

ABERDEEN AUSTRALIA EQUITY FUND INC
Form PRE 14A
February 26, 2004

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

ABERDEEN AUSTRALIA EQUITY FUND, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Gateway Center 3
100 Mulberry Street
Newark, New Jersey 07102
(800) 451-6788

March [date], 2004

Dear Stockholder:

The Annual Meeting of Stockholders is to be held at 11:30 a.m. (Eastern time), on Tuesday, April 20, 2004 at Hilton Newark Gateway, Raymond Boulevard, Newark, New Jersey. A Proxy Statement regarding the meeting, a proxy card for your vote at the meeting, and an envelope, postage pre-paid, in which to return your proxy card are enclosed.

At the Annual Meeting, the Fund's stockholders will vote for the election of the Fund's Class I Directors for three-year terms, and a Class III Director for a two-year term, in each case until their respective successors are duly elected and qualify. Stockholders will also be asked to vote on two proposals relating to corporate governance. Stockholders who are present at the meeting will hear a report on the Fund and will be given the opportunity to discuss matters of interest to you as a stockholder.

Your Directors recommend that you vote **FOR** each of the proposed Class I Director nominees and the proposed Class III Director nominee. Your Directors make no recommendations as to your votes regarding the corporate governance proposals.

Hugh Young

Chairman

YOU ARE URGED TO COMPLETE, SIGN AND MAIL THE ENCLOSED PROXY CARD IN THE ENCLOSED ENVELOPE TO ASSURE A QUORUM AT THE MEETING. THIS IS IMPORTANT REGARDLESS OF THE NUMBER OF SHARES THAT YOU OWN.

ABERDEEN AUSTRALIA EQUITY FUND, INC.

**Gateway Center 3
100 Mulberry Street
Newark, New Jersey 07102**

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

April 20, 2004

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Aberdeen Australia Equity Fund, Inc., a Maryland corporation (the Fund), will be held at Hilton Newark Gateway, Raymond Boulevard, Newark, New Jersey, on Tuesday, April 20, 2004, at 11:30 a.m. (Eastern time), for the following purposes:

- (1)(A) To elect two Directors to serve as Class I Directors, each for a three-year term and until his successor is duly elected and qualifies;
- (1)(B) To elect one Director to serve as a Class III Director for a two-year term and until his successor is duly elected and qualifies;
- (2) To vote on a proposal regarding director qualifications, in order to express stockholder recommendations;
- (3) To vote on a proposal regarding the vote required to elect directors, in order to express stockholder recommendations; and
- (4) To transact any other business that may properly come before the meeting or any adjournments or postponements thereof.

The Board of Directors has fixed the close of business on March 1, 2004 as the record date for the determination of stockholders entitled to notice of, and to vote at, the meeting or any adjournment or postponement thereof.

By Order of the Board of Directors,

Roy M. Randall, *Secretary*

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Newark, New Jersey

March [date], 2004

IMPORTANT: Stockholders are cordially invited to attend the meeting. Stockholders who do not expect to attend the meeting in person are requested to complete, date and sign the enclosed proxy card and return it promptly in the envelope provided for that purpose, or authorize the proxy vote by telephone[, fax or internet] pursuant to instructions on the enclosed proxy card. Your prompt return of the enclosed proxy card may save the Fund the necessity and expense of further solicitations to assure a quorum at the meeting. The enclosed proxy is being solicited on behalf of the Board of Directors of the Fund.

PROXY STATEMENT

ABERDEEN AUSTRALIA EQUITY FUND, INC.

Gateway Center 3

100 Mulberry Street

Newark, New Jersey 07102

Annual Meeting of Stockholders

April 20, 2004

INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of Aberdeen Australia Equity Fund, Inc., a Maryland corporation (the **Fund**), to be voted at the Annual Meeting of Stockholders of the Fund (the **Meeting**) to be held at Hilton Newark Gateway, Raymond Boulevard, 751 Broad Street, Newark, New Jersey, on Tuesday, April 20, 2004, at 11:30 a.m. (Eastern time). The approximate mailing date for this Proxy Statement is March **[date]**, 2004 or as soon as practicable thereafter.

All properly executed proxies received prior to the Meeting will be voted at the Meeting in accordance with the instructions marked on the proxy card. Unless instructions to the contrary are marked on the proxy card, proxies received will be voted **FOR** Proposals 1(A) and 1(B). With respect to Proposals 2 and 3, the proxy card grants no discretionary voting authority to the proxy holder, and proxies will be voted only in accordance with instructions on the proxy card. The persons named as proxy holders on the proxy card will vote in their discretion on any other matters that may properly come before the Meeting or any adjournments or postponements thereof. Any proxy may be revoked at any time prior to its exercise by submitting a properly executed, subsequently dated proxy, giving written notice to the Secretary of the Fund (addressed to the Secretary at the principal executive office of the Fund, Gateway Center 3, 100 Mulberry Street, Newark, New Jersey 07102), or by attending the Meeting and voting in person.

The presence at the Meeting, in person or by proxy, of the stockholders entitled to cast a majority of all the votes entitled to be cast at the Meeting shall be necessary and sufficient to constitute a quorum for the transaction of business. For purposes of determining the presence of a quorum at the Meeting, abstentions and broker non-votes (that is, proxies from brokers or nominees indicating that such persons have not received instructions from the beneficial owner or other persons entitled to vote shares on a particular proposal with respect to which the brokers or nominees do not have discretionary power) will be treated as shares that are present.

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The election of Class I Directors (Proposal 1(A)) and the election of a Class III Director (Proposal 1(B)) requires the affirmative vote of the holders of a majority of the Fund's shares of common stock that are outstanding and entitled to vote thereon. An abstention as to Proposal 1(A) or 1(B) will be treated as present and will have the effect of a vote against that proposal. Proxies from brokers or nominees indicating that such persons have not received instructions from the beneficial owner or other persons entitled to vote shares on the proposal will be voted **FOR** Proposals 1(A) and 1(B).

Approval of each of Proposals 2 and 3 requires the affirmative vote of a majority of votes cast at the Meeting. An abstention as to either of Proposals 2 or 3 is not a vote cast and will not have an effect on the

outcome of either Proposal 2 or Proposal 3. There will be no broker non-votes with respect to Proposals 2 and 3.

If a quorum is not present in person or by proxy at the time the Meeting is called to order, the chairman of the Meeting or the stockholders may adjourn the Meeting. The vote required to adjourn the Meeting is the affirmative vote of a majority of all the votes cast on the matter. If a quorum is present but there are not sufficient votes to approve a proposal, the chairman of the Meeting may adjourn the Meeting as to that proposal or the persons named as proxy holders may propose one or more adjournments of the Meeting to permit further solicitation of proxies on that proposal. The vote required for stockholders to adjourn the Meeting is the affirmative vote of a majority of all the votes cast on the matter. In such a case, the persons named as proxy holders will vote those proxies which they are entitled to vote in favor of the proposal **FOR** the adjournment, and will vote those proxies required to be voted against the proposal **AGAINST** the adjournment as to that proposal. If the motion for adjournment is not approved, the voting on that proposal will be completed at the Meeting.

Only stockholders or their duly appointed proxy holders can attend the Meeting and any adjournment or postponement thereof. To gain admittance, if you are a stockholder of record, you must bring a form of personal identification to the Meeting, where your name will be verified against our stockholder list. If a broker or other nominee holds your shares and you plan to attend the Meeting, you should bring a recent brokerage statement showing your ownership of the shares, as well as a form of personal identification. If you are a beneficial owner and plan to vote at the Meeting, you should also bring a proxy card from your broker.

The Board of Directors has fixed the close of business on March 1, 2004 as the record date (Record Date) for the determination of stockholders entitled to notice of, and to vote at, the Meeting and at any adjournment or postponement thereof. Stockholders on the Record Date will be entitled to one vote for each share held. As of March 1, 2004, the Fund had 16,777,298 shares of common stock outstanding.

The Fund has received notice from Bankegesellschaft Berlin AG (BGB), the holder of approximately 32% of the Fund's shares of common stock as of the Record Date, that BGB proposes to submit at the Meeting: (i) the nomination of three individuals to serve as Directors; (ii) a proposal to terminate the Management Agreement between the Fund and the Fund's Investment Manager; (iii) a proposal to terminate the Investment Advisory Agreement between the Fund and the Fund's Investment Adviser; and (iv) a proposal to urge the Board of Directors to amend the Fund's charter to change the name of the Fund.

The Board of Directors of the Fund knows of no other business that will be presented for consideration at the Meeting. If any other matter is properly presented, it is the intention of the persons named on the enclosed proxy card to vote in accordance with their discretion.

The Fund will furnish, without charge, a copy of the Fund's annual report for its fiscal year ended October 31, 2003, and any more recent reports, to any Fund stockholder upon request. To request a copy, please call or write to Aberdeen Asset Management, 300 Las Olas Place, 300 S.E. 2nd Street, Suite 820, Fort Lauderdale, FL, 33301, Telephone: 1-800-522-5465.

PROPOSAL 1(A): ELECTION OF CLASS I DIRECTORS

PROPOSAL 1(B): ELECTION OF CLASS III DIRECTOR

The Fund's bylaws provide that the Board of Directors will be divided into three classes, as nearly equal in number as possible, each of which will serve for three years, with one class being elected each year. Each year the term of office of one class expires. Directors who are 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, are referred to in this Proxy Statement as Interested Directors. Directors who are not interested persons as described above are referred to in this Proxy Statement as Independent Directors.

Messrs. Anthony E. Aaronson, Neville J. Miles and John T. Sheehy were elected by stockholders as Class I Directors to serve until the 2004 Annual Meeting and until their successors are duly elected and qualify. Effective February 2004, the Board of Directors, including the Independent Directors, upon the recommendation of the Board's Nominating Committee, which is composed entirely of Independent Directors, re-designated Mr. Sheehy as a Class III Director to fill a vacancy created by the resignation of Mr. Freedman as a Class III Director. The Board of Directors then reduced the size of the Board to eight directors. Although, pursuant to the provisions of Maryland law and the Fund's charter, Mr. Sheehy was elected by the Board to fill the full remainder of the current term of a Class III Director, expiring in 2006, Mr. Sheehy has asked, and the Board has agreed, that he will stand for election at the 2004 Annual Meeting for the remainder of his term as a Class III Director.

The Board of Directors of the Fund, including the Independent Directors, upon the recommendation of the Board's Nominating Committee, has nominated Messrs. Aaronson and Miles to serve as Class I Directors for three-year terms to expire at the Annual Meeting of Stockholders to be held in 2007, and Mr. Sheehy to serve as a Class III Director for a two-year term to expire at the Annual Meeting of Stockholders to be held in 2006, in each case until their respective successors are duly elected and qualify. The nominees have indicated an intention to serve if elected and have consented to be named in this Proxy Statement.

It is the intention of the persons named on the enclosed proxy card to vote **FOR** the election of Messrs. Aaronson and Miles to serve as Class I Directors for a three-year term and the election of Mr. Sheehy to serve as a Class III Director for a two-year term. The Board of Directors of the Fund knows of no reason why any of these nominees will be unable to serve, but in the event of any such inability, the proxies received will be voted for such substituted nominees as the Board of Directors may recommend.

The names of the Fund's nominees for election as Directors, and each other Director of the Fund, and their addresses, ages and principal occupations during the past five years, are provided in the tables below:

Name, Address and Age	Position(s) Held With the Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Funds in Fund Complex*	Other Directorships Held by Director or Nominee for Director
				Overseen by Director or Nominee for Director	

Class I Directors

(Current Directors and Nominees for a Term expiring at the Annual Meeting to be held in 2007)

Independent Directors

Anthony E. Aaronson 116 South Anita Avenue Los Angeles, CA 90049 Age: 67	Class I Director	Current term expires 2004; Director since 1985	Mr. Aaronson is owner of Aaronson Textiles. He was Director of the Textile Association of Los Angeles from 1991 to 2000. Mr. Aaronson has extensive experience in the management of private investments. He served as Chairman of the Audit Committee of the Board of the Fund from the inception of the Fund until 2000.	2	Aberdeen Asia-Pacific Income Fund, Inc.
Neville J. Miles ° 2 Paddington Street Paddington, NSW 2021 Australia Age: 57	Class I Director	Current term expires 2004; Director since 1996	Mr. Miles has over 20 years of international investment banking experience. He was formerly head of Corporate Treasury at Westpac Banking Corporation and Managing Director of Ord Minnett Securities Limited (stockbrokers). Mr. Miles has extensive experience in the areas of corporate acquisitions and equity offerings.	3	Aberdeen Asia-Pacific Income Fund, Inc.; Aberdeen Global Income Fund, Inc.; Aberdeen Asia-Pacific Income Investment Company Limited; Aberdeen Leaders Limited (investment company).

Mr. Miles is currently an investor and real estate developer. He has served, for over five years, as a Director of Ballyshaw Pty. Ltd. (investing/consulting) and Dawnglade Pty. Ltd. (real estate investment), and has

served as a Director of Villaren
Pty. Ltd. (real estate
investment company) since
1999; Sonic Communications
Pty. Ltd. since 2000; and
Commsecure Limited since
2002.

<u>Name, Address and Age</u>	<u>Position(s) Held With the Fund</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Number of Funds in Fund Complex* Overseen by Director or Nominee for Director</u>	<u>Other Directorships Held by Director or Nominee for Director</u>
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Class II Directors

(Term expiring at the Annual Meeting to be held in 2005)

Interested Director

<p>Hugh Young **</p> <p>21 Church Street</p> <p>#01 01 Capital Square Two</p> <p>Singapore 049480</p> <p>Age: 45</p>	<p>Chairman of the Board, Class II Director</p>	<p>Term as Director expires 2005; Director since 2001</p>	<p>Mr. Young was a Director of Aberdeen Asset Management PLC, parent company of the Fund's Investment Manager and Investment Adviser, from 1991 to 2002 and is currently a member of the Executive Management Committee of Aberdeen Asset Management PLC. He has been Managing Director of Aberdeen Asset Management Asia Limited, an affiliate of the Fund's Investment Manager and Investment Adviser, since 1991. Mr. Young has also served as Managing Director of Aberdeen International Fund Managers Limited, an affiliate of the Fund's Investment Manager and Investment Adviser, since 1998, and as a Director of the Investment Manager and the Investment Adviser, since 2000. From 2001 to February 2002, Mr. Young was President of the Fund and of Aberdeen Asia-Pacific Income Fund, Inc. and Aberdeen Global Income Fund, Inc.</p>	<p>1</p>	<p>Mr. Young is a director of foreign funds advised by entities affiliated with the Investment Manager and the Investment Adviser.</p>
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Independent Directors

<p>David L. Elsum, A.M.</p>	<p>Class II Director#</p>	<p>Term expires 2005;</p>	<p>Mr. Elsum has over 20 years of experience in investment and insurance markets. He</p>	<p>3</p>	<p>Aberdeen Global Income Fund, Inc.; Aberdeen Asia-Pacific Income Fund,</p>
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c/o Aberdeen Asset Managers (C.I.) Limited No. 1 Seaton Place St. Helier, Jersey JE4 8YJ Channel Islands	Director since 1985	was a member of the Corporations and Securities Panel of the Australian Securities Commission until 2000, a member of the Australian Federal Government Administrative Appeals Tribunal until 2001, Chairman of Audit Victoria	Inc.; Aberdeen Asia Pacific Income Investment Company Limited; Melbourne Wholesale Fish Market Pty. Ltd.; Queen Victoria Market Pty. Ltd. (municipal market); Financial Planning Association Limited (industry association); Aberdeen Leaders Limited (investment company).
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Age: 66

Name, Address and Age	Position(s) Held With the Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Funds in Fund Complex* Overseen	Other Directorships Held by Director or Nominee for Director
				by Director or Nominee for Director	
			(government statutory authority) from 1997 to 2000, and has been a member of the State of Victoria Regulator General Appeal Panel since 2001. Mr. Elsum is Chairman of Stodart Investment Pty. Ltd. He was founding Managing Director of Capel Court Investment Bank, and has served as Chief Executive of several major public companies, including The MLC Limited (insurance) and President of the State of Victoria Superannuation Fund (pension fund management).		
Peter D. Sacks 445 King Street West 4 th Floor Toronto, Ontario M5V 1K4 Canada Age: 58	Class II Director	Term expires 2005; Director since 1999	Mr. Sacks is currently Managing Partner of Toron Capital Markets, Inc., a company he established in 1988 to design and manage customized equity, fixed income and currency portfolios for individual and corporate clients. Mr. Sacks also serves on the Boards of Directors of Toron Capital Markets, Inc. (portfolio management), Toron Capital Management, Ltd. and Toron Asset Management, Inc.	3	Aberdeen Asia-Pacific Income Fund, Inc.; Aberdeen Global Income Fund, Inc.; Aberdeen Asia Pacific Income Investment Company Limited; Horizon Funds, Inc.; Cirrus Financial Concepts Inc.; Chirp Holdings, Inc.
Class III					
(Term expiring at the Annual Meeting to be held in 2006)					
<u>Independent Directors</u>					
Peter J. O. Connell c/o Multiplex Asset	Class III Director	Term expires 2006; Director	Mr. O. Connell is involved in modern technology developments, has extensive business experience in the	2	Aberdeen Asia-Pacific Income Fund, Inc.; Telstra Stadium Ltd.; Commander Communications Ltd.

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Management

since
1999

Asian region, and has served
as an international mergers
and acquisitions lawyer in this
region. Mr. O Connell is
admitted as a solicitor in
Australia and he has been
Managing Director of

Level 2, No. 1 Kent St.

Sydney Australia

Age: 50

Name, Address and Age	Position(s) Held With the Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Funds in Fund Complex* Overseen by Director or Nominee for Director	Other Directorships Held by Director or Nominee for Director
<p>William J. Potter ° c/o Aberdeen Asset Managers (C.I.) Limited No. 1 Seaton Place St. Helier, Jersey JE4 8YJ Channel Islands</p> <p>Age: 55</p>	<p>Class III Director</p>	<p>Term expires 2006; Director since 1985</p>	<p>Multiplex Infrastructure Pty. Ltd. (infrastructure investment) and Executive Chairman of Multiplex Asset Management Pty. Ltd. (building, operations management) since 2003. Mr. O Connell also served as Chief Executive Officer of Lang Holdings (Aust) Pty. Ltd. (technology consulting) from 2000 to 2003; Chief Executive Officer of Ten Ventures Pty. Ltd. (establishment of media based internet businesses) from 1999 to 2000; and Chief Executive Officer of Smart Device Marketing Company from 2001 to 2002. Mr. O Connell was Chief of Operations of Consolidated Press Holdings Pty. Limited (supervision of private equity investments) from 1996 to 1999; Chief Executive Officer (from 1994 to 1996) and Director (from 1994 to 1999) of Hargrave Consultants Pty. Ltd. (technology consulting).</p> <p>Mr. Potter has extensive experience in investment banking and fund management. Mr. Potter has held senior positions with Toronto Dominion Bank, Barclays Bank PLC, and Prudential Securities, Inc., as well as board of director positions with investment funds involving over \$20 billion in assets since 1983. Mr. Potter has been involved in the Australian capital markets since 1974, including management and board of director positions with a noted</p>	<p>3</p>	<p>Aberdeen Global Income Fund, Inc.; Aberdeen Asia-Pacific Income Fund, Inc.; Aberdeen Asia Pacific Income Investment Company Limited; National Foreign Trade Counsel (trade association); Alexandria Bancorp (banking group in Cayman Islands); E.C. Power, Inc. (energy company); Alexandria Funds.</p>

Australian brokerage house.
Mr. Potter is President

Name, Address and Age	Position(s) Held With the Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Funds in Fund Complex* Overseen by Director or Nominee for Director	Other Directorships Held by Director or Nominee for Director
<p>John T. Sheehy °+</p> <p>560 Sylvan Avenue</p> <p>Englewood Cliffs, NJ 07632</p> <p>Age: 61</p>	<p>Class III Director</p>	<p>Current term expires 2006; Director since 1985</p>	<p>of a U.S. investment bank and has securities licenses in both the U.S. and Canada. Mr. Potter also has extensive securities underwriting experience in various capital markets with an emphasis on natural resources.</p> <p>Mr. Potter is currently President of Ridgewood Group International Ltd., an international consulting and merchant banking company, and President of Ridgewood Capital Funding, Inc., a private placement securities firm.</p> <p>Mr. Sheehy has over 30 years experience in investment banking with companies such as J.P. Morgan & Company and Bear, Stearns & Co. Inc. His specialty areas include securities valuation, public offerings and private placements of debt and equity securities, mergers and acquisitions and management buyout transactions. He has been Senior Managing Director of B.V. Murray and Company (investment banking) since 2001, and Managing Member of The Value Group LLC (private equity) since 1997.</p>	<p>3</p>	<p>Aberdeen Global Income Fund, Inc.; Aberdeen Asia-Pacific Income Fund, Inc.; Aberdeen Asia Pacific Income Investment Company Limited.</p>

* Aberdeen Asia-Pacific Income Fund, Inc. and Aberdeen Global Income Fund, Inc. have a common Investment Manager and Investment Adviser with the Fund, and may thus be deemed to be part of the same Fund Complex as the Fund.

** Mr. Young is deemed to be an interested person because of his affiliation with the Fund's Investment Manager and Investment Adviser.

Messrs. Elsum, Miles and Potter are members of the Contract Review Committee.

Messrs. Aaronson, Sacks and Sheehy are members of the Audit and Valuation Committee.

◦ Messrs. Miles, Potter and Sheehy are members of the Nominating Committee.

- # Effective December 10, 2003, Mr. Elsum was redesignated as a Class II Director whose term expires at the 2005 Annual Meeting of Stockholders and when his successor is duly elected and qualifies. Prior to his resignation, he had been a Class III Director with a term expiring in 2006.

- + Effective February 18, 2004, Mr. Sheehy was redesignated as a Class III Director whose term expires at the 2006 Annual Meeting of Stockholders and when his successor is duly elected and qualifies. Prior to his resignation, he had been a Class I Director with a term expiring in 2004. As discussed earlier in this proxy statement, Mr. Sheehy has asked, and the Board has agreed, that he will stand for election at the 2004 Annual Meeting for the remainder of his term as a Class III Director.

Please also see the information contained below under the heading Further Information Regarding Directors and Officers.

The Board of Directors recommends that stockholders vote FOR the election of the Fund's three nominees to the Fund's Board of Directors.

PROPOSAL 2: STOCKHOLDER RECOMMENDATION REGARDING DIRECTOR QUALIFICATIONS

PROPOSAL 3: STOCKHOLDER RECOMMENDATION REGARDING VOTE REQUIRED TO ELECT DIRECTORS

Background

The Fund has previously notified its stockholders, in proxy material in connection with the Fund's 2003 Annual Meeting of Stockholders, as well as in the Fund's semi-annual and annual reports to stockholders, that in January 2003, the Fund's Board of Directors adopted amended and restated bylaws to enhance corporate governance, including bylaws with respect to the election and qualifications of directors. Some of the bylaw amendments had been under consideration for several years, while others were modifications or expansions of existing bylaws.

The bylaw amendments established qualifications for Fund directors which were designed to assure that individuals have the type of background and experience necessary to provide competent service as directors of a closed-end fund that invests in Australian equity securities. The amended bylaws also require that directors be elected by the affirmative vote of the holders of a majority of the Fund's outstanding shares. The bylaws previously required the affirmative vote of the holders of a majority of shares present at the meeting and entitled to vote. The Board of Directors has determined, based upon regulatory developments discussed below, to solicit stockholder recommendations regarding director qualifications and the vote required to elect directors. In determining to solicit such stockholder recommendations, the Board also took into consideration proposals submitted to the Fund by certain stockholders with respect to the same issues.

In July 2003, the Division of Corporation Finance of the Securities and Exchange Commission (SEC) issued a report (SEC Report) in which it reviewed the proxy process regarding the nomination and election of directors. Shortly thereafter, the SEC issued proposed regulations and, in November 2003, the SEC adopted new rules requiring disclosure of nominating committee functions. In adopting the new disclosure requirements, the SEC noted that nominating committees should describe any specific, minimum qualifications that the nominating committee believes must be met by a nominating committee-recommended nominee for a position on the Board of Directors, and a description of any specific qualities or skills that the nominating committee believes are necessary for one or more of the directors to possess.

Director Qualifications

In order to give stockholders a more meaningful role in the nominating process, the Fund's Board of Directors has resolved to present Proposal 2 to the stockholders, pursuant to which the stockholders may

cast votes indicating their recommendation as to whether the Board should amend Article III, Section 2(b) of the Fund's bylaws, which contains the current director qualifications (the *Current Director Qualifications*), by adopting alternative director qualifications (the *Alternative Director Qualifications*). The language of the *Current Director Qualifications* and the *Alternative Director Qualifications* is presented below. The Fund's bylaws may be amended only by the Board of Directors. However, the Board of Directors has resolved to take such action as is necessary to implement the stockholder recommendation on Proposal 2. Accordingly, a vote for Proposal 2 is a vote to recommend that the Board amend Article III, Section 2(b) of the bylaws by adopting the *Alternative Director Qualifications*. A vote against Proposal 2 is a vote to recommend that the Board take no action with respect to Article III, Section 2(b) and retain the *Current Director Qualifications*.

If a majority of the votes cast on Proposal 2 is cast for Proposal 2, then the stockholders will have recommended that the Board amend Article III, Section 2(b) of the bylaws by adopting the *Alternative Director Qualifications*. In that case, the Board of Directors will meet promptly after the 2004 Annual Meeting of Stockholders and amend Article III, Section 2(b) of the bylaws to adopt the *Alternative Director Qualifications*. In such case, the Board of Directors will also not make any further substantive modifications to Article III, Section 2(b) of the bylaws, unless the Board has first obtained a stockholder vote recommending such modifications, similar to the vote requested in the current proposal; provided, however, that the Board will make any modifications to the bylaws as may be required by law or regulation, without obtaining a vote of stockholders with respect to such modifications.

If a majority of the votes cast on Proposal 2 is cast against Proposal 2, then the stockholders will have recommended to the Board to retain the *Current Director Qualifications* and the Board of Directors will take no further action at this time with respect to Article III, Section 2(b) of the bylaws.

Current Director Qualifications

The Fund's current bylaws with respect to qualification of directors (*Current Director Qualifications*) provide:

(1) To qualify as a nominee for a directorship, an individual, at the time of nomination, (i) shall have substantial expertise, experience or relationships relevant to the business of the Corporation, (ii) shall have a master's degree in economics, finance, business administration or accounting, a degree in engineering, a graduate professional degree in law, engineering or medicine from an accredited university or college in the United States or Australia or the equivalent degree from an equivalent institution of higher learning in another country, or a certification as a public accountant in the United States or Australia; (iii) shall not serve as a director or officer of another closed-end investment company unless such company is managed by the Corporation's investment manager or investment adviser or by an affiliate of either; and (iv) shall be at least one of the following: (A) a citizen of Australia for whom Australia has been a primary residence for at least five years after reaching the age of 21; (B) a present or former director of, member of the supervisory board or senior executive officer of, or senior consultant to, (1) at least one company the securities of which, or of an affiliate or successor of which, are principally listed or traded on a securities exchange located in Australia or (2) a securities exchange located in Australia; (C) a present or former ambassador, minister, consul or economic, financial or commercial attaché of Australia or of another country to Australia; (D) a present or former director or senior executive officer of an investment adviser, investment manager or an administrator for the Corporation, or of any person controlling, or under common control with, an investment adviser, investment manager or an administrator for the Corporation; (E) a present officer of the Corporation; (F) an individual who has served at least five years as a director, trustee or senior investment officer (or in a capacity comparable to any such position) of an investment company (as

defined under the Investment Company Act whether or not registered thereunder), the assets of which during that period have been invested primarily in securities of issuers organized under the laws of Australia, having their principal place of business in Australia, or whose securities have their principal trading market in Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Taiwan or Thailand; or (G) an individual who has served at least five years as a senior executive officer with responsibility for directing or managing the operations in Australia of a company with substantial operations in Australia.

The bylaws also require that to qualify as a nominee for a directorship or election as a director, an individual who is an incumbent director shall not have violated any provision of the Fund's Conflict of Interest and Corporate Opportunities Policy, and a nominee who is not an incumbent director shall not have a relationship, hold any position or office or otherwise engage in any activity that would result in a violation of the Policy if the individual were elected as a director. The Conflict of Interest and Corporate Opportunities Policy was adopted to generally preclude any material conflicts or improprieties with respect to actions of the individual directors or officers and to require any permissible waivers of the Policy to be promptly disclosed to the stockholders.

Alternative Director Qualifications

The Alternative Director Qualifications would provide:

(1) To qualify as a nominee for a directorship, each candidate, at the time of nomination, must possess at least the following specific minimum qualifications:

(i) A nominee shall have at least five years experience in either investment management, economics, public accounting or Australian business.

(ii) A nominee shall have a college undergraduate degree in economics, finance, business administration, accounting, or engineering, or a professional degree in law, engineering, or medicine from an accredited university or college in the United States or Australia or the equivalent degree from an equivalent institution of higher learning in another country.

(iii) A nominee shall not have violated any provision of the U.S. federal or state securities laws, or comparable laws of another country.

Compliance with the Fund's Conflict of Interest and Corporate Opportunities Policy would technically not be termed a qualification for a nominee or election as a director, but would be retained as a standard to be applied by the Nominating Committee in selecting nominees and a policy with which all directors must comply.

**THE BOARD OF DIRECTORS ENCOURAGES STOCKHOLDERS TO VOTE ON PROPOSAL 2
BUT MAKES NO RECOMMENDATION AS TO HOW STOCKHOLDERS SHOULD VOTE ON
THE PROPOSAL.**

Vote Required to Elect Directors

In the SEC Report, the Division of Corporation Finance discusses alternative voting formulations to elect directors. In light of current developments and debates on this subject, and in order to give stockholders a more meaningful role in the election process, the Board of Directors has resolved to present Proposal 3 to the stockholders, pursuant to which the stockholders may cast votes indicating their recommendation on

whether the Board should amend Article III, Section 3 of the bylaws, which provides that directors shall be elected by a majority of the votes outstanding and entitled to vote in the election of directors (the **Current Vote Requirement**). The amendment would provide that directors shall be elected by a plurality of the votes cast (the **Alternative Vote Requirement**).

The language of the **Current Vote Requirement** and the **Alternative Vote Requirement** is presented below. As stated above, the Fund's bylaws may be amended only by the Board of Directors. However, the Board of Directors has resolved to take such action as is necessary to implement the stockholder recommendation on Proposal 3. Accordingly, a vote for Proposal 3 is a vote to recommend that the Board amend Article III, Section 3 of the bylaws by adopting the **Alternative Vote Requirement**. A vote against Proposal 3 is a vote to recommend that the Board take no action with respect to Article III, Section 3 and retain the **Current Vote Requirement**.

If a majority of the votes cast on Proposal 3 is cast for Proposal 3, then the stockholders will have recommended that the Board amend Article III, Section 3 of the bylaws by adopting the **Alternative Vote Requirement**. In that case, the Board of Directors will meet promptly after the 2004 Annual Meeting of Stockholders and amend Article III, Section 3 of the bylaws to adopt the **Alternative Vote Requirement**. In such a case, the Board of Directors will also not make any further substantive modifications to Article III, Section 3 of the bylaws, unless the Board has first obtained a stockholder vote recommending such modifications, similar to the vote requested in the current proposal; provided, however, that the Board will make any modifications to the bylaws as may be required by law or regulation, without obtaining a vote of stockholders with respect to such modifications.

If a majority of the votes cast on Proposal 3 is cast against Proposal 3, then the stockholders will have recommended that the Board retain the **Current Vote Requirement** and the Board of Directors will take no further action at this time with respect to Article III, Section 3 of the bylaws.

Current Vote Requirement

The Fund's bylaws currently require that directors be elected by a vote of the holders of a majority of the shares of common stock outstanding and entitled to vote thereon. The Board adopted this standard in order for the holders of a majority of the Fund's shares of common stock, rather than a minority interest, to determine who should be elected as directors.

For example, assume that a corporation has 100 shares outstanding, 80 of those shares are represented in person or by proxy at a meeting of shareholders, and there are two nominees for election for a single directorship. Candidate A receives 60 votes, Candidate B receives 10 votes, and votes are withheld by the holders of 10 shares. Since the vote required to elect a director is 51 shares, Candidate A will be elected.

However, in the same example, if Candidate A receives 45 votes, Candidate B receives 25 votes, and votes are withheld by the holders of 10 shares, neither Candidate A or B will be elected, because neither has received a majority of the outstanding shares. In such a case, the director then in office whose successor has not been elected would, in accordance with the provisions of the Maryland General Corporation Law, hold over until his or her successor is elected and qualifies.

Alternative Vote Requirement

The alternative vote requirement (**Alternative Vote Requirement**) would provide that a plurality of all the votes cast at a meeting at which a quorum is present is sufficient to elect a director. The Maryland General Corporation Law provides that in the absence of a charter or bylaw

provision to the contrary, the

Plurality Vote Requirement would apply. With a plurality vote, the candidate who receives more affirmative votes than are received by any other candidate will win.

For example, assume the same corporation with 100 shares outstanding, 80 of those shares are represented in person or by proxy at a meeting of shareholders, and there are two nominees for election for a single directorship. If Candidate A receives 50 votes, Candidate B receives 20 votes, and votes are withheld by the holders of 10 shares, Candidate A will be elected, because Candidate A has received more votes than Candidate B, even though this is not a majority of the outstanding shares. Even if Candidate A receives 10 votes, Candidate B receives 5 votes and votes are withheld with respect to 65 shares, Candidate A would be elected, because Candidate A has received more votes than Candidate B.

**THE BOARD OF DIRECTORS ENCOURAGES STOCKHOLDERS TO VOTE ON PROPOSAL 3
BUT MAKES NO RECOMMENDATION AS TO HOW STOCKHOLDERS SHOULD VOTE ON
THE PROPOSAL.**

APPOINTMENT OF BGB REPRESENTATIVE TO THE BOARD OF DIRECTORS

As indicated earlier, Bankgesellschaft Berlin AG (BGB) has submitted to the Fund a notice that BGB intends to submit several proposals at the Meeting, including the nomination of three individuals to serve as Directors. In the past, the Board has considered the eventual representation on the Board by a representative of BGB. However, under the Current Director Qualifications, none of the individuals named by BGB in its notice meet the qualifications to serve as a director.

In the event that Article III, Section 2(b) of the bylaws is amended by the Board by adopting the Alternative Director Qualifications, then it is the intention of the Board of Directors promptly thereafter to increase the size of the Board to nine directors, which was the size of the Board prior to the resignation of Mr. Freedman in February 2004, and to elect one representative of BGB to the Board of Directors for a three-year term as a Class I Director, provided that, at the time of such appointment, BGB continues to own at least 25% of the Fund's common stock, and further provided that such representative then satisfies the Alternative Director Qualifications.

FURTHER INFORMATION REGARDING DIRECTORS AND OFFICERS

Officers of the Fund

The names of the officers of the Fund who are not Directors, their addresses, ages and principal occupations during the past five years are provided in the table below:

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Name, Address and Age	Position(s) Held With the Fund	Term of Office* and Length of Time Served	Principal Occupation(s) During Past Five Years
<p>Martin J. Gilbert c/o Aberdeen Asset Managers (C.I.) Limited No. 1 Seaton Place St. Helier, Jersey JE4 8YJ Channel Islands</p> <p>Age: 48</p>	President**	Since 2004	<p>Chief Executive and an Executive Director of Aberdeen Asset Management PLC (parent company of the Fund's Investment Manager and Investment Adviser) (since 1983); Director of Aberdeen Asset Management Limited (the Fund's Investment Adviser) and Aberdeen Asset Managers (C.I.) Limited (the Fund's Investment Manager) (since 2000); Director of foreign funds advised by entities affiliated with the Investment Manager and the Investment Adviser.</p>
<p>Beverly Hendry 300 Las Olas Place 300 S.E. 2nd Street Suite 820 Fort Lauderdale, FL 33301</p> <p>Age: 50</p>	Vice President***	Since 2003	<p>Executive Director of Aberdeen Asset Management PLC (from 1991 to 2002); Chief Executive Officer of Aberdeen Fund Managers, Inc. (affiliate of the Fund's Investment Manager and Investment Adviser) (since 1995); Director of the Fund's Investment Adviser (since 2001).</p>
<p>Christian Pittard No. 1 Seaton Place St. Helier, Jersey JE4 8YJ Channel Islands</p> <p>Age: 30</p>	Treasurer and Assistant Secretary**	Since 2001	<p>Managing Director of the Fund's Investment Manager (since 2000); Managing Director of Aberdeen Private Wealth Management (affiliate of the Fund's Investment Manager and Investment Adviser); Chartered Accountant, KPMG (from 1994 to 1998) and Quorum Trust Group (1998).</p>
<p>Roy M. Randall Level 12, Chifley Tower 2 Chifley Square Sydney, NSW 2000 Australia</p> <p>Age: 67</p>	Secretary**	Since 1986	<p>Consultant to The Seidler Law Firm, Australian counsel to the Fund (since 2003); Partner of Stikeman, Elliott, Australian counsel to the Fund (from 1997 through 2002).</p>

* Officers hold their positions with the Fund until a successor has been duly elected and qualifies. Officers are generally elected annually at the meeting of the Board of Directors next following the annual meeting of stockholders. The officers were last elected on June 11, 2003, except for Mr. Gilbert, who was elected on February 17, 2004.

** Messrs. Gilbert, Pittard and Randall hold the same position(s) with Aberdeen Asia-Pacific Income Fund, Inc. and Aberdeen Global Income Fund, Inc., both of which may be deemed to be a part of the same Fund Complex as the Fund.

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Mr. Hendry serves as Assistant Treasurer of Aberdeen Global Income Fund, Inc., which may be deemed to be part of the same Fund Complex as the Fund.

Ownership of Securities

As of December 31, 2003, the Fund's Directors and executive officers, as a group, owned less than 1% of the Fund's outstanding shares of common stock. The information as to ownership of securities which appears below is based on statements furnished to the Fund by its Directors and executive officers.

As of December 31, 2003, the dollar range of equity securities owned beneficially by each Director in the Fund and in any registered investment companies overseen by the Director within the same family of investment companies as the Fund was as follows:

Interested Director

Name of Director or Nominee

Dollar Range of Equity