

# Aberdeen Australia Equity Fund, Inc.

## July 2010 Performance Data and Portfolio Composition



### Performance

The latest available performance figures have been calculated net-of-fees in U.S. dollars for the period to July 31, 2010:

#### Total return as of July 31, 2010<sup>A</sup> (%)

NAV	Cumulative	Annualized	Market Price	Cumulative	Annualized
Since inception (December 1985)	628.5	8.4	Since inception	636.3	8.5
Ten years	221.7	12.4	Ten years	305.2	15.0
Five years	55.1	9.2	Five years	51.7	8.7
Three years	-5.3	-1.8	Three years	-13.3	-4.6
One year		14.5	One year		10.8

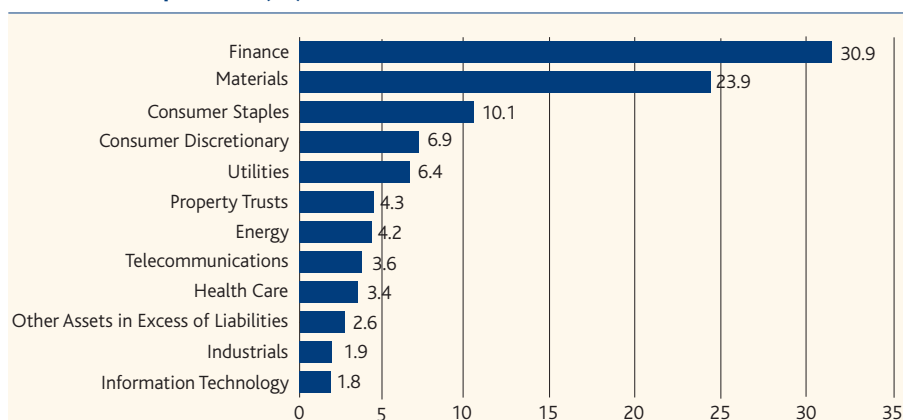
<sup>A</sup> Past performance is no guarantee of future results. Investment returns and principal value will fluctuate and shares, when sold, maybe worth more or less than original cost. Current performance may be lower or higher than the performance data quoted. Recent short-term performance is not typical and may not be achieved in the future. Investors should be aware that these returns were primarily achieved during favorable market conditions. All return data assumes reinvestment of all dividend and capital gain distributions. The Fund is subject to investment risk, including the possible loss of principal. Returns for periods less than one year are not annualized.

#### Top ten equity holdings (based on total assets)

	%
BHP Billiton Limited	13.7
QBE Insurance Group Limited	7.4
Westpac Banking Corporation Limited	7.0
Rio Tinto Limited	6.9
Commonwealth Bank of Australia Limited	6.0
Woolworths Limited	5.7
Australia & New Zealand Banking Group Limited	5.2
Westfield Group	4.4
AGL Energy Limited	4.3
Woodside Petroleum Limited	4.3
	<b>64.9</b>

Holdings are subject to change and are provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities shown.

#### Portfolio composition (%)



Compositions are subject to change.

#### Comparative data (%)

	Aberdeen Australia Equity Fund, Inc.	S&P/ASX 200-2010
Price/Earnings Ratio	14.69	14.53

Figures are as of July 31, 2010. P/E data is prospective.

#### As of July 31, 2010 NAV (unaudited) and market price

Net Asset Value per share	\$10.28
Market price	\$10.39
Premium to Net Asset Value	1.07%

#### 12 Month Range of Prices

NAV	
High on 01/11/10	\$12.22
Low on 07/02/10	\$9.15
Market price (based on closing price)	
High on 12/07/09	\$13.25
Low on 05/20/10	\$9.05

Market price data source: Bloomberg.

#### Key facts (unaudited)

##### Portfolio

97.4% of assets are invested in stocks which are included in the Australian Stock Exchange's 200 Leaders Index.

##### Distributions

Total distributions per declaration date:

(previous 12 months)	\$0.94
June 2010	27.0 cents
March 2010	25.0 cents
December 2009	22.0 cents
September 2009	20.0 cents

Since March 2004, the Fund has had 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. In March 2010, the Board of Directors determined that the rolling distribution rate would be 10% for the 4 quarters commencing with the distribution declared in March 2010, payable in April 2010.

##### Ticker symbol: IAF (NYSE AMEX)

Net assets \$198.2 Million

##### Expense ratio

Fiscal Year ended October 31, 2009 1.73%

The amount of distributions may vary due to market conditions and other factors.

#### Further information

For further information on this Fund please call  
Aberdeen Asset Management Inc.  
(866)839-5205

To participate in the Dividend Reinvestment and  
Cash Purchase Plan please contact The Bank of  
New York Mellon  
(866)221-1606

All sources (unless indicated): Aberdeen Asset Management Inc.  
July 31, 2010.

## Aberdeen Australia Equity Fund, Inc.

### Fund managers' report

- Australian equities rebounded in July on the back of solid corporate earnings news. Relief in the wake of European bank stress test results and healthy domestic economic data also boosted stocks.
- The Reserve Bank of Australia left its benchmark interest rate unchanged for a second month and may defer further hikes after the modest gain in inflation.
- In Fund-related news, retailer Woolworths maintained its full-year earnings growth guidance. Elsewhere, QBE's share price slumped after the insurer cut its profit forecast due to higher claim liabilities and lower investment income. In the longer term, however, we feel that its business prospects remain intact.
- Despite operating at close to capacity, metals and mining company Rio Tinto issued a cautious outlook, given fears of a double-dip recession and China's economic slowdown. Meanwhile, the company's joint venture in Guinea heralded a return to warmer relations with Chinese aluminum producer Chinalco, which is expected to add significant value to the project. Diversified natural resources company BHP Billiton's Newcastle Third Port project was completed ahead of schedule and on budget.
- There were no major changes to the portfolio in July.

### Portfolio management

#### Managed by:

- Team based in Sydney

#### Investment Management Philosophy:

- Bottom-up stock selection
- Proprietary research driven
- Based in fundamental analysis

### Important information

Aberdeen Asset Management Inc., the Fund's Administrator, has prepared this report based on information sources believed to be accurate and reliable. However, the figures are unaudited and neither the Fund, the Administrator, Aberdeen Asset Management Asia Limited (the Investment Manager), Aberdeen Asset Management Limited (the Investment Adviser), nor any other person guarantees their accuracy. Investors should seek their own professional advice and should consider the investment objectives, risks, charges and expenses before acting on this information.

**Past performance does not guarantee future results.**

**Aberdeen is a U.S. registered service mark of Aberdeen Asset Management PLC.**

### Important risk disclosure

All performance shown is historical, assumes reinvestment of all dividends and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so when sold, shares may be worth more or less than that of the original cost. Total return based on market price reflects changes in market value. Total return based on net asset value reflects changes in the fund's net asset value during each period. Current performance may be lower or higher than the performance data quoted. This commentary is for informational purposes only, and is not intended as an offer or recommendation with respect to the purchase or sale of any security, option, future or other derivatives in such securities. The Fund's adviser, one of its affiliated advisers, or its employees, may have a position in the securities listed in this report.

Closed-end funds, unlike open-end funds are not continuously offered. There is a one-time public offering, and once issued, shares of closed-end funds frequently trade at a discount from the net asset value. The price of the Fund's shares is determined by a number of factors, several of which are beyond the control of the Fund. Therefore, the Fund cannot predict whether its shares will trade at, below or above net asset value.

The information presented, was prepared and issued by the Fund based on publicly available information, internally developed data and other sources believed to be reliable. All reasonable care has been taken to ensure accuracy.

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods; these risks are generally heightened for emerging market investments.

There are also risks associated with investing in Australia, including the risk of investing in a single-country fund.