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**ABERDEEN AUSTRALIA EQUITY FUND, INC. ANNOUNCES USE OF LEVERAGE  
AND CHANGE IN CALCULATION METHODOLOGY  
UNDER ITS MANAGED DISTRIBUTION POLICY**

(Philadelphia, May 7, 2020) -- [Aberdeen Australia Equity Fund, Inc. \(NYSE American: IAF\)](#) (the “Fund”), a closed-end fund, today announced that its Board of Directors has determined in order to provide the portfolio managers with additional flexibility to meet the Fund’s investment objectives, the Fund will begin to use leverage as permitted under the Fund’s investment restrictions and organizational documents. The Fund is permitted to borrow for investment purposes as may be permitted by the Investment Company Act of 1940, or any rule, order or interpretation thereunder. This allows the Fund to borrow for investment purposes in the amount up to 33⅓% of the Fund’s total assets. At the present time, the Fund intends to limit the use of leverage to approximately 10-15% of its total assets. No material changes in the Fund’s portfolio composition or investment approach are expected as a result of the Fund’s use of leverage. To the extent the Fund utilizes leverage, it will be exposed to additional risks, including the risk that the costs of leverage could exceed the income earned by the Fund on the proceeds of such leverage. The use of leverage will increase the volatility of changes in the Fund’s net asset value, market price and distributions. Additionally, in the event of a general market decline in the value of the Fund’s assets, the effect of that decline will be magnified in the Fund because of the additional assets purchased with the proceeds of the leverage.

In addition, the Fund announces today that it has amended the calculation of the distribution rate under its Managed Distribution Policy (“MDP”). Beginning with the distribution payable on June 30, 2020, the quarterly MDP payment will be calculated as a percentage of the rolling average of the Fund’s net asset values over the preceding three month period ending on the last day of the month immediately preceding the distribution’s declaration date. Previously, the quarterly MDP payment was calculated as a percentage of the rolling average of the Fund’s prior four quarter-end net asset values. The rolling distribution rate of 10%, which was approved in March 2020 for the 12-month period commencing with the distribution payable in June 2020 will remain unchanged. The Fund’s distribution policy (the “Distribution Policy”) is to provide investors with a stable quarterly distribution out of current income, supplemented by realized capital gains and, to the extent necessary, paid-in capital. The Distribution Policy will be subject to regular review by the Board.

The Fund estimates that it has distributed more than its income and capital gains; therefore, a portion of your distribution may be a return of capital. A return of capital may occur for example, when some or all of the money that you invested in the Fund is paid back to you. A return of capital distribution does not necessarily reflect the Fund’s investment performance and should not be confused with “yield” or “income.”

Shareholders should not draw any conclusions about the Fund’s investment performance from the amount of the Fund’s current distributions or from the terms of the Distribution Policy.

Information reported about the amounts and sources of distributions are only estimates and are not being provided for tax reporting purposes. The final determination of the source of all distributions in 2020 will be made after year-end. The actual amounts and sources of the amounts for tax reporting purposes will depend upon the Fund's investment experience during the remainder of the fiscal year and may be subject to change based on tax regulations. The Fund will send you a Form 1099-DIV for the calendar year that will tell you how to report these distributions for federal income tax purposes.

In the United States, Aberdeen Standard Investments is the marketing name for the following affiliated, registered investment advisers: Aberdeen Standard Investments Inc., Aberdeen Asset Managers Ltd., Aberdeen Standard Investments Australia Ltd., Aberdeen Standard Investments (Asia) Ltd., Aberdeen Capital Management, LLC, Aberdeen Standard Investments ETFs Advisors LLC and Standard Life Investments (Corporate Funds) Ltd.

Closed-end funds are traded on the secondary market through one of the stock exchanges. The Fund's investment return and principal value will fluctuate so that an investor's shares may be worth more or less than the original cost. Shares of closed-end funds may trade above (a premium) or below (a discount) the net asset value (NAV) of the fund's portfolio. There is no assurance that the Fund will achieve its investment objective. Past performance does not guarantee future results.

If you wish to receive this information electronically, please contact <a href="mailto:Investor.Relations@aberdeenstandard.com">Investor.Relations@aberdeenstandard.com</a>
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