

ABERDEEN AUSTRALIA EQUITY FUND INC  
Form N-30D  
December 31, 2001

(Graphic)

Invests primarily in equity securities of Australian companies listed on The Australian Stock Exchange.

(Icon) Aberdeen Australia Equity Fund, Inc.

Annual Report  
October 31, 2001

Letter to Shareholders

December 21, 2001

Dear Shareholder,

We present this Annual Report which covers the activities of Aberdeen Australia Equity Fund, Inc. (the "Fund") for the year ended October 31, 2001. Included in this report is a review of the Australian economy and investment markets, together with an overview of the Fund's investments prepared by the Investment Manager, Aberdeen Asset Managers (C.I.) Limited.

Quarterly Distribution Rate

A cash distribution for the current quarter of 15.25 cents per share was paid on October 12, 2001.

For the 12 months ended October 31, 2001, the Fund paid a total of 67.5 cents per share, which equates to an annualized cash distribution rate of 12.8%, based upon the share price of \$5.29 as of October 31, 2001.

Since all distributions are paid after deducting applicable withholding taxes, the effective distribution rate may be higher for those US investors who are able to claim a tax credit.

The Fund makes quarterly distributions at an annual rate of not less than 9% of the rolling average of the Fund's prior four quarter-end Net Asset Values ("NAV"). On December 11, 2001, the Board of Directors declared a quarterly distribution of 14.75 cents per share. Consistent with the Fund's distribution policy, the Board of Directors intends to review the distribution policy at its next regularly scheduled meeting in March 2002.

Net Asset Value Performance

For the year ended October 31, 2001, the Fund's total return based on NAV decreased by 2.3% after expenses (assuming reinvestment of distributions) compared with a 0.5% increase, in US dollar terms, in the Benchmark (S&P/ASX 200 Accumulation Index).

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### Share Price Performance

The Fund's share price fell 10.0% over the year, from \$5.88 on October 31, 2000 to

ALL AMOUNTS ARE U.S. DOLLARS UNLESS OTHERWISE STATED.

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

#### Letter to Shareholders (continued)

\$5.29 on October 31, 2001. The Fund's NAV per share was \$5.97 on October 31, 2001, representing a discount to the share price of 11.4%, compared with a discount of 14.3% on October 31, 2000.

#### Buy-Back Program

On March 19, 2001 the Fund announced the approval of a share buy-back program. Purchases of shares under this program commenced on June 6, 2001, and as of the date of this report 34,700 shares have been repurchased.

For information about the Fund, including weekly updates of share prices, NAV and details of recent distributions, please contact Aberdeen Asset Management, Investor Relations, by: