

ABERDEEN AUSTRALIA EQUITY FUND INC  
Form N-Q  
March 27, 2014

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS**  
**OF REGISTERED MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number:	811-04438
Exact name of registrant as specified in charter:	Aberdeen Australia Equity Fund, Inc.
Address of principal executive offices:	1735 Market Street, 32 <sup>nd</sup> Floor Philadelphia, PA 19103
Name and address of agent for service:	Ms. Andrea Melia Aberdeen Asset Management Inc. 1735 Market Street 32 <sup>nd</sup> Floor Philadelphia, PA 19103
Registrant's telephone number, including area code:	866-839-5205
Date of fiscal year end:	October 31
Date of reporting period:	January 31, 2014

**Item 1 - Schedule of Investments** - The Schedule of Investments for the three-month period ended January 31, 2014 is filed herewith.

## Portfolio of Investments (unaudited)

As of January 31, 2014

Shares	Description	Value (US\$)
<b>LONG-TERM INVESTMENTS 95.8%*</b>		
<b>COMMON STOCKS 95.8%</b>		
<b>CONSUMER DISCRETIONARY 1.5%</b>		
1,050,400	Tatts Group Ltd.	\$ 2,745,848
<b>CONSUMER STAPLES 9.4%</b>		
684,200	Coca-Cola Amatil Ltd.	6,995,988
356,100	Woolworths Ltd.	10,616,398
		<b>17,612,386</b>
<b>ENERGY 6.5%</b>		
138,600	Caltex Australia Ltd.	2,346,823
198,200	Woodside Petroleum Ltd.	6,482,086
235,000	WorleyParsons Ltd.	3,384,851
		<b>12,213,760</b>
<b>FINANCIALS 34.3%</b>		
2,160,100	AMP Ltd.	8,062,864
438,000	Australia & New Zealand Banking Group Ltd.	11,537,027
247,600	Australian Stock Exchange Ltd.	7,710,579
181,500	Commonwealth Bank of Australia	11,784,143
859,900	QBE Insurance Group Ltd.	8,638,385
1,028,600	Westfield Group Ltd.	9,197,366
269,300	Westpac Banking Corp. Ltd.	7,258,056
		<b>64,188,420</b>
<b>HEALTH CARE 5.4%</b>		
55,400	Cochlear Ltd.	2,773,901
118,900	CSL Ltd.	7,318,526
		<b>10,092,427</b>
<b>INFORMATION TECHNOLOGY 3.1%</b>		
598,400	Computershare Ltd.	<b>5,846,305</b>

<b>MATERIALS 23.5%</b>		
722,800	BHP Billiton PLC - London Listing	21,278,200
1,170,400	Incitec Pivot Ltd.	2,923,611
183,500	Orica Ltd.	3,777,210
302,100	Rio Tinto PLC - London Listing	16,068,206
		<b>44,047,227</b>
<b>TELECOMMUNICATION SERVICES 4.0%</b>		
2,718,100	Singapore Telecommunications Ltd.	<b>7,442,517</b>
<b>UTILITIES 8.1%</b>		
582,900	AGL Energy Ltd.	7,757,149
6,777,700	SP AusNet	7,371,135
		<b>15,128,284</b>
<b>Total Long-Term Investments 95.8% (cost \$174,654,349)</b>		<b>179,317,174</b>

<b>Par</b>		
<b>Amount</b>	<b>Description</b>	<b>Value (US\$)</b>
<b>SHORT-TERM INVESTMENT 1.2%</b>		
\$ 2,195,000	Repurchase Agreement, State Street Bank & Trust Co., 0.00% dated 01/31/2014, due 02/03/2014 in the amount of \$2,195,000 collateralized by a U.S. Treasury Note, 3.125%, maturing 02/15/2042; total market value of \$2,240,351	2,195,000
<b>Total Short-Term Investment 1.2% (cost \$2,195,000)</b>		<b>2,195,000</b>

See Notes to Portfolio of Investments.

Aberdeen Australia Equity Fund, Inc.

Portfolio of Investments (unaudited) (concluded)

As of January 31, 2014

<b>Total Investments</b>	<b>97.0% (cost \$176,849,349)</b>	<b>181,512,174</b>
Other Assets in Excess of Liabilities	3.0%	5,616,646
<b>Net Assets</b>	<b>100.0%</b>	<b>\$ 187,128,820</b>

\* Fair Valued Security. Fair Values are determined pursuant to procedures approved by the Board of Directors. See Note (a) of the accompanying notes to portfolio of investments.  
See Notes to Portfolio of Investments.

Aberdeen Australia Equity Fund, Inc.

Notes to Portfolio of Investments (unaudited)

January 31, 2014

## Summary of Significant Accounting Policies

### (a) Security Valuation:

The Funds value their securities at current market value or fair value consistent with regulatory requirements. Fair value is defined in the Funds' valuation policies and procedures as the price that could be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date.

Equity securities that are traded on an exchange are valued at the last quoted sale price on the principal exchange on which the security is traded at the Valuation Time, subject to application, when appropriate, of the fair valuation factors described in the paragraph below. The Valuation Time is as of the close of regular trading on the New York Stock Exchange (usually 4:00 p.m. Eastern Time). In the absence of a sale price, the security is valued at the mean of the bid/ask quoted at the close on the principal exchange on which the security is traded. Securities traded on NASDAQ are valued at the NASDAQ official closing price. A security using any of these pricing methodologies is determined to be a Level 1 investment.

Foreign equity securities that are traded on foreign exchanges that close prior to the Valuation Time are valued by applying valuation factors to the last sale price or the mean price as noted above. Valuation factors are provided by an independent pricing service provider. These valuation factors are used when pricing the Fund's portfolio holdings to estimate market movements between the time foreign markets close and the time the Fund values such foreign securities. These valuation factors are based on inputs such as depositary receipts, indices, futures, sector indices/ETFs, exchange rates, and local exchange opening and closing prices of each security. When prices with the application of valuation factors are utilized, the value assigned to the foreign securities may not be the same as quoted or published prices of the securities on their primary markets. A security that applies a valuation factor is determined to be a Level 2 investment because the exchange-traded price has been adjusted. Valuation factors are not utilized if the independent pricing service provider is unable to provide a valuation factor or if the valuation factor falls below a predetermined threshold; in such case, the security is determined to be a Level 1 investment.

In the event that a security's market quotations are not readily available or are deemed unreliable (for reasons other than because the foreign exchange on which they trade closes before the Valuation Time), the security is valued at fair value as determined by the Fund's Pricing Committee, taking into account the relevant factors and surrounding circumstances using valuation policies and procedures approved by the Board. A security that has been fair valued by the Pricing Committee may be classified as Level 2 or 3 depending on the nature of the inputs.

In accordance with the authoritative guidance on fair value measurements and disclosures under accounting principles generally accepted in the United States of America (GAAP), the Fund discloses the fair value of its investments using a three-level hierarchy that classifies the inputs to valuation techniques used to measure the fair value. The hierarchy assigns Level 1 measurements to valuations based upon unadjusted quoted prices in active markets for identical assets, Level 2 measurements to valuations based upon other significant observable inputs, including adjusted quoted prices in active markets for identical assets, and Level 3 measurements to valuations based upon unobservable inputs that are significant to the valuation. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability, which are based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the

circumstances. A financial instrument's level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. The three-tier hierarchy of inputs is summarized below:

Level 1 quoted prices in active markets for identical investments;

Level 2 other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk); or

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments).

## Notes to Portfolio of Investments (unaudited) (continued)

January 31, 2014

The following is a summary of the inputs used as of January 31, 2014 in valuing the Fund's investments at fair value. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Please refer to the Portfolio of Investments for a detailed breakout of the security types:

<b>Investments</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Long-Term Investments	\$	\$ 179,317,174	\$	\$ 179,317,174
Short-Term Investment		2,195,000		2,195,000
<b>Total Investments</b>	<b>\$</b>	<b>\$ 181,512,174</b>	<b>\$</b>	<b>\$ 181,512,174</b>

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

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing transfers at the end of each period. During the period ended January 31, 2014, there were no transfers between Level 1, Level 2 and Level 3. For the period ended January 31, 2014, there have been no significant changes to the fair valuation methodologies.

**(b) Repurchase Agreements:**

The Fund may enter into repurchase agreements under the terms of a Master Repurchase Agreement. It is the Fund's policy that its custodian/counterparty segregate the underlying collateral securities, the value of which exceeds the principal amount of the repurchase transaction, including accrued interest. The repurchase price generally equals the price paid by the Fund plus interest negotiated on the basis of current short-term rates. To the extent that any repurchase transaction exceeds one business day, the collateral is valued on a daily basis to determine its adequacy. Under the Master Repurchase Agreement, if the counterparty defaults and the value of the collateral declines, or if bankruptcy proceedings are commenced with respect to the counterparty of the security, realization of the collateral by the Fund may be delayed or limited. The Fund held a repurchase agreement of \$2,195,000 as of January 31, 2014. The value of the related collateral exceeded the value of the repurchase agreement at period end.

**(c) Foreign Currency Translation:**

Foreign securities, currencies, and other assets and liabilities denominated in foreign currencies are translated into U.S. Dollars at the exchange rate of said currencies against the U.S. Dollar, as of the Valuation Time, as provided by an independent pricing service approved by the Board.

Foreign currency amounts are translated into U.S. Dollars on the following basis:

(i)



market value of investment securities, other assets and liabilities at the exchange rates at the current daily rates of exchange; and

- (ii) purchases and sales of investment securities, income and expenses at the rate of exchange prevailing on the respective dates of such transactions.

The Fund isolates that portion of the results of operations arising from changes in the foreign exchange rates due to the fluctuations in the market prices of the securities held at the end of the reporting period. Similarly, the Fund isolates the effect of changes in foreign exchange rates from the fluctuations arising from changes in the market prices of portfolio securities sold during the reporting period.

## Notes to Portfolio of Investments (unaudited) (concluded)

January 31, 2014

Net exchange gain/(loss) is realized from sales and maturities of portfolio securities, sales of foreign currencies, settlement of securities transactions, dividends, interest and foreign withholding taxes recorded on the Fund's books. Net unrealized foreign exchange appreciation/(depreciation) includes changes in the value of portfolio securities and other assets and liabilities arising as a result of changes in the exchange rate. The net realized and unrealized foreign exchange gain/(loss) shown in the composition of net assets represents foreign exchange gain/(loss) for book purposes that may not have been recognized for tax purposes.

Foreign security and currency transactions may involve certain considerations and risks not typically associated with those of domestic origin, including unanticipated movements in the value of the foreign currency relative to the U.S. Dollar. Generally, when the U.S. Dollar rises in value against foreign currency, the Fund's investments denominated in that currency will lose value because its currency is worth fewer U.S. Dollars; the opposite effect occurs if the U.S. Dollar falls in relative value.

**(d) Security Transactions, Investment Income and Expenses:**

Security transactions are recorded on the trade date. Realized and unrealized gains/(losses) from security and currency transactions are calculated on the identified cost basis. Dividend income is recorded on the ex-dividend date except for certain dividends on foreign securities, which are recorded as soon as the Fund is informed after the ex-dividend date. Interest income and expenses are recorded on an accrual basis.

**(e) Distributions:**

The Fund has a managed distribution 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 managed distribution policy is subject to regular review by the Board. 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.

Dividends and distributions to shareholders are determined in accordance with federal income tax regulations, which may differ from GAAP. These differences are primarily due to differing treatments for foreign currencies, loss deferrals and recognition of market discount and premium.

**(f) Federal Income Taxes:**

The U.S. federal income tax basis of the Fund's investments and the net unrealized appreciation as of January 31, 2014 were as follows:

Cost	Appreciation	Depreciation	Net Unrealized Appreciation
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\$ 168,322,041	\$ 22,620,577	\$ (9,430,444)	\$ 13,190,133
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**Item 2 Controls and Procedures**

- a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Act (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the Act (17 CFR 270.30a3(b)) and Rule 13a-15(b) or 15d-15(b) under the Exchange Act (17 CFR 240.13a-15(b) or 240.15d15(b)).
  
- b) There were no changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940 (17 CFR 270.30a-3(d))) that occurred during the Registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

**Item 3. Exhibits**

- (a) Certification of Principal Executive Officer and Principal Financial Officer of the Registrant as required by Rule 30a-2(a) under the Investment Company Act of 1940 (17 CFR 270.30a-2(a)) is attached hereto as Exhibit 99.302CERT.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Aberdeen Australia Equity Fund, Inc.

By: */s/ Christian Pittard*  
Christian Pittard,  
Principal Executive Officer of  
Aberdeen Australia Equity Fund, Inc.

Date: March 27, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: */s/ Christian Pittard*  
Christian Pittard,  
Principal Executive Officer of  
Aberdeen Australia Equity Fund, Inc.

Date: March 27, 2014

By: */s/ Andrea Melia*  
Andrea Melia,  
Principal Financial Officer of  
Aberdeen Australia Equity Fund, Inc.

Date: March 27, 2014