



1-866-839-5205

(Registrant's telephone number, including Area Code)

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**Mr. Christian Pittard**

**Aberdeen Asset Management Inc.**

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**Philadelphia, PA 19103**

(Name and Address of Agent for Service)

*Copies to:*

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**Dechert LLP**

**1775 I Street, N.W.**

**Washington, D.C. 20006**

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**Approximate Date of Proposed Public Offering: As soon as practicable after the effective date of this Registration Statement**

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If any of the securities being registered on this form are offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. "

It is proposed that this filing will become effective when declared effective pursuant to section 8(c).

**CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933**

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<b>Title of Securities Being Registered</b>	<b>Amount Being Registered (1)(2)</b>	<b>Proposed Maximum Offering Price Per Share (2)</b>	<b>Proposed Maximum Aggregate Offering Price (2)</b>	<b>Amount of Registration Fee</b>
Common Stock (\$.01 par value)	50,000	\$13.67	\$683,500	\$73.13

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(1) Includes shares that may be offered to the Underwriters pursuant to an option to cover over-allotments.

(2) Estimated solely for the purpose of calculating the registration fee, pursuant to Rule 457(c) under the Securities Act of 1933.

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**The information in this Prospectus is not complete and may be changed. The Fund may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and is not soliciting offers to buy these securities in any state where the offer or sale is not permitted.**

**Subject to completion dated April 28, 2006**

Prospectus dated [ ], 2006

**ABERDEEN AUSTRALIA EQUITY FUND, INC.**

[ ] **Shares of Common Stock**

**Par value \$.01 per Share**

This Prospectus relates to the offer and sale of [ ] shares ( Shares ) of Common Stock par value \$.01 ( Common Stock ) of Aberdeen Australia Equity Fund, Inc. ( Fund ) by the Fund.

The Fund's Common Stock is traded on the American Stock Exchange ( Amex ) and the Pacific Stock Exchange ( PSE ) under the symbol IAF. The last reported sale price of the Fund's Common Stock, as reported by the Amex on April 17, 2006 was \$13.69 per share. The net asset value of the Fund's Common Stock at the close of business on April 17, 2006 was \$12.83 per share.

The Fund is a non-diversified, closed-end management investment company. The Fund's principal investment objective is long-term capital appreciation through investment primarily in equity securities of Australian companies listed on the Australian Stock Exchange Limited. The Fund's secondary investment objective is current income. The Fund's investment manager is Aberdeen Asset Management Asia Limited ( Investment Manager ), an affiliate of the Fund's investment adviser, Aberdeen Asset Management Limited ( Investment Adviser ), and of the Fund's administrator, Aberdeen Asset Management Inc. ( Administrator ). The Fund's address is 800 Scudders Mill Road, Plainsboro, New Jersey 08536, and its telephone number is 1-866-839-5205.

**Investment in the Shares involves certain risks and special considerations, including risks associated with currency fluctuations. The Fund also has authority (which it has not exercised) to borrow to finance investments and to issue preferred stock. Both practices entail risks. For a discussion of these and other risks, see Risks and Special Considerations.**

This Prospectus sets forth concisely the information about the Fund that a prospective investor should know before investing. It should be retained for future reference. The Statement of Additional Information ( SAI ), dated [ ], 2006, contains more information about the Fund and is incorporated by reference into this Prospectus. The Table of Contents for the SAI is on page [ ] of the Prospectus. You may call 1-866-839-5205 or email InvestorRelations@aberdeen-asset.com to obtain, free of charge, copies of the SAI and the Fund's annual and semi-annual reports to stockholders, as well as to obtain other information about the Fund and to make stockholder inquiries. The Fund's SAI, as

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well as the annual and semi-annual reports to stockholders, is also available on the Fund's website at [www.aberdeeniaf.com](http://www.aberdeeniaf.com). The Securities and Exchange Commission (SEC) maintains a website at <http://www.sec.gov> that contains the SAI, material incorporated by reference into the Fund's registration statement and other information about the Fund.

The following table applies to the proposed offering of the Shares:

	<u>Price to the Public</u>	<u>Sales Load(1)</u>	<u>Proceeds to the Fund(2)</u>
Per Share	\$	\$	\$
<u>Total (3)</u>	\$	\$	\$

- (1) The aggregate compensation to the underwriters will be \$[            ], which will consist solely of the sales load.
  
- (2) The Fund estimates that it will incur approximately \$[            ] in expenses in connection with this offering.
  
- (3) The underwriters also may purchase up to an additional [            ] shares at the public offering price, less the sales load, within 45 days from the date of this prospectus to cover over-allotments. If all such shares are purchased, the total public offering price will be \$[            ], the total sales load will be \$[            ], and the total proceeds, before expenses, to the Fund will be \$[            ].

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or passed upon the adequacy of this Prospectus. Any representation to the contrary is a criminal offense.**

**Shares of closed-end investment companies frequently trade at a discount to their net asset value. If the Fund's common stock trades at a discount to its net asset value, the risk of loss may increase for purchasers in this offering. This risk may be greater for investors who expect to sell their common stock in a relatively short period after completion of the public offering. See Risks and Special Considerations Net Asset Value Discount.**

The underwriters expect to deliver the shares to purchasers on or about [            ], 2006.

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In purchasing Shares, you should rely only on the information contained in, or incorporated by reference into, this Prospectus or in any amendment or supplement thereto. The Fund and the underwriters have not authorized any person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Fund and the underwriters are not making an offer to sell the Shares in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this Prospectus, or in any amendment or supplement thereto, is accurate only as of the date of this Prospectus, or of such amendment or such supplement, as applicable. The Fund's business, financial condition and prospects may have changed since the date of its description in this Prospectus, or since the date of any such description in an amendment or supplement thereto.

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**PROSPECTUS SUMMARY**

*The following information is only a summary. You should consider the more detailed information contained in the Prospectus and the SAI before purchasing Shares, especially the information under Risks and Special Considerations on page [ ] of the Prospectus.*

The Offering	The Fund is offering [ ] shares of its Common Stock, par value \$.01 per share, [excluding [ ] shares of Common Stock issuable pursuant to the over-allotment option granted to the underwriters]. Following the offering, [ ] shares of the Fund's Common Stock will be outstanding, [excluding [ ] shares of Common Stock issuable pursuant to the over-allotment option granted to the underwriters]. See The Offering.
Use of Proceeds	The net proceeds of this offering will be approximately \$[ ] [(\$[ ] if the underwriters exercise the over-allotment option in full)] after payment of the estimated offering expenses and the deduction of the underwriting discount. The Fund will invest the net proceeds of the offering in accordance with its investment objectives and policies. See Use of Proceeds.
Amex and PSE Listed	The Fund's shares of Common Stock are listed for trading on the Amex and on the PSE, under the symbol IAF. As of April 17, 2006, the Fund had 16,837,444 shares of Common Stock, par value \$.01 per share, outstanding. As of April 17, 2006, the last reported sale price of a Fund share on the Amex was \$13.69. See Description of Common Stock.
Stock Repurchase Program	Under the Fund's stock repurchase program, the Fund is permitted to repurchase up to 10% of its outstanding shares on the open market during any 12 month period if and when the discount from net asset value is at least 10%. The Fund may borrow to repurchase shares under this program. There have not been any repurchases of shares under this program since 2002. Applicable law may prevent such repurchases during the offering of the Shares described herein. See Description of Common Stock Stock Repurchase Program.
The Fund	The Fund is a non-diversified, closed-end management investment company organized as a Maryland corporation. See The Fund.
Investment Objectives	The Fund's principal investment objective is long-term capital appreciation through investment primarily in equity securities of Australian companies listed on the Australian Stock Exchange Limited ( ASX ). Its secondary objective is current income, which is expected to be derived primarily from dividends and interest on Australian corporate and governmental securities. The Fund's investment objectives may not be changed without approval of stockholders. See Investment Objectives.
Investment Policies	The Fund normally invests at least 80% of its net assets, plus borrowings for investment purposes, in common, preferred and convertible stock listed on the ASX. The Fund may invest up to 10% of its total assets in unlisted equity securities. It may also invest in debt securities issued by Australian companies, Australian Federal and State governments and the U.S. government. The Fund's investments in any one industry or group of industries are generally limited to 25% of its total assets, except that it may invest between 25% and 35% of its total assets in securities of an industry group that, at the time of investment, represents 20% or more of the S&P/ASX 200 Accumulation Index. The Fund has authority to engage in options transactions, to enter into repurchase agreements, and to lend its portfolio securities. See Investment Policies.

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Investment Restrictions	The Fund has certain investment restrictions that may not be changed without approval by a majority of the Fund's outstanding voting securities. These restrictions concern issuance of senior securities, borrowing, lending, concentration, diversification and other matters. See Investment Restrictions.
Risks (See generally Risks and Special Considerations for more information on these and other risks)	<p>The value of the Fund's assets, as well as the market price of its shares, will fluctuate. You can lose money on your investment. Investing in the Fund involves other risks, including the following:</p> <p><i>Offer of Shares.</i> Because the Shares would constitute a significant block of the Fund's Common Stock, their offering may exert downward pressure on the market price of the Fund's shares to the extent not offset by demand. Additionally, an offering of shares at less than market price may adversely impact the market price per share and any premium at which the shares are then trading.</p> <p><i>Currency Exchange Rate Fluctuations.</i> The Fund invests substantially in instruments denominated in foreign currencies—primarily the Australian dollar, but also the New Zealand dollar. Fluctuations in the value of these non-U.S. currencies relative to the U.S. dollar can adversely affect the U.S. dollar value of the Fund's assets. A decline in the value of such a foreign currency can require the Fund to liquidate portfolio securities to pay distributions previously calculated in U.S. dollars and can increase the relevant foreign currency cost of expenses incurred in U.S. dollars. Currency exchange losses can reduce or eliminate the Fund's ability to make ordinary income distributions.</p> <p><i>Foreign Securities.</i> In addition to foreign currency risks, investments in non-U.S. securities involve risk of loss in the event of tax increases or adverse political, economic or diplomatic developments in Australia and New Zealand. The Australian securities market for both listed and unlisted securities may be more volatile and is less liquid than the major U.S. markets, and investing in non-U.S. securities may involve greater costs plus more uncertainty regarding legal protections. Regulatory oversight of markets and custody facilities may differ from that in the U.S.</p> <p><i>Concentration.</i> The Fund may invest up to 35% of its total assets in securities of an industry group that, at the time of investment, represents 20% or more of the S&amp;P/ASX 200 Accumulation Index. An industry sector can include more than one industry group. As of April 13, 2006, 32.2% of the Fund's net assets were invested in the financials sector of the Standard &amp; Poor's Global Industry Classification Sectors. Such a concentration of investments in a single industry sector makes the Fund particularly vulnerable to adverse economic, political or other developments affecting that sector. Also, because the Fund's investments are primarily in Australian securities, the Fund will be particularly affected by adverse political, economic and other developments impacting Australia.</p> <p><i>Net Asset Value Discount.</i> Shares of the Fund, a closed-end investment company, may trade in the market at a discount from their net asset value.</p> <p><i>Distribution Rate.</i> There can be no assurance that the Board will maintain the Fund's distribution rate at a particular level, or that the Board will continue a managed distribution policy. Additionally, distributions may include return of capital as well as net investment income and capital gains. If the Fund's investments do not generate sufficient income, the Fund may be required to liquidate a portion of its portfolio to fund these distributions. See Dividends and Distributions.</p>



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*Non-Diversified Fund.* As a non-diversified investment company, the Fund can invest more of its assets in fewer issuers than an investment company that is diversified, exposing the Fund to greater risk.

*Stock Repurchases.* When the Fund repurchases shares of its Common Stock pursuant to the Fund's stock repurchase program, the resulting decrease in shares outstanding may increase the Fund's expense ratio; any borrowing to finance repurchases would reduce net income; and any sales of portfolio securities to finance repurchases may not be at a preferred time from a portfolio management perspective and would increase portfolio turnover and related expenses.

*Anti-Takeover Provisions.* The Fund's bylaws contain several provisions that may be regarded as anti-takeover because they have the effect of maintaining continuity of management. Also, Articles Supplementary approved by the Board of Directors subject the Fund to certain provisions of the Maryland General Corporation Law with respect to unsolicited takeovers. See Certain Provisions of the Charter and Bylaws.

+ *Leverage.* The Fund has authority to issue preferred stock and to borrow to finance investments. Each of these is a form of leverage that entails particular risks for holders of Common Stock. The issuance of preferred stock would affect the amount of income available for distribution on the Fund's Common Stock as well as the net asset value of the Common Stock and the voting rights of holders of Common Stock. Leverage would exaggerate the effects of both currency fluctuations and of market downturns or upturns on the net asset value and market value of the Fund's Common Stock, as well as on distributions to holders of Common Stock. Leverage can also increase the volatility of the Fund's net asset value, and expenses related to leverage can reduce the Fund's income. In the case of leverage, if Fund assets decline in value so that legal asset coverage requirements for any preferred stock or borrowings would not be met, the Fund may be prevented from paying distributions, which could jeopardize its qualification for pass-through tax treatment, make it liable for excise taxes and/or force it to sell portfolio securities at an inopportune time. Holders of preferred stock have the right to elect two directors, and such holders, as well as Fund creditors, have the right under certain circumstances to elect a majority of the Fund's directors.

*Unlisted Securities.* The Fund may invest up to 10% of its total assets in unlisted equity securities. Because the market for unlisted securities is not liquid, it may be difficult for the Fund to sell these securities at a desirable price. Unlisted securities are not subject to the disclosure and other investor protection requirements of Australian law applicable to listed securities.

*Securities Lending.* With respect to loans of its portfolio securities, the Fund is exposed to risks of loss in the event of default or bankruptcy of the borrower, and in the event that the return on the loan, or on invested collateral, will be less than the related costs.

*Options.* Options strategies may not be successful if the Investment Adviser's expectations about market trends are not fulfilled. These strategies can also increase portfolio turnover and involve costs to the Fund.

*Repurchase Agreements.* These transactions involve risks in the event of counterparty default or insolvency.

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Investment Manager and Investment Adviser	<p>The Fund's Investment Manager is Aberdeen Asset Management Asia Limited, a Singapore corporation located at 21 Church Street, #01-01 Capital Square Two, Singapore 049480. The Investment Manager serves as investment manager to both equity and fixed income investment portfolios for a range of clients, with approximately \$25.2 billion in assets as of February 28, 2006, including the Fund and two other U.S. registered closed-end funds with aggregate net assets of approximately \$2.7 billion as of February 28, 2006. The Investment Manager, in accordance with the Fund's stated investment objectives, policies and limitations and subject to the supervision of the Fund's Board of Directors, manages the Fund's investments and makes investment decisions on behalf of the Fund, including the selection of, and being responsible for the placement of orders with, brokers and dealers to execute the Fund's portfolio transactions.</p> <p>The Fund's Investment Adviser is Aberdeen Asset Management Limited, an Australian corporation affiliated with the Investment Manager. The Investment Adviser is located at Level 6, 201 Kent Street, Sydney, NSW 2000, Australia. The Investment Adviser's principal business focus is to provide investment management services with regard to equity and fixed income investments in Australian securities. The Investment Adviser managed approximately \$0.5 billion of assets, as of February 28, 2006. The Investment Adviser makes recommendations to the Investment Manager as to specific portfolio securities to be purchased, retained or sold by the Fund and provides or obtains such research and statistical data as may be necessary in connection therewith.</p> <p>The Investment Adviser is a wholly-owned subsidiary of Aberdeen Asset Management Holdings Limited (AAMHL), an Australian corporation, which in turn is a wholly-owned subsidiary of the Investment Manager. The Investment Manager is a wholly-owned subsidiary of Aberdeen Asset Management PLC (Aberdeen PLC), a United Kingdom corporation, that is the parent company of an asset management group (the Aberdeen Group) managing approximately \$126.1 billion of assets as of February 28, 2006, including approximately \$52.6 billion of investments in equity securities as of February 28, 2006, for pension funds, financial institutions, investment trusts, unit trusts, U.S. registered investment companies, offshore funds, charities and private clients. See Management of the Fund The Investment Manager and the Investment Adviser.</p> <p>The Fund pays a fee to the Investment Manager computed at the annual rate of 1.10% of the Fund's average weekly Managed Assets (defined as net assets plus the amount of any borrowings for investment purposes) up to \$50 million, 0.90% of such assets between \$50 million and \$100 million, and 0.70% of such assets in excess of \$100 million, computed as of the end of each week and payable at the end of each calendar month.</p> <p>The Investment Manager pays the fees of the Investment Adviser. These fees are computed at the annual rate of 0.30% of the Fund's average weekly Managed Assets (defined as net assets plus the amount of any borrowings for investment purposes) up to \$50 million, 0.25% of such assets between \$50 million and \$100 million, and 0.15% of such assets in excess of \$100 million, computed as of the end of each week and payable at the end of each calendar month.</p>
Portfolio Managers	<p>The following persons have day-to-day management of the Fund's portfolio Hugh Young, Managing Director of the Investment Manager; Peter Hames, a Director of the Investment Manager; and Augustine Mark Daniels, Michelle Casas and Natalie Tam, investment professionals of the Investment Adviser. See Management of the Fund Portfolio Management.</p>

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Administrator	Aberdeen Asset Management Inc., 1735 Market Street, 37 <sup>th</sup> Floor, Philadelphia, Pennsylvania 19103, acts as the Fund's administrator ( Administrator ). The Administrator is a subsidiary of Aberdeen PLC and an affiliate of the Investment Manager and Investment Adviser. The Fund pays a fee to the Administrator at an annual rate equal to 0.04% of the Fund's average weekly net assets plus the amount of any borrowings for investment purposes. The Administrator delegates certain of its responsibilities to a sub-administrator, Princeton Administrators, L.P. See Management of the Fund Administrator.
Custodian and Transfer Agent	State Street Bank and Trust Company, One Heritage Drive, North Quincy, Massachusetts 02171, acts as the Fund's custodian. The Bank of New York, 101 Barclay Street, New York, New York 10286, acts as the Fund's stock transfer agent, dividend paying agent and agent for the Fund's Dividend Reinvestment and Cash Purchase Plan. See Management of the Fund Custodian and Transfer Agent.
Dividends and Distributions	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%, but this rate may be changed by the Board. There can be no assurance that the Board will continue a managed distribution policy. See Dividends and Distributions.
Dividend Reinvestment and Cash Purchase Plan	Stockholders may elect to have their distributions automatically reinvested in Fund shares which will be either issued by the Fund or purchased on the open market, depending on the market price per share plus any brokerage commissions, relative to the Fund's net asset value per share.
Taxation	Withholding and/or other taxes may apply in the countries in which the Fund invests, which will reduce the Fund's cash return in those countries. The Fund intends to elect, when eligible, to pass-through to the Fund's stockholders the ability to claim (subject to limitations) a deduction or credit for the amount of foreign income and similar taxes paid by the Fund. Tax considerations for an investor in the Fund are summarized under Taxation. See also Risks and Special Considerations.

**Table of Contents****FUND EXPENSES****Stockholder Transaction Expenses**

Maximum Sales Load (as a percentage of offering price)	[ ]%
Dividend Reinvestment and Cash Purchase Plan Fees	0%

**Annual Operating Expenses (As a Percentage of Average Net Assets Attributable to the Fund's Common Stock)**

Management Fee(1)	0.85%
Administration Fee(2)	0.04%
Other Expenses(3)	0.58%
<b>Total Annual Operating Expenses</b>	<b>1.47%</b>

(1) See Management of the Fund The Investment Manager and the Investment Adviser for additional information.

(2) See Management of the Fund Administrator for additional information.

(3) Other Expenses have been estimated for the current fiscal year.

**Example**

An investor would pay the following expenses on a \$1,000 investment in the Fund, assuming a 5% annual return:

<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>Ten Years</u>
\$15	\$47	\$80	\$176

The above tables are intended to assist investors in understanding the various costs and expenses directly or indirectly associated with investing in the Fund. This Example assumes that all dividends and other distributions are reinvested at net asset value and that the percentage amounts listed in the table above under Total Annual Operating Expenses remain the same in the years shown. The above tables and the assumption in the Example of a 5% annual return are required by regulations of the SEC that are applicable to all investment companies; the assumed 5% annual return is not a prediction of, and does not represent, the projected or actual performance of the Fund's Common Stock. For more complete descriptions of certain of the Fund's costs and expenses, see Management of the Fund and Expenses.

**This Example should not be considered a representation of past or future expenses, and the Fund's actual expenses may be greater than or less than those shown.**

**Table of Contents****FINANCIAL HIGHLIGHTS**

The financial highlights table is intended to help you understand the Fund's financial performance. Information is shown for the Fund's last ten fiscal years. Certain information reflects financial results for a single Fund share. The following information, insofar as it relates to each year of the ten-year period ended October 31, 2005, has been audited by PricewaterhouseCoopers LLP, independent registered public accounting firm for the Fund, whose reports thereon were unqualified. The report of PricewaterhouseCoopers LLP, together with the financial statements of the Fund, are included in the Fund's October 31, 2005 Annual Report, and are included in the SAI, which is available upon request.

	Year Ended October 31,			
	2005	2004	2003	2002
<b>PER SHARE OPERATING PERFORMANCE(1):</b>				
Net asset value, beginning of year	\$ 10.64	\$ 9.38	\$ 6.84	\$ 5.97
Net investment income	.37	.28	.12	.15
Net realized and unrealized gains/(losses) on investments and foreign currencies	1.79	1.76	2.58	.93
Total from investment operations	2.16	2.04	2.70	1.08
<b>DIVIDENDS AND DISTRIBUTIONS FROM:</b>				
Net investment income	(.51)	(.30)	(.10)	(.15)
Long-term capital gains	(.54)	(.36)	(.07)	(.07)
Tax return of capital		(.12)		
Total distributions	(1.05)	(.78)	(.17)	(.22)
Capital reduction with respect to issuance of Fund shares				
Increase resulting from Fund share repurchase			.01	.01
Net asset value, end of year	\$ 11.75	\$ 10.64	\$ 9.38	\$ 6.84
Market price per share, end of year	\$ 12.99	\$ 10.25	\$ 8.40	\$ 5.73
<b>TOTAL INVESTMENT RETURN BASED ON(2):</b>				
Market value	38.98%	32.53%	50.40%	12.55%
Net asset value	21.11%	23.19%	40.69%	19.04%
<b>RATIO TO AVERAGE NET ASSETS/SUPPLEMENTAL DATA:</b>				
Net assets, end of year (000 omitted)	\$ 197,421	\$ 178,551	\$ 157,419	\$ 115,490
Average net assets (000 omitted)	\$ 194,946	\$ 166,284	\$ 128,662	\$ 114,213
Operating expenses	1.48%	1.75%	2.55%	1.76%
Net investment income	3.21%	2.85%	1.66%	2.33%
Portfolio turnover	28%	23%	32%	56%

(1) Based on average shares outstanding.

(2) Total investment return is calculated assuming a purchase of common stock on the first day and a sale on the last day of each period reported. Dividends and distributions, if any, are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions.

(3) Less than \$0.005 per share.

NOTE: Contained above is operating performance for a share of common stock outstanding, total investment return, ratios to average net assets and other supplemental data for each of the periods indicated. This information has been determined based upon financial information provided in the financial statements and market value data for the Fund's shares.

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## FINANCIAL HIGHLIGHTS (Continued)

	Year Ended October 31,			
	2001	2000	1999	1998
<b>PER SHARE OPERATING PERFORMANCE(1):</b>				
Net asset value, beginning of year	\$ 6.86	\$ 8.78	\$ 8.25	\$ 9.35
Net investment income	.12	.14	.08	.21
Net realized and unrealized gains/(losses) on investments and foreign currencies	(.33)	(1.25)		