

ABERDEEN AUSTRALIA EQUITY FUND INC  
Form N-30D  
July 12, 2002

(LOGO)  
Aberdeen  
Australia Equity  
Fund, Inc.

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

Semi-Annual Report

April 30, 2002

Letter to Shareholders

June 21, 2002

Dear Shareholder,

We present this Semi-Annual Report which covers the activities of Aberdeen Australia Equity Fund, Inc. (the "Fund") for the six months ended April 30, 2002. 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

For the 12 months ended April 30, 2002, the Fund paid a total of 48.75 cents per share, which equates to an annualized cash distribution rate of 8.1%, based upon the share price of \$5.99 as of April 30, 2002. The cash distribution for the current quarter of 2.5 cents per share was paid on April 12, 2002. Since all distributions are paid after deducting applicable withholding taxes, the effective distribution rate may be higher for those U.S. investors who are able to claim a tax credit.

On March 14, 2002, the Board of Directors determined to discontinue the Fund's managed distribution policy, in order to better enable the Investment Manager to achieve the Fund's principal investment objective of long-term capital appreciation. The Board of Directors also declared a quarterly distribution of 2.5 cents per share, that was paid April 12, 2002. It is the Board's intention that the quarterly distribution of 2.5 cents per share be maintained for 12 months, beginning with the April 12, 2002 distribution payment. This policy is subject to regular review at the Board's quarterly meetings. The next review is scheduled to take place in September 2002.

On an annual basis, the Fund intends to distribute its net realized capital gains, if any, by way of a

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final distribution to be declared during the calendar quarter ending December 31, 2002.

### Net Asset Value Performance

For the six months ended April 30, 2002, the Fund's total return based on NAV increased by 17.3% after expenses (assuming reinvestment of distributions) compared with an 11.5% increase, in US dollar terms, in the S&P/ASX 200 Accumulation Index.

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Letter to Shareholders (continued)

### Share Price Performance

The Fund's share price rose 13.2% over the six months, from \$5.29 on October 31, 2001 to \$5.99 on April 30, 2002. The Fund's share price on April 30, 2002, represented a discount of 11.9% to the NAV per share of \$6.80 on that date. On October 31, 2001, the discount to NAV was 11.4%. At the date of this report the share price was \$6.42, representing a discount of 10.7% to the NAV of \$7.19.

### 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 134,700 shares have been repurchased and cancelled.

### Shareholders Elect Directors

At the Annual Meeting of Shareholders, Mr. Chris Fishwick, Mr. Howard A. Knight, Mr. Hugh Young and Sir David Rowe-Ham were elected by the holders of the Fund's common stock as Class II Directors to serve for a three-year term expiring at the 2005 Annual Meeting of Shareholders.

### Fund Investment Policy

The Securities and Exchange Commission has adopted a rule under the Investment Company Act of 1940 regarding fund names. This rule requires funds with names suggesting an investment focus to adopt a policy to invest at least 80% of the fund's assets in investments suggested by its name. In order to comply with this rule, the directors of the Fund adopted the following investment policy, at the June 19, 2002 Board meeting:

For as long as the name of the Fund remains Aberdeen Australia Equity Fund, Inc., it shall be the policy of the Fund normally to 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, listed on the Australian Stock Exchange Limited. This 80% investment policy is a non-fundamental policy of the Fund and may be changed by the Board of Directors upon 60 days prior written

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notice to shareholders.

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Letter to Shareholders (continued)

This policy is consistent with the investment policies of the Fund set forth in the Fund's prospectus, as further amended by shareholders at the Annual Meeting of Shareholders on May 14, 1998.

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: