

ASA LTD
Form N-CSRS
August 05, 2009

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

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-21650

ASA Limited

(Exact name of registrant as specified in charter)

11 Summer Street 4th Floor
Buffalo, New York

14209

(Address of Principal executive offices)

(Zip code)

JPMorgan Chase Bank, N.A.
3 MetroTech Center, 6th Floor
Brooklyn, New York 11245

(Name and address of agent for service)

Registrant's telephone number, including area code: 716-883-2428

Date of fiscal year end: November 30, 2009

Date of reporting period: May 31, 2009

Item 1. Reports to Stockholders.

CHAIRMAN'S LETTER(Unaudited)

Dear Shareholders

Our Annual General Meeting in February of this year marked the culmination of an era for your Company when four directors representing between them some 85 years experience in the annals of ASA retired from the Board. On your behalf I should like to most sincerely thank Robert Irwin (with 22 years service), Harry Conger (25), James Inglis (11) and Michael Rosholt (27) for their valued input throughout this time and wish them all health and happiness in retirement.

I am honored to be taking on the Chairmanship of the Board for ASA, being only the fifth such chair in the 51-year history of your Company. I would like to emphasize that it is the intention of each of your Board members that the prosperity of ASA be continued by seriously taking the responsibility of maximizing value to all shareholders. With the retirement of Robert Irwin, the executive positions previously held by him have been filled internally. David Christensen has been appointed President and Chief Executive Officer and continues as Portfolio Manager. Larry Nardolillo is now Chief Financial Officer and Treasurer, whilst Paul Wustrack continues to hold the position of Chief Compliance Officer as his primary responsibility.

The First Half 2008/2009

This report covers the first half of ASA's fiscal year that is, from December 1, 2008 to May 31, 2009 otherwise referred to as the Period. I am pleased to report that during this Period, the total return, including the reinvestment of dividends, based on net asset value (NAV) per share increased 70.2% as against a 50.9% increase in the Financial Times Global Gold Mines Index. A comprehensive Portfolio Manager's Report from David Christensen follows this letter and outlines not only the performance of ASA over the Period but also looks at the supply and demand situation of precious metals and the short-term outlook.

Dividend Income

The trend in the level of income from dividends to your Company has been declining, given the diversification of the portfolio away from the higher-yielding South African gold stocks, rising operating expenses of mining companies, the negative effects of the global recession and the Company's reduced asset base as a result of the tender offer in July 2008. As the Portfolio Manager's Report details, this Period marks the first time that positive income has not accrued to the Company. This deteriorating trend in dividend income is likely to continue and so, let me remind shareholders that the opportunity of paying dividends out of current net investment income is diminishing.

The Way Forward

Earlier in the year your Board carried out a review of ASA's activities in order to identify those areas to which relative resources should focus in the short to medium term.

A residue of your Company's South African history is the Retirement Plan that has been available to directors after 12 years of qualifying service. Your new directors regard this to be a possible conflict of interest, given the modern age of best practice. Thus, those new directors elected in 2008 have unanimously agreed to waive their interest in the Plan.

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Likewise, to simplify the methodology of calculating directors' remuneration, a new pay scale has been introduced whilst the size of the Board has been reduced.

Your Board deems discount management as being of extreme importance to a closed-end fund to ensure that the stock price is correlated as closely as possible with the NAV. Whilst your Board recognizes that there is no complete, single solution to discount management, steps have been put in place that we hope will assist in this endeavor. As you may have read, your Company has announced that it will commence a tender offer in the 4th quarter of its 2009 fiscal year for 10% of its outstanding shares at a purchase price equal to 98% of net asset value on the date the tender offer expires.

Our Portfolio Manager, David Christensen, is aware of your Board's emphasis on investment performance. Whilst your Company operates under certain restrictions imposed by the Exemptive Order, your Board considers that the Financial Times Gold Mines Index probably represents the benchmark closest to ASA's investment objectives and, therefore, will be quoted in evaluating ASA's performance going forward. Further, your Board is endeavoring to eliminate at least some of the restrictions of this Exemptive Order.

ASA is presently a single product entity and your Board is reviewing the opportunities of the possibility of broadening this base.

Finally, under the broad categories of our strategy, comes shareholder communications. Your Board continues to develop an integrated communications package, and as a result the Company's web site (www.asaltd.com) has recently been renewed, meetings with known shareholders have been initiated, and half-yearly dial-in conference calls will be initiated to reach those shareholders to whom direct access is not possible due to holdings being in nominee names.

We look forward to providing you further, updated information on these various topics in our year-end report. Meanwhile, may I thank all shareholders for their support in this Period and urge you to feel free to make contact with us at any time, should you so wish.

Yours very sincerely

Julian Reid
Chairman of the Board
July 16, 2009

Portfolio Manager's Report (Unaudited)

Gold and gold mining shares have performed remarkably well during the last six months, despite the turmoil surrounding the financial markets. In doing so, this sector has demonstrated its ability to act as a form of portfolio insurance during trying times. ASA's portfolio has responded favorably to the performance in the precious metals sector during the first six months of this fiscal year. At May 31, 2009, the net asset value (NAV) of the Company was \$76.74 per share, representing a total return, including the reinvestment of dividends, of 70.2% from \$47.37 per share on November 30, 2008. On May 31, 2009, the closing price of the Company's shares on the New York Stock Exchange was \$68.96, representing a discount of 10.1% to NAV. The share price of closed-end funds like ASA is determined by trading activity in the open market and consequently may reflect a premium to (higher than) or discount from (lower than) its underlying NAV. During the last twelve months, the discount at which the Company's shares traded has fluctuated from a low of 5.0% to a high of 17.7% as measured as of the close of regular trading on the New York Stock Exchange on Friday of each week. The broad range appears to be primarily related to the dramatic increase in market volatility due to economic events at the end of 2008 and early 2009.

Since the end of November 2008, ASA's total return of 70.2% compares favorably to the return of 50.9% for the Financial Times Global Gold Mines Index (FTGMI), an outperformance of 1,928 basis points during the last six months. ASA's portfolio is not designed to track the performance of the FTGMI, as it includes significant positions in several companies that are not included in the FTGMI. Likewise, the FTGMI includes some securities that are not held in ASA's portfolio. Also, the FTGMI does not include reinvested dividends. As such, the relative performance variation relative to the FTGMI may be more pronounced than it would be for a comparable index fund. However, in the view of the Board of Directors, the FTGMI is the most appropriate market index for measuring ASA's relative performance. Chart 1 contains a six month chart illustrating the relative performance of ASA to the FTGMI. Over a one-year period ended May 2009, ASA's total return based on NAV was -9.6% versus a return of 0.4% for the FTGMI for an underperformance of 969 basis points. During the last year, ASA's NAV underperformed the FTGMI as the Company's investments in the platinum sector negatively affected total returns due to the global economic slowdown in all sectors associated with the automotive industry.

Chart 1: ASA Relative to the Financial Times Global Gold Mines Index (Fiscal Year to date)

Note: ASA's NAV includes reinvested dividends.

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For the six months ended May 31, 2009, the Company had a net investment loss of \$0.04 per share compared to net investment income of \$0.16 per share for the six months ended May 31, 2008. The Board of Directors declared dividends of \$1.80 per share during the last twelve months, with the most recent dividend of \$0.10 per share paid on May 29, 2009 to shareholders of record on May 22, 2009. Dividend income earned by the Company declined during the last year due to the effects of the global economic slowdown and lower platinum and base metal prices, combined with a decrease in assets under management. The Company does not anticipate generating positive net investment income during 2009 as a result of these trends. Therefore, the most recent dividend represents a distribution of undistributed net investment income from prior years.

Chart 2: ASA Relative to the Financial Times Global Gold Mines Index (3 Year)

Note: ASA's NAV includes reinvested dividends.

Market Update:

Gold prices thrive in an environment of economic uncertainty and the last six months have certainly provided more than enough fuel to motivate investors to consider gold as an investment. In order to provide a stimulus to the global economy, many governments have injected enormous quantities of liquidity into the global market in an effort to shore up financial institutions and primary industries. Many economists believe this may lead to further inflation and the possibility of further weakness in the U.S. dollar, both of which have historically been supportive of higher gold prices.

Demand Gold demand measured in tonnage rose by 38% during the first quarter of 2009 compared to the same period a year ago, despite a weakness in demand for gold jewelry. This increase has been driven by investor interest in gold, gold bars, coins, and exchange traded funds (ETFs), which has surged during the last six months as fears over the state of the global financial markets have prompted investors to seek the perceived safety of gold. Gold mining shares have generally followed the trends of the gold price during this same period, although with significantly higher volatility, as these companies are not immune to the dramatic price volatility surrounding the world's equity and bond markets.

According to the World Gold Council, identifiable investment demand increased 248% to nearly 600 tonnes during the first quarter of 2009, versus only 171.3 tonnes during the first quarter of 2008. The surge in investment demand is clearly indicated in Chart 3 below. While the gold ETFs garnered the largest portion of this increase in demand, coin dealers are reporting a shortage of official gold coins and small bars as a result of high demand from investors.

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The increase in investment demand for gold has been an important factor in stabilizing the gold price because jewelry demand, traditionally the largest component of global demand for gold, has fallen sharply. The global recession has left most consumers wary of spending on discretionary purchases. India has been a key factor in the demand for gold jewelry for many years. However, as a result of weakness in the local foreign exchange rate, India has seen a dramatic increase in local gold prices that has negatively affected jewelry demand in the region. Overall, global jewelry demand is estimated to have declined by 24% during the first quarter of this calendar year relative to the first quarter of 2008. During 2008, total demand for gold jewelry, measured in tonnes, is estimated to have declined by 9% from 2007.

Chart 3: Global ETF Gold Bullion holdings

Source: ASA

Supply The supply of gold to the market from the world's mining industry has been declining for several years due to the increasing age of many operations, lower ore grades, and rising production costs. On an annual basis, newly-mined supply provides approximately 62% of the gold to the market each year, with the remainder coming from the recovery of recycled electronics and jewelry. During the past year, the most significant decline in global gold production occurred in South Africa, where gold production registered a 13.6% decline to 233.3 metric tonnes from 269.9 tonnes during 2007. Globally, gold production declined by 2.5% during 2008 to 2,416 metric tonnes from 2,478 tonnes during 2007. We anticipate the trend of declining global gold production will continue for the next several years due to the difficulty of finding, permitting and developing new gold mining projects. The slow decay in gold production has changed the allocation of ASA's investments over the last several years as the Company seeks to invest in higher growth opportunities, most of these outside of South Africa. On the positive side, the decrease in newly-mined supply has assisted in providing support for rising gold prices during the last several years.

The supply of gold available to the market from scrap recycling (electronics and older jewelry) has been increasing sharply as a result of the global economic crisis and higher gold prices. Gold Fields Mineral Service estimates that available scrap increased to 558 tonnes of gold during the first quarter of 2009 versus just 359 tonnes during the first quarter of 2008, an increase of 55%. This has been an important factor in limiting the upside in the gold price over the last six months.

Outlook Many economists are anticipating that the period of the strengthening U.S. dollar witnessed during 2008 has come to an end, and that the outlook for 2009 is one of a weaker dollar. Traditionally, the gold price has moved counter to the movement of the U.S. dollar and has risen when the value of the dollar was depreciating. As global investors have begun to shun the dollar or simply diversify their investments to other currencies, gold has naturally taken on some of the safe-haven appeal that these investors traditionally sought from the dollar. Most recently, this trend has been evident as the U.S. dollar has declined to a twelve-month low against

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a basket of global currencies. In recent months, some investors have speculated that gold has effectively become a third reserve currency, after the U.S. dollar and the Euro. As fears over the safety of the U.S. dollar rise, so does the gold price. Should the present economic and supply/demand fundamentals continue as they have recently, the outlook for the gold price should continue to remain favorable.

Chart 4: ASA Portfolio Asset Allocation

Source: ASA

Portfolio Changes:

At the end of May 2009, approximately 82% of the Company's total net assets was invested in gold mining and development companies versus 79% at the end of November 2008. Since our fiscal year end last November, the Company has increased its weighting to U.S. companies, largely through the addition of a new investment in Royal Gold Inc., a U.S.-based gold royalty company. Royal Gold owns and manages royalties from precious metals mines, most of which contain gold and silver deposits. A royalty company is an opportunity to capture value in the precious metals sector without incurring many of the risks associated with mine operations such as capital costs, operating costs, and environmental liabilities. Royal Gold has been one of the most successful companies in this sector.

ASA has also acquired a significant position in NovaGold Resources, a Canadian gold development company that holds a 50% position in the Donlin Creek project in Alaska. Donlin Creek is one of the largest undeveloped gold projects in the world, containing an estimated 29.3 million ounces of proven and probable gold reserves. NovaGold also maintains an ownership interest in the Galore Creek and Rock Creek projects. ASA has also increased its holdings in Kinross Gold Inc., as we believed these shares were inexpensive relative to other North American gold producers. These investments were funded through the sale of a small portion of our holdings in Anglo American plc and Randgold Resources, and the utilization of some of the Company's cash position. So far, these new positions have been strong performers contributing to the Company's total return.

These portfolio changes are reflected in the allocation of the Company's assets with a slight reduction in our holdings of Other Mining Companies from 6.3% of total net assets at November 30, 2008 to 4% of total net assets at the end of May 2009, largely representing the reduced position in Anglo American plc. The Company's holdings of Canadian gold mining companies have increased from 29.2% of total net assets at November 30, 2008 to 32% at the end of May 2009, reflecting the strong performance of the Canadian gold sector and the increased allocation of assets to this sector with the purchase of NovaGold Resources and additions to our holdings in Kinross Gold.

Top 5 Holdings	Value	Percent
Randgold Resources Limited - ADRs	\$ 71,185,257	12.9%
Newcrest Mining Limited - ADRs	\$ 49,243,937	8.9%
Goldcorp Inc.	\$ 47,676,000	8.6%
Compania de Minas Buenaventura S.A.A. ADRs	\$ 41,333,470	7.5%
AngloGold Ashanti Limited	\$ 39,925,402	7.2%

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With more than a half-century of experience, ASA continues to provide its shareholders with an investment vehicle concentrated in precious metals and minerals worldwide. Our investment strategy is to achieve the highest possible return for shareholders while being mindful of the qualitative factors we believe make a gold mining company successful over the long term. We will continue to adjust our portfolio as we evaluate the companies we invest in and analyze the markets in an ongoing effort to identify future price movements and opportunities.

Copies of financial reports of the Company, as well as its latest net asset value may be requested from LGN Group, LLC, P.O. Box 269, Florham Park, NJ 07932, (973) 377-3535 or (800)-432-3378, or may be found on the Company's web site (www.asaltd.com). We encourage shareholders to visit the web site for other important information about the Company, including press releases, historical NAV and share prices and tax related information. I would like to call to your attention the availability of the Dividend Reinvestment and Stock Purchase Plan. See page 20 of this report for information.

David J. Christensen
President and CEO
July 16, 2009

Forward-looking statements

This report contains forward-looking statements within the meaning of U.S. federal securities laws and are intended to be covered by the safe harbors created thereby. By their nature all forward-looking statements involve risks, uncertainties and other factors that may cause actual results, performance or achievements of management's plans to be materially different from those contemplated by the forward-looking statements. Such factors include, but are not limited to, the performance of the companies whose securities comprise the Company's portfolio, the conditions in the United States, South African and other international securities and foreign exchange markets, the price of gold, platinum and other precious minerals and changes in applicable tax laws.

Schedule of investments (Unaudited)

May 31, 2009

Name of Company	Shares / Principal Amount	Fair Value	Percent of Net Assets
Common Shares & Warrants			
Gold investments			
Gold mining companies			
<i>Australia</i>			
Newcrest Mining Limited ADRs	1,865,000	\$ 49,243,937	8.9%
<i>Canada</i>			
Agnico-Eagle Mines Limited	600,000	37,116,000	6.7
Barrick Gold Corporation	1,025,000	39,032,000	7.1
Goldcorp Inc.	1,200,000	47,676,000	8.6
Kinross Gold Corporation	1,125,000	22,747,500	4.1
NovaGold Resources Inc., (1)(2)	2,307,691	11,838,455	2.2
NovaGold Resources Inc., \$1.50 Warrants, 01/21/13, (1)(2)	2,307,691	8,861,533	1.6
		167,271,488	30.3
<i>Channel Islands</i>			
Randgold Resources Limited ADRs	1,019,700	71,185,257	12.9
<i>Latin America</i>			
Compania de Minas Buenaventura S.A.A. ADRs	1,459,000	41,333,470	7.5
<i>South Africa</i>			
AngloGold Ashanti Limited	943,194	39,925,402	7.2
Gold Fields Limited	2,429,577	32,993,656	6.0
Harmony Gold Mining Company Limited ADRs (1)	503,100	6,087,510	1.1
		79,006,568	14.3
<i>United States</i>			
Newmont Mining Corporation	420,368	20,543,384	3.7
Royal Gold Inc.	150,000	6,985,500	1.3
		27,528,884	5.0
Total gold mining companies (Cost \$157,948,593)		435,569,604	78.9
Exchange traded fund gold			
<i>United States</i>			
SPDR Gold Trust (1) (Cost \$5,002,500)	75,000	7,215,750	1.3
Total gold investments (Cost \$162,951,093)		442,785,354	80.2
Platinum investments			
Platinum mining companies			

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<i>South Africa</i>			
Anglo Platinum Limited	470,100	32,856,369	5.9
Impala Platinum Holdings Limited	1,497,400	36,404,636	6.6
		69,261,005	12.5
<i>United Kingdom</i>			
Lonmin PLC ADRs	289,700	6,697,253	1.2
Total platinum investments (Cost \$12,006,287)		75,958,258	13.7
Investments in other mining companies			
<i>United Kingdom</i>			
Anglo American plc (Cost \$3,790,736)	764,800	22,001,654	4.0
Total common shares (Cost \$178,748,116)		540,745,266	97.9

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Schedule of investments (Unaudited) (continued)

May 31, 2009

Name of Company	Shares / Principal Amount	Fair Value	Percent of Net Assets
Convertible Securities			
Gold mining companies			
<i>Canada</i>			
NovaGold Resources Inc. 5.50% Senior Convertible Notes, due 5/01/2015 (Cost \$15,000,000)	\$ 15,000,000	\$ 9,449,400	1.7%
Total investments (Cost \$193,748,116) (3)		550,194,666	99.6
Cash, receivables, and other assets less liabilities		2,320,033	0.4
Net assets		\$ 552,514,699	100.0%

(1) Non-income producing security

(2) Restricted security - (total value of \$20,699,988, representing 3.8% of net assets.)

(3) Cost of investments shown approximates cost for U.S. federal income tax purposes, determined in accordance with U.S. federal income tax principles. Gross unrealized appreciation of investments and gross unrealized depreciation of investments at May 31, 2009 were \$364,580,385 and \$8,133,835 respectively, resulting in net unrealized appreciation on investments of \$356,446,550.

ADR - American Depository Receipt

The notes to the financial statements form an integral part of these statements.

Portfolio statistics (Unaudited)

May 31, 2009

Geographic breakdown*	
Canada	32.0%
South Africa	26.8%
Channel Islands	12.9%
Australia	8.9%
Latin America	7.5%
United States	6.3%
United Kingdom	5.2%

* Geographic breakdowns, which are based on country domiciles, are expressed as a percentage of total net assets.

**Statement of assets and liabilities
(Unaudited)**

Assets	May 31, 2009
Investments, at fair value (cost \$193,748,116)	\$ 550,194,666
Cash	2,856,161
Interest receivable	68,750
Dividends receivable	415,941
Other assets	79,145
Total assets	553,614,663
Liabilities	
Accounts payable and accrued liabilities	262,943
Liability for retirement benefits due to future and current retired directors	837,021
Total liabilities	1,099,964