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**HAND DELIVERY
AND EMAIL TRANSMISSION**

Nadya Roytblat, Esq.
Assistant Director, Office of Investment Company Regulation
Division of Investment Management
Securities and Exchange Commission
100 F Street NE
Washington D.C. 20549

Re: Aberdeen Australia Equity Fund, Inc. ("Fund")
(formerly The First Australia Fund, Inc.)
File No. 812-11084

Dear Ms. Roytblat:

We are writing to you in our capacity as counsel to the Fund to request assurance from the Staff of the Securities and Exchange Commission ("Staff") that an exemptive order obtained by the Fund will remain in effect if the Fund completes a public offering of its shares in accordance with the terms of this letter ("public offering").

On August 24, 1998, the Securities and Exchange Commission issued an exemptive order ("exemptive order") from section 19(b) of the Investment Company Act of 1940 ("Act") and rule 19b-1 under the Act which permits the Fund to make up to four distributions of net long-term capital gains in any one taxable year.¹ As a condition ("Condition") to the granting of the order, the Fund agreed that the order would terminate upon the effective date of a registration statement under the Securities Act of 1933 for any future public offering by the Fund of its shares other than:

- (i) a rights offering with respect to the Fund's common stock to holders of the Fund's common stock, in which (a) shares are issued only within the six-week period immediately following the record date of a quarterly dividend, (b) the prospectus for the rights offering makes it clear that shareholders exercising the rights will not be entitled to receive such dividend, and (c) the Fund has not

¹ The First Australia Fund, Inc., Release No. IC-23,363 (July 28, 1998)(notice) and Release No. IC-23,397 (Aug. 24, 1998)(order), File No. 812-11084.

engaged in more than one rights offering during any given calendar year; or (ii) an offering in connection with a merger, consolidation, acquisition, spin-off or reorganization of the Fund; unless the Fund has received from the staff of the SEC written assurance that the order will remain in effect.

On April 28, 2006, the Fund filed a registration statement on Form N-2 to register a public offering of the Fund's shares ("registration statement"). The public offering will be conducted as an overnight, syndicated best efforts transaction; all shares will be offered and sold overnight.² The Fund's shares have been trading at a market price greater than the share's net asset value. It is the Fund's intention to offer publicly these newly issued shares for sale at a price equal to and likely greater than their net asset value. In no event would the shares be sold for less than the Fund's then-current net asset value per share. Accordingly, current stockholders would not be diluted as a result of the offering.³

The Fund clearly discloses in the registration statement that distributions may be comprised of net investment income, capital gains, as well as return of capital. For example, the "Risk Factors" section of the registration statement will state the following:

The Fund has a managed distribution policy under which quarterly distributions, at a rate determined annually by the Board of Directors, are paid from current income, supplemented by realized capital gains and, to the extent necessary, paid-in capital.

The policy will be further discussed in the "Dividends and Distributions" section of the registration statement as follows:

Managed Distribution Policy

The Board of Directors has implemented 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. The current rolling distribution rate is 10%. This policy is subject to

² The Fund intends to grant to the underwriters an over-allotment option. Sales of any shares to the public pursuant to the exercise of this option would occur only within the eight-week period immediately following the record date of the Fund's most recent quarterly distribution, in accordance with the undertaking on page 3.

³ At the time the Fund's exemptive order was issued, the Fund's shares were trading at a discount of between approximately 19% and 28%. During that period, it was not contemplated that closed-end funds in general, and the Fund in particular, would be able to issue new shares in a registered public offering (not a rights offering) at a price at or above net asset value, and in an offering that would occur overnight rather than over a period of potentially several weeks as is the case with a rights offering.

regular review by the Fund's Board of Directors. The distributions are made from current income, supplemented by realized capital gains and, to the extent necessary, paid-in capital. Persons who purchase Shares in this offering will be entitled to any regular quarterly distributions the record date for which occurs after such Shares are purchased. For the fiscal year ended October 31, 2005, the Fund made distributions in the amount of \$1.05 per share, of which \$0.51 represented net investment income and \$0.54 represented long-term capital gains.

If the Fund's assets do not generate sufficient income and net long-term capital gains, the Fund may be required to liquidate a portion of its portfolio to fund these distributions, and therefore, these payments may represent a reduction of a stockholder's principal investment. There can be no assurance that the current rolling distribution rate will be maintained in the future. The Board of Directors may determine not to maintain the managed distribution rate at its current level, and it is possible, depending on market conditions, that it may determine to abandon the managed distribution policy altogether.

In addition, each semi-annual and annual report to stockholders clearly delineates the policy and composition of distributions. Finally, the Fund routinely provides detailed section 19(a) notices to stockholders in which the Fund makes clear to stockholders that distributions they are receiving may not only be comprised of net investment income but also include, each time, capital gains (and possibly return of capital). As a result of such disclosure, current and potential stockholders will understand that any distributions they receive may consist not only of net investment income, but may also include realized capital gains and, potentially, return of capital.

One of the concerns sought to be addressed by the Condition is the concern about "selling the dividend" in connection with a public offering of the Fund's shares. The Fund has undertaken not to conduct the offering until after the record date for the next scheduled distribution, which is June 30, 2006. It is the Fund's current intention to conduct the offering sometime during the first half of July 2006, subject to market conditions. If market conditions are not conducive to conducting the offering during the first half of July, the proposed underwriters have indicated to the Fund that they believe the offering can take place generally in July or August 2006.

We hereby request assurance from the Staff that the exemptive order will remain in effect, provided that: (i) shares (including any shares sold pursuant to the exercise of an over-allotment option granted by the Fund to the underwriters) are sold in the public offering only within the eight-week period immediately following the record date of the most recent quarterly distribution; (ii) the prospectus for the offering makes clear that investors purchasing shares in the offering

will not be entitled to receive such distribution; and (iii) the Fund has not engaged in any other public offering of newly-issued shares or any rights offerings during the past year, and will not make any further public offerings of newly-issued shares or rights offerings for at least a year after the proposed public offering.

We believe that following such procedures effectively address the concerns that the Condition was designed to address. Accordingly, the exemptive order should remain in effect during and after the public offering. Thank you for your consideration. Please do not hesitate to contact me with any questions at 202.261.3308.

Sincerely yours,

Sander M. Bieber/wrf

Sander M. Bieber

cc: Douglas Scheidt, SEC (email transmission)
Christian Sandoe, SEC (email transmission)