CALTEX AUSTRALIA LIMITED

ACN 004 201 307

ANNUAL GENERAL MEETING – 24 APRIL 2008

SHAREHOLDER ISSUES & RESPONSES

KEY SHAREHOLDER ISSUES

Issue: ***The recent performance of Caltex's share price***

Response: *Note: This response is based on the Chairman's speech to shareholders at the AGM*

Since the start of 2008 the Caltex share price has fallen about 30 per cent.

The market has clearly judged that Caltex is facing tougher times than in the past few years.

At the time of the release of the company's 2007 financial results on 22 February, we advised the market that refiner margins were expected to be lower in 2008 due to the projected slowdown in the United States. We also advised that planned shutdowns during 2008 would reduce refinery production, and that earnings would be impacted by supply issues resulting from the unplanned refinery shutdowns in late 2007 and early 2008.

So far refiner margins have held up. In the year to date, refiner margins have remained at a similar level to last year.

We have already discussed the influences on refiner margins and the fact that we have very little control over them. They are hard to predict but we continue to prepare for a softening.

It is important to remember that marketing margins, and our marketing business in general, is not affected by external influences in the same way that our refining business is. This year to date Marketing has continued to perform strongly with continued growth in both fuel sales volumes and non-fuel income.

Robust marketing earnings are a major strength of the Caltex business.

The share price has recovered several dollars from its low in mid-March as the market has continued to assess the outlook for our business.

Ultimately the share price reflects the financial and operational performance of the company.

While in the refining industry external factors will always influence our results, the Board and management are committed to continuing to operate the company to maximise the value to shareholders.

The share price improvement from what it was last month appears to reflect in part the actual recent refiner margins and growing recognition of the importance and strength of our Marketing operations.

Issue: ***The level of dividends paid for 2007***

Response: *Note: This response is based on the Chairman's speech to shareholders at the AGM*

The total dividends paid in respect of 2007 were the same as for 2006. The difference between the interim and final dividends in 2007 reflects the difference in earnings between the first and second halves of the year.

The payments in both years were in line with our dividend policy to pay out between 40 to 60 per cent of the Replacement Cost of Operating Profit after tax and significant items. In 2007 the dividends that were declared were around 50 per cent for both the interim and final dividends.

The dividend policy has been deliberately framed around a payout ratio rather than a dividend payment, in recognition that Caltex operates in a cyclical industry.

The policy enables the Board to continue to pay shareholder dividends while ensuring that the financial strength of the company is maintained.

Issue: ***The proposed increase in the Board's remuneration pool for non-executive directors***

Response: *Note: This response is based on the Chairman's speech to shareholders at the AGM*

In 2007 and 2008 the Board has been in a period of transition. When Dick Warburton stepped down as Chairman in October 2007, he agreed to remain on the Board until 24 April 2008. In preparation for Dick's retirement we temporarily increased the numbers on the Board by bringing in a new director prior to Dick's departure.

The additional remuneration involved in this was considered appropriate in the interests of Board continuity and succession.

In the absence of these transitional arrangements it would not have been necessary to seek approval from shareholders for an increase in the Board's remuneration pool.

Issue: ***The impact of a carbon trading system on Caltex***

Response: *Note: This response is based on the Chairman's speech to shareholders at the AGM*

Under the Australian Government's proposed emissions trading scheme, permits to emit greenhouse gases in a particular year will be auctioned, with the revenue going to the government. Emitters must purchase permits each year equal to their emissions.

Caltex could be affected in two separate ways.

The first relates to payment for emissions from our refineries.

Companies that face import competition from countries that do not impose carbon costs may be classified as "emissions intensive trade exposed" and receive free permits.

As the big export refineries in Singapore and India will bear no carbon costs, Caltex must receive a free allocation of emission permits for its refinery emissions.

This policy is still under consideration by the Government. It has however expressed support for the general principle of protecting "emissions intensive trade exposed industries" until overseas competitors impose carbon prices comparable to Australia.

The second issue for Caltex relates to emissions from the vehicles and equipment of fuel users.

The Government proposes that Caltex should be responsible not only for our own emissions but also for our customers' emissions.

We are putting proposals to Government suggesting that because higher petrol and diesel prices have little effect on the fuel needed to be used by motorists, Australia could adopt the European policy and not impose a carbon cost on motorists. We are suggesting that at the same time the rules could require large commercial users to acquire permits for their own emissions.

OTHER SHAREHOLDER ISSUES

Issue: ***Communicating about Petrol Prices***

Response: Caltex makes every effort to get a consistent, factual message out about petrol prices.

The Managing Director & CEO and other Caltex spokespeople frequently appear in the media on the subject. The 2007 Caltex RCOP profit margin on petrol of 1.5 cents per litre has been stated in company media releases, publications, speeches and in radio and TV interviews.

We also make substantial contributions to fuel price inquiries with detailed submissions. Senior management has committed days to giving evidence in person at these inquiries. There is considerable information and evidence produced by petrol price inquiries that oil companies in Australia are not profiteering. The findings have been publicly acknowledged by the Chairman of the ACCC, Graeme Samuel and Federal Minister for Competition Policy and Consumer Affairs, Chris Bowen.

Despite this, the factors influencing petrol and the dynamics of local price cycles are not well understood or accepted by some motoring organisations, media commentators and regulators who seem to relish creating sensational headlines rather than community understanding.

Issue: ***Executive Remuneration***

Response: The Board believes that our executives are fairly but not excessively paid. There is currently high demand for the experience and type of skills we need in Caltex, and to attract and hold people with these backgrounds we need to be competitive with market rates.

Executives have a fixed and variable component to their remuneration. Both components are necessary in order to attract and retain talent.

The fixed component – their base salary – is competitive with how other companies in our market peer group pay their executives.

The variable component of executive remuneration is made up of the Short-term Incentive Plan and the Caltex Equity Incentive Plan.

The payout under the short term incentive and the medium-tier component of the Caltex Equity Incentive Plan are determined by performance against a number of financial and non-financial measures.

The maximum payout under the long-term tier of the Caltex Equity Incentive Plan is based on market-competitive reward levels. How much an individual receives is then determined by Caltex's relative total shareholder return against a peer group at the end of a three-year performance period.

Given Caltex's recent share price performance, executives would not currently expect any payout of their 2007 grant under the long-term tier.

Issue: ***Franking Credits***

Response: The Board is aware of the value held in the franking account, and will continue to manage the capital structure of the company for the benefit of all shareholders and to ensure the long term future of Caltex. In particular our focus will be on ensuring a strong balance sheet is maintained and debt is kept to sustainable levels.

The Board and management review the capital structure of Caltex on a regular basis. This is done considering the ongoing needs of the company, as well as the impacts on all shareholders. We note that approximately two thirds of Caltex shares are held by overseas holders, to whom the franking credits have less value.

Issue: ***Supply of Crude Oil***

Response: Caltex's crude oil supply sourcing is changing in response to declining regional oil fields and increased global competition for crude oil supplies. We have been successful in obtaining supply suitable for our refineries but we have had to bring it from further afield.

We have also shown leadership in the distribution and marketing of alternative fuels that reduce reliance on crude. For example, Caltex more than met it commitments in 2007 under the Australian Government's Biofuels Action Plan.

In 2007 we have trebled the volume of biofuels sold and increased the number of service stations selling ethanol blended petrol and/or biodiesel blends from 237 to 306.