

ASA (BERMUDA) LIMITED  
11 Summer Street  
Buffalo, New York 14209

January 25, 2005

To United States Shareholders:

On November 19, 2004, ASA Limited (“**ASA**”) relocated from the Republic of South Africa to the Commonwealth of Bermuda by reorganizing itself into a newly formed company in Bermuda named “ASA (Bermuda) Limited” (the “**Company**”). As a result of the reorganization, which was a tax-free reorganization for federal tax purposes, ASA’s shareholders became shareholders of the Company. References below to the “Company” include ASA for the period before the reorganization.

For federal tax purposes, the Company became a “passive foreign investment company” (a “**PFIC**”) on December 1, 1987. The manner in which the PFIC rules apply depends, in part, on whether a United States shareholder elects to treat the Company as a qualified electing fund (a “**QEF**”) with respect to his or her interest therein.<sup>1</sup> This letter and the accompanying “PFIC Annual Information Statement” are intended to provide the Company’s United States shareholders with information they may use for purposes of making a QEF election and complying with the annual QEF reporting requirements.

The general tax consequences of the Company’s PFIC status, and of making or not making a QEF election with respect to an investment in Company shares, are discussed under the heading “Certain tax information for United States shareholders (unaudited)” on pages 14 and 15 of the Company’s 2004 Annual Report (the “**Annual Report**”), which is being mailed to the Company’s shareholders in connection with the Annual General Meeting of Shareholders to be held on March 3, 2005. Copies of the Annual Report may be obtained, upon request, from LGN Associates, P.O. Box 269, Florham Park, New Jersey 07932, (973) 377-3535. United States shareholders are encouraged to consult their own tax advisors regarding all of the potential tax consequences of the ownership of Company shares based on their particular circumstances.

In general, a United States shareholder who makes a QEF election with respect to his or her Company shares will be required annually to report on his or her federal income tax return an allocable amount of the Company’s ordinary earnings and net capital gain, if any (“**QEF inclusions**”). Each United States shareholder who desires QEF treatment with respect to his or her Company shares must individually make the QEF election in accordance with the applicable tax rules (summarized below). A QEF election must be made for the taxable year of the electing shareholder that includes November 30, 2004, the date on which the Company’s taxable year ended.<sup>2</sup>

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<sup>1</sup> A QEF election that a United States shareholder made with respect to ASA for previous taxable years will have the same effect with regard to the Company as if the reorganization mentioned above did not occur.

<sup>2</sup> However, if you first became a Company shareholder after November 30, 2004, the PFIC rules are first relevant to you for the Company’s taxable year ending November 30, 2005. In that case, if you are a calendar year taxpayer, you will not have to decide whether to make a QEF election for your Company shares until you file your 2005 federal income tax return.

A QEF election must be filed with the Internal Revenue Service (“IRS”) by the due date, including extensions, of the electing United States shareholder’s federal income tax return for the shareholder’s taxable year for which the election is to apply. A United States shareholder can elect QEF treatment on IRS Form 8621 (Rev. Dec. 2000), which must be properly completed and attached to the shareholder’s federal income tax return for the taxable year for which the election is made. IRS Form 8621 can be obtained from a local IRS office or by calling the IRS at 1-800-TAX-FORM (1-800-829-3676).

Enclosed with this letter is the PFIC Annual Information Statement for the Company’s taxable year ended November 30, 2004 (the “**Company’s Taxable Year**”). This statement sets forth the Company’s ordinary earnings and net capital gain for that year and provides certain other information required by Treasury regulations. For United States shareholders that plan to make, or that previously have made, a QEF election with respect to their Company shares, the PFIC Annual Information Statement may be used in connection with preparing IRS Form 8621 and reporting the QEF inclusions. Electing United States shareholders should retain a copy of IRS Form 8621 and the PFIC Annual Information Statement for their records, because the failure of an electing United States shareholder to produce such documentation in connection with an IRS examination may result in invalidation or termination of the shareholder’s QEF election.

A QEF election is effective for the taxable year of an electing United States shareholder for which the election is made and for all subsequent taxable years of the shareholder, and the election may not be revoked without IRS consent. Therefore, a United States shareholder who already has made a valid QEF election with respect to his or her Company shares need not make another such election with respect to those shares. Such a shareholder must, however, file a properly completed IRS Form 8621 with his or her federal income tax return (reporting his or her share of the Company’s ordinary earnings on the return).<sup>3</sup>

A United States shareholder who first acquired Company shares after November 30, 2003, and before December 1, 2004, and who files his or her federal income tax return on the basis of a calendar year, may make a QEF election on his or her 2004 federal income tax return. A United States shareholder who first acquired Company shares on or before November 30, 2003, and who has not previously made a QEF election with respect to those shares, also may make the election on his or her 2004 federal income tax return but should consult his or her tax advisor concerning the tax consequences and special rules that apply when the QEF election could have been made with respect to an interest in a PFIC for an earlier taxable year.

You should note that the Company’s ordinary earnings and net capital gain have been reported on the PFIC Annual Information Statement on a per share, per day basis. Therefore, to determine the amount of the Company’s ordinary earnings and net capital gain that are properly allocable to you, the respective amounts thereof reported on the PFIC Annual Information Statement must be multiplied, first, by the number of shares you held during the Company’s Taxable Year, and second, by the number of days during that year that you held those shares. An individual shareholder with a QEF election in effect with respect to Company shares should report on his or her federal income tax return his or her allocable amount of

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<sup>3</sup> A non-electing United States shareholder also must file a properly completed IRS Form 8621 with his or her federal income tax return.

(1) ordinary earnings as dividend income (IRS Form 1040, line 9a, and, if total ordinary dividends exceed \$1,500 for the year, Schedule B) -- because the Company is a PFIC, no part of that dividend income qualifies for the 15% maximum U.S. federal income rate on individuals' "qualified dividends" (IRS Form 1040, line 9b) -- and (2) net capital gain as long-term capital gain (IRS Form 1040, line 13, and Schedule D), which is taxable at a 15% maximum U.S. federal income rate for individual shareholders.<sup>4</sup>

For the Company's Taxable Year, it reported ordinary earnings of \$.2561 per share and net capital gain of \$.0153 per share. The total amount of cash dividends the Company paid during that year was \$.55 per share. A dividend paid during the Company's Taxable Year to a United States shareholder who made an effective QEF election first is treated as a distribution out of the Company's earnings and profits ("E&P") accumulated during that year. The excess is treated as being distributed out of the most recently accumulated E&P and is taxable to the shareholder unless the shareholder satisfactorily demonstrates to the IRS that the excess was previously included in any U.S. person's income; in the latter case, the shareholder must reduce the basis in his or her Company shares by any untaxed amount.

The application of the foregoing rules to a typical United States shareholder may be illustrated as follows.

QEF Election. A United States shareholder who held, for each day of the Company's Taxable Year, 100 Company shares with respect to which a QEF election is or will be effective for 2004 should report on his or her federal income tax return (1) \$25.61 (100 shares x \$.2561 per share) as dividend income and (2) \$1.53 (100 shares x \$.0153 per share) as long-term capital gain. That shareholder also should separately report on his or her federal income tax return, as additional dividend income, the excess of the dividends the Company paid in 2004 (and reported on IRS Form 1099), which amount to \$55.00 (100 shares x \$.55 per share), over the 2004 QEF inclusion computed pursuant to the preceding sentence (\$27.14), or \$27.86 (*i.e.*, \$.55 less the sum of \$.2561 plus \$.0153, or \$.2786, per share times 100), unless the shareholder satisfactorily demonstrates to the IRS that such excess represents a distribution of excess QEF inclusion(s) for previous taxable year(s) of the Company.

No QEF Election. A United States shareholder who held 100 Company shares with respect to which no QEF election is or will be effective for 2004, and who held those shares on each of the Company's 2004 dividend record dates, should report \$55.00 cash dividends (100 shares x \$.55 per share) as dividend income.

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<sup>4</sup> The amount shown in the Annual Report as "Net realized (loss) from foreign currency transactions" for the Company's Taxable Year has been allocated between ordinary earnings and net capital gain in accordance with U.S. federal income tax principles.

United States shareholders are cautioned that the illustrations set forth above make certain assumptions as to the ownership of Company shares. In particular, the illustrations assume that a United States shareholder held Company shares for each day in the Company's Taxable Year. While the principles discussed in the illustrations generally would apply to all United States shareholders, the actual calculation of reportable income would be affected by the individual circumstances of a particular United States shareholder (such as increases and decreases in share ownership by the shareholder during the year). Accordingly, shareholders should consult their tax advisors regarding the proper reporting of income attributable to their Company shares.

As an alternative to the QEF election discussed above, a "mark-to-market" election is available for regularly traded PFIC stock, such as Company shares. In general, an electing United States shareholder annually would report any increase in the fair market value of his or her Company shares as ordinary income on his or her federal income tax return (which amount would be added to the shareholder's tax basis in the shares), and any decrease in that value would be permitted as an ordinary deduction (and deducted from that basis) but only to the extent of previous inclusions of ordinary income. A United States shareholder must make the mark-to-market election with the original federal income tax return for the taxable year in which his or her Company shares are first marked-to-market (and generally applies for that and all subsequent taxable years). The election is made by checking Box F in Part I of Form 8621 and completing Part III of the form.

For example, a United States shareholder who is a calendar year taxpayer and who desires to make the mark-to-market election with respect to his or her Company shares, would report ordinary income on his or her 2004 federal income tax return, in addition to the dividend income received in respect of those shares, to the extent, if any, that the fair market value of those shares on December 31, 2004 (\$40.45 per share), exceeded his or her tax basis in those shares on that date. If, however, the shareholder's tax basis in those shares exceeded their fair market value on that date, the unrealized loss could be claimed as a deduction on the shareholder's federal income tax return, but only to the extent the shareholder included an amount in income in prior taxable years pursuant to an effective mark-to-market election. United States shareholders should consult their own tax advisors regarding the advisability of a mark-to-market election for Company shares, including the special rules that apply to shareholders that owned Company shares prior to the effective date for making the election, January 1, 1998.

THE DISCUSSION ABOVE, WHICH IS BASED ON CURRENT TAX LAW AND TREASURY REGULATIONS (WHICH ARE SUBJECT TO CHANGE), IS NOT INTENDED TO CONSTITUTE TAX ADVICE. DUE TO THE COMPLEXITY OF THE TAX RULES RELATING TO PFICS, YOU ARE STRONGLY URGED TO CONSULT YOUR OWN TAX ADVISOR CONCERNING (A) THE IMPACT OF THESE RULES ON YOUR INVESTMENT IN COMPANY SHARES AND ON YOUR INDIVIDUAL SITUATION, (B) WHETHER YOU SHOULD MAKE A QEF ELECTION, (C) THE PROPER MANNER FOR MAKING A QEF ELECTION AND REPORTING THE INCOME ATTRIBUTABLE TO YOUR INVESTMENT IN THE COMPANY ON YOUR TAX RETURN, (D) THE TAX CONSEQUENCES OF MAKING A QEF ELECTION FOR A YEAR OTHER THAN THE FIRST YEAR YOU ARE ELIGIBLE TO DO SO UNDER THE PFIC RULES, AND (E) THE ADVANTAGES AND DISADVANTAGES OF MAKING A MARK-TO-MARKET ELECTION.

Sincerely yours,

ASA (Bermuda) Limited

ASA (BERMUDA) LIMITED

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Buffalo, New York 14209

PFIC ANNUAL INFORMATION STATEMENT

1. This statement applies to the taxable year of ASA (Bermuda) Limited (the “**Company**”) that began December 1, 2003, and ended November 30, 2004 (the “**Taxable Year**”).

2. The Company’s per day, per share ordinary earnings (as defined in section 1293(e) of the Internal Revenue Code of 1986, as amended, and determined in accordance with Treas. Reg. § 1.1293-1(a)(2)(i)(C)) for the Taxable Year were:

\$ .0006996

The Company’s per day, per share net capital gain (as defined in Treas. Reg. § 1.1293-1(a)(2)) for the Taxable Year was:

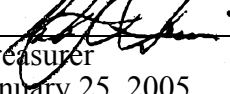
\$ .0000418

3. The Company did not distribute any property to you during the Taxable Year. The amount of cash dividends distributed to you during the Taxable Year may be computed with reference to the following table, which shows the cash dividends per Company share paid to its shareholders of record on each record date during the Taxable Year. The amount of cash dividends the Company distributed to you also will be reported on the IRS Form 1099 that you receive with respect to your Company shares.

<u>Record Date</u>	<u>Per Share Dividend</u>
Feb. 20	\$.15
May 21	.15
Aug. 20	.15
Nov. 19	.10

4. The Company will permit you to inspect and copy its permanent books of account, records, and other documents it maintains that are necessary to establish that its ordinary earnings and net capital gain enumerated above are computed in accordance with U.S. income tax principles and to verify those amounts and your *pro rata* share thereof.

ASA (Bermuda) Limited

By:   
Title: Treasurer  
Date: January 25, 2005

