the Investment Adviser (together, the Advisers) is a registered investment adviser under the Investment Advisers Act of 1940, as amended (the Advisers Act).

Each of the Investment Manager and the Investment Adviser is a wholly-owned subsidiary of Aberdeen Asset Management PLC (Aberdeen PLC), which is the parent company of an asset management group managing approximately \$317.9 billion in assets as of June 30, 2013 for a range of pension funds, financial institutions, investment trusts, unit trusts, offshore funds, charities and private clients, in addition to U.S. registered investment companies. The registered offices of Aberdeen PLC are located at 10 Queen's Terrace, Aberdeen, Scotland AB 10 1 YG. Aberdeen PLC, its affiliates and subsidiaries are referred to collectively herein as Aberdeen. Aberdeen PLC was formed in 1983 and was first listed on the London Stock Exchange

in 1991. 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 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 based upon the value of the Managed Assets determined weekly and payable on the first business day of each calendar month.

Portfolio Managers

The following persons have primary responsibility for the day-to-day management of the Fund's portfolio: Hugh Young, Managing Director of the Investment Manager; Mark Daniels, a Director of the Investment Adviser; and Michelle Lopez, Robert Penaloza and Natalie Tam. See Management of the Fund Portfolio Management.

Administrator

Aberdeen Asset Management Inc., 1735 Market Street, 32nd Floor, Philadelphia, Pennsylvania 19103, is 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 0.08% of the Fund's average weekly Managed Assets between \$0 and \$500 million, 0.07% of such assets between \$500 million and \$1.5 billion, and 0.06% of such assets in excess of \$1.5 billion. The Administrator delegates certain of its responsibilities to a sub-administrator, State Street Bank and Trust Company. 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. Computershare Trust Company, N.A. and Computershare Inc., 250 Royall Street, Canton, Massachusetts 02021, act as the Fund's stock transfer agent and dividend paying agent, respectively. Computershare Trust Company, N.A. also sponsors and administers a Dividend Reinvestment and Direct Stock Purchase Plan which is available to shareholders. 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 in response to, among other things, market conditions. No portion of the Fund's distributions for the fiscal year ended October 31, 2012 represented a return of capital (rather than income or capital gains). If the Fund's distributions were to consist of a large amount of return of capital, it would result in a deterioration of the Fund's assets. There can be no assurance that the Board will continue a managed distribution policy. See Dividends and Distributions.

Dividend Reinvestment and Direct Stock Purchase Plan

Computershare Trust Company, N.A. sponsors and administers a Dividend Reinvestment and Direct Stock Purchase Plan (the Plan), which is available to shareholders. Additional information about the Plan and a brochure that includes the terms and conditions of the Plan may be obtained at [www.computershare.com/buyaberdeen](http://www.computershare.com/buyaberdeen) or by calling Computershare Trust Company, N.A. at 1-800-647-0584. For both purchases and reinvestment purposes, shares acquired through the Plan will be purchased in the open market at the current share price and cannot be issued directly by the Fund.

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 shareholders 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.

Share Repurchase Program

Under the Fund's share 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 8%. The Fund may borrow to repurchase shares under this program. There have not been any repurchases of shares under this program since the fiscal year ended October 31, 2009. Applicable law may prevent such repurchases during the offering of the Shares described herein. See Description of Shares - Share Repurchase Program.

## SUMMARY OF FUND EXPENSES

Shareholder Transaction Expenses	
Sales Load (as a percentage of offering price)(1)	%
Offering Expenses (as a percentage of offering price)(1)	%
Dividend Reinvestment and Cash Purchase Plan Fees(2)	%
Annual Operating Expenses (As a Percentage of Average Net Assets Attributable to the Fund's Common Stock)	
Management Fee(3)	0.83%
Other Expenses(4)(5)	0.50%
Total Annual Operating Expenses	1.33%

(1) If the Shares are sold to or through underwriters, the Prospectus Supplement will set forth any applicable sales load and the estimated offering expenses.

(2) If you participate in the Dividend Reinvestment and Direct Stock Purchase Plan sponsored and administered by Computershare Trust Company, N.A., you will be subject to any fees imposed by Computershare Trust Company, N.A.

(3) The Fund pays a monthly fee to the Investment Manager computed at the following annual rates: 1.10% of the Fund's average weekly Managed Assets up to \$50 million, 0.90% of the Fund's average weekly Managed Assets between \$50 million and \$100 million and 0.70% of the Fund's average weekly Managed Assets in excess of \$100 million.

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

(5) Includes an administration fee of 0.08% of the Fund's Managed Assets. See Management of the Fund - Administrator for additional information.

**Example**

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

	One Year		Three Years		Five Years		Ten Years
\$	14	\$	42	\$	73	\$	160

The above table and example are intended to assist investors in understanding the various costs and expenses directly or indirectly associated with investing in Shares of the Fund. The 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 table and example 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 Shares. For more complete descriptions of certain of the Fund's costs and expenses, see Management of the Fund and Expenses.

**The 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. Moreover, the Fund's actual rate of return may be greater or less than the hypothetical 5% return shown in the**

**example.**

### FINANCIAL HIGHLIGHTS

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 most recent fiscal half-year. Certain information reflects financial results for a single Fund Share. The following information (other than the information presented for the six months ended April 30, 2013) has been audited by KPMG LLP, independent registered public accounting firm for the Fund, for the fiscal years ended October 31, 2012, 2011, 2010 and 2009, and by another independent registered public accounting firm for the fiscal years prior to the fiscal year ended October 31, 2009, each of whose reports thereon were unqualified. The information in the financial highlights for the six months ended April 30, 2013 is unaudited. The report of KPMG LLP, together with the financial statements of the Fund (other than the financial statements of the Fund for the six months ended April 30, 2013), are included in the Fund's October 31, 2012 Annual Report, and are incorporated by reference into the SAI. The financial statements of the Fund for the six months ended April 30, 2013 are included in the Fund's April 30, 2013 Semi-Annual Report, and are incorporated by reference into the SAI, which is available upon request.

Per Share Operating Performance(a):							
Net investment income	0.15	0.34	0.39	0.32	0.29	0.51	
Total from investment operations	1.06	0.88	(0.29)	1.63	3.63	(8.32)	
Net investment income	(0.50)	(0.71)	(0.52)	(0.50)	(0.31)	(0.24)	
Tax return of capital			(0.18)	(0.45)	(0.73)	(0.76)	
Offering cost on common stock		0.01	(0.09)				
Net asset value, end of period	\$ 10.54	\$ 9.98	\$ 10.17	\$ 11.58	\$ 10.96	\$ 8.37	
Total Investment Return Based on(b):							

Net asset value	10.49%(c)	9.00%(c)	(3.19)%	15.35%	48.92%	(47.83)%
Net assets, end of period (000 omitted)	\$ 238,023	\$ 225,235	\$ 229,616	\$ 223,173	\$ 210,866	\$ 160,886
Net operating expenses	1.32%(d)	1.33%	1.34%	1.39%	1.73%	1.26%
Portfolio turnover	7%	21%	30%	11%	16%	22%

(a) Based on average shares outstanding.

(b) Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of each period reported. Dividends and distributions, if any, 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.

(c) The total return includes the impact of financial statement rounding of the NAV per share.

(d) Annualized.

Amounts listed as - are \$0 or round to \$0.

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	For the Years Ended October 31,				
	2007	2006	2005	2004	2003
<u>Per share operating performance(1):</u>					
Net asset value, beginning of year/period	\$ 13.25	\$ 11.75	\$ 10.64	\$ 9.38	\$ 6.84
Net investment income	0.39	0.41	0.37	0.28	0.12
Net realized and unrealized gains/(losses) on investments and foreign currencies	6.47	2.47	1.79	1.76	2.58
Total from investment operations	6.86	2.88	2.16	2.04	2.70
<u>Distributions from:</u>					
Net investment income	(0.53)	(0.48)	(0.51)	(0.30)	(0.10)
Long-term capital gains					