CALTEX

CALTEX AUSTRALIA LIMITED
ACN 004 201 307

LEVEL 12, MLC CENTRE, 19 MARTIN PLACE
SYDNEY, NEW SOUTH WALES, AUSTRALIA

25 August 2006

Company Announcements Office
Australian Stock Exchange Limited

CALTEX AUSTRALIA LIMITED
2006 HALF YEAR RESULTS FOR ANNOUNCEMENT TO THE MARKET

Caltex Australia Limited's results for the half year ended 30 June 2006 are attached for release to the market. The half year results announcement comprises:

- the *ASX / Media Release*;
- the *2006 Half Year Report* and *2006 Half Year Financial Report*, which is given to the ASX as half year information under Listing Rule 4.2A (and incorporates the information set out in Appendix 4D); and
- the slides for the Managing Director's half year results presentation, which is due to start at 10.00 am today.

The 2006 half year results information should be read in conjunction with the *2005 Financial Report* for Caltex Australia Limited. The *2005 Financial Report* was lodged with the ASX on 24 March 2006 as part of the *2005 Annual Report* and is available from Caltex's website (*www.caltex.com.au*).

Over the course of September 2006, Caltex will make a number of presentations to investors and analysts, which will be based on the material provided in the *ASX / Media Release*, the *2006 Half Year Report* and 2006 *Half Year Financial Report*, and the Managing Director's results presentation slides.

Helen Conway
Company Secretary

Attach.

CALTEX

Caltex Australia

ASX/Media Release

For immediate release
Friday, 25 August 2006

Refiner margins drive higher first half profit

Key points

- **Strong refiner margins partly offset cost of delays to now-completed Clean Fuels Project**
- **Total transport fuel sales volumes maintained and non-fuel income up in an increasingly challenging operating environment**
- **Capital expenditure was $200 million in 1H06 compared with profit of $174.7 million**
- **Dividend payout ratio lifted to 50% of 1H06 replacement cost profit – $86 million or 32 cents per share (1H05: 15 cents per share)**
- **Caltex's profit equal to 1.8 cents per litre on average for all petroleum products**

Results summary	**Half year ended 30 June** **2006**	**2005***
Replacement cost of sales operating profit (RCOP)[1] result (excluding individually material tax item in 2005):	**$M**	$M
- after tax	**174.7**	155.2*
- before interest and tax	**270.0**	226.4
Historical cost result (net profit after tax, including inventory gains and excluding individually material tax item in 2005)	**276.7**	237.4

* The first half result for 2005 has been adjusted to reflect the Australian equivalents of International Finance Reporting Standards (A-IFRS) transition consistent with the 2005 full year financial report accounting policies.

Caltex Australia Limited announced today an after tax profit of $174.7 million on a replacement cost of sales operating profit (RCOP) basis for the first half of 2006 compared with the first half of 2005 profit of $155.2 million excluding individually material tax item.

The profit equated to approximately 1.8 cents per litre on average for all petroleum products sold. (Same period 2005: 1.7 cents per litre.)

The profit of $174.7 million was made on total sales (including refinery sales and all petroleum products) in the first half of 2006 of $11.1 billion including GST. Total excise and GST on these sales was $3.4 billion.

[1] The replacement cost of sales operating profit (RCOP) excludes the impact of the rise or fall in oil prices (a key external factor) and presents a clearer picture of the company's underlying business performance. It is calculated by restating the cost of sales using the replacement cost of goods sold rather than the historical cost, including the effect of contract-based revenue lags.

Caltex Managing Director Des King said the profit had been achieved as a result of strong refining margins which were partly offset by the impact of the delay in the now-completed Clean Fuels Project. Caltex's marketing business performance was maintained with stable total transport fuels sales and margins in a challenging operating environment, and higher non-fuel income. Refining and marketing improvement programs continued to deliver benefits.

"The weighted average Singapore refiner margin (WAM) was US$9.60 a barrel in the first half of 2006[2] (same period 2005: US$6.48 a barrel)," Mr King said. "The WAM early in 2006 was held down by negative petrol refiner margins but in the second quarter increased to its highest level in over 15 years. These margins were driven by strong demand and tight supply.

"The prices of petroleum products increased substantially in first half of 2006 compared with first half 2005 mainly as a result of the large increase in crude oil prices which increased Singapore product prices. Caltex's submission to the current Senate petrol pricing inquiry shows clearly that increased petrol prices are the result of higher international prices and the same is true of other products.

"The average price of all petroleum products sold by Caltex (including GST) increased 24.4 cents per litre in the first half of 2006 compared with the same period in the previous year. Of this increase, 21.5 cents per litre (cpl) was oil prices and costs, and 2.8 cents per litre was higher taxes (including GST). Caltex profit (RCOP basis) of 1.8 cpl was up 0.1 cpl. Caltex has no crude oil production interests.

"Caltex refining utilisation and transport fuel production during the period were in line with the first half of 2005. This was due to the operational impact on the refineries of major planned shutdowns in the first half of 2005 and Clean Fuels Project delays in 2006. The delays in completing the Clean Fuels Project resulted in lower refinery production, rescheduling of major maintenance projects, increased imports of 2006-standard products and exports of non-2006-standard products. This had an estimated impact on RCOP profit after tax in the first six months of 2006 of $80-100 million.

"In the marketing business, diesel demand has remained strong with sales up 2.4% driven by economic activity. Caltex petrol sales volume fell by just under 1% compared with the first half of 2005. Petrol sales for the first half included lower sales of premium petrol, which were 9.6% lower than in the first half of 2005.

"Non-fuel income increased 12% driven by further growth in convenience store sales and StarCard. Caltex continued to strengthen its position as Australia's leading convenience store retailer. The Caltex Woolworths venture is providing benefits from improved buying arrangements for goods sold in our convenience store network, with further benefits in the dry goods supply chain expected from the roll out of a new centralised logistics system in the second half of 2006."

Dividend

Caltex Chairman Dick Warburton said the Board had declared a dividend of $86 million or 32 cents per share. This equals a payout ratio of 50% of 1H06 replacement cost profit, consistent with Caltex's commitment to increase the payout ratio to a range of 40-60% of RCOP from 2006 onwards.

Total shareholder return (share price increase and dividend) was 23%.

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[2] The Singapore refiners' margin represents the difference between the selling price of a standard Caltex basket of products and the cost of the crude oil required to make that product basket. Due to the delays in completing refinery upgrades, Caltex was unable to fully realise the available refiner margin in the first half of 2006. The margin includes 50 parts per million sulfur diesel prices for 2006, and 500ppm sulfur diesel prices in the first half of 2005.

Capital expenditure

Capital expenditure in first half 2006 was $200 million compared with profit of $174.7 million. Mr King said profits must be sufficient to pay for high ongoing capital expenditure for refinery upgrades and maintenance and service stations and terminals. To put recent higher profits in historical context, from 1996 to first half 2006, Caltex capital expenditure totalled about $1,790 million, about $80 million more than total profit over the period (RCOP basis)," he said.

"The $500 million clean fuels upgrade has now been completed at both refineries. Benefits have been delivered from the Refining Performance Improvement Program (RPIP) with a number of small projects now completed, as well as the first major project, a $4 million bitumen tank, now completed and in service. Other projects are progressing well and we are on track to deliver at least $150 million EBIT on an annualised basis following the completion of the program at the end of 2008.

"To continue to ensure secure and reliable supply of fuels to customers, Caltex is undertaking a program of upgrade and expansion projects at a number of fuel storage and distribution facilities around Australia. Projects representing an investment of over $11 million were completed in the first six months of 2006 at terminals in Melbourne and central and northern Queensland with planning and design work under way on a number of further projects which, together with those already completed, will require an investment estimated to be in excess of $60 million.

Biofuels

"During the first half of 2006, progress was made in establishing reliable supplies of ethanol and biodiesel, building infrastructure and developing marketing plans for biofuels. Caltex currently sells E10 Unleaded (a 10 percent ethanol/petrol blend) at 41 sites in NSW and Queensland. Caltex will significantly expand the supply of biofuels to the market in the second half of 2006 and is committed to its targets under the Australian Government's industry action plan. Currently, E10 Unleaded is being sold at company operated sites at a 3 cents per litre discount to regular unleaded petrol and a 3 cents per litre discount is also provided at the wholesale level.

Looking ahead

"Refiner margins are expected to remain robust for the remainder of 2006 as global and regional supply remains tight. Caltex refinery production should be higher in the second half of 2006 with no major maintenance shutdowns planned. Fuel refinery utilisation has been strong over the last six weeks averaging in excess of 85%, the highest sustainable level we have seen this year.

"We have commenced work on further developing a long-term vision for Caltex. A project team is examining opportunities to expand refining operations to process a broader range of crude oils, meet the strong increase in the demand for diesel with an increase in production capacity, and increase the use of biofuels. The project team will work over the next 12 to 18 months to develop the strategy to position Caltex even better for the future."

Historical cost profit

On a historical cost profit basis (including inventory gains), Caltex recorded after tax profit of $276.7 million for the first half of 2006 compared to $237.4 million for the first half of 2005. This includes crude oil inventory gains of approximately $102.0 million after tax compared to inventory gains of $82.2 million after tax for the first half of 2005 resulting from the rise in the price of crude oil.

Other

The Australian Taxation Office has served a statutory demand on Caltex to pay an amount of $48.7 million in excise duty which would be tax deductible to Caltex. The ATO has formed the view that the excise duty should be paid in relation to certain liquid fuel by-products used in the refining process and that Caltex should have paid the excise duty on such fuel usage over the past four years. Caltex is of the strong view that the excise duty legislation does not apply to the refineries' own use of such fuels in the refining process and has instituted legal proceedings in the Federal Court against the ATO in this regard. No liability has been recognised as at 30 June 2006 as Caltex is of the view that this legislation is not applicable to this type of fuel usage. Due to a change in the excise legislation any future purported excise duty on this type of fuel usage ceased from 1 July 2006.

Debt at 30 June 2006 was $721 million reflecting the higher cost of crude oil, costs associated with the completion of the clean fuels upgrades and the higher cost of imports and exports. At the end of June, the company also carried higher than normal inventories as a result of a planned maintenance shutdown at Kurnell. It is expected that debt will fall toward target levels by year end.

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CALTEX AUSTRALIA LIMITED

ACN 004 201 307

2006 HALF YEAR REPORT

CALTEX

CALTEX AUSTRALIA LIMITED
LEVEL 12, MLC CENTRE, 19 MARTIN PLACE
SYDNEY, NSW, 2000, AUSTRALIA

Results for Announcement to the Market

Key Results (Millions of dollars)			Half year ended 30 June 2006	2005 [2]
Revenues from ordinary activities	↑	31%	9,970	7,614
Profit from ordinary activities after tax/net profit for the period attributable to members:				
Replacement cost basis[1] (excluding individually material tax item)	↑	13%	175	155
Historical cost basis (excluding individually material tax item)	↑	17%	277	237
Historical cost basis (including individually material tax item)	↑	7%	277	258

Dividend	2006	2005
Dividends declared:		
Interim dividend:		
- Amount per security (fully franked)	32¢	15¢
Final dividend		
- Amount per security (fully franked)	N/A	31¢
Record date for determining entitlement to 2006 interim dividend		8 September 2006
Date 2006 interim dividend is payable		29 September 2006

Comments

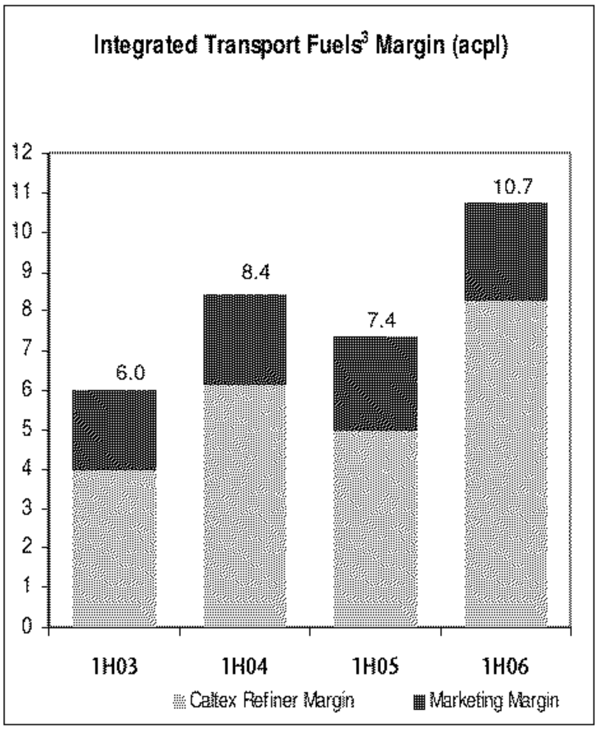
- Profit after tax (excluding individually material tax item) on a replacement cost of sales operating profit (RCOP)[1] basis of $174.7 million for the first half of 2006, compared with $155.2 million for the first half of 2005. RCOP earnings per litre on average for all petroleum products sold was 1.8cpl for the first half of 2006 compared with 1.7cpl for the first half of 2005.
- These results have been achieved as a result of strong refiner margins which have been partly offset by the impact of the delay in the now completed Clean Fuels Project. Marketing sales volumes have remained flat as a result of increasing product prices.
- On an historical cost basis (including inventory gains, but excluding individually material tax item), Caltex recorded an after tax profit of $276.7 million for the first half of 2006 compared with $237.4 million for the first half of 2005. This included inventory gains of $102.0 million after tax, compared with inventory gains of $82.2 million after tax in the first half of 2005.
- As a result of tax consolidation legislation, Caltex recognised a material one-off tax credit of $20.9 million in 2005, with a corresponding reduction in deferred tax liabilities.
- Net debt at 30 June 2006 was $721 million, up from $429 million at 31 December 2005. The increase was due to higher working capital requirements driven by crude oil price increases and a planned shutdown at Kurnell refinery in May/June, as well as funding requirements for the Clean Fuels Project. A temporary rise in net debt was anticipated. It is expected debt will return to target levels by the year end.
- The Board declared an interim fully franked dividend of $86 million, or 32 cents a share compared with 15 cents per share declared for the first half 2005.

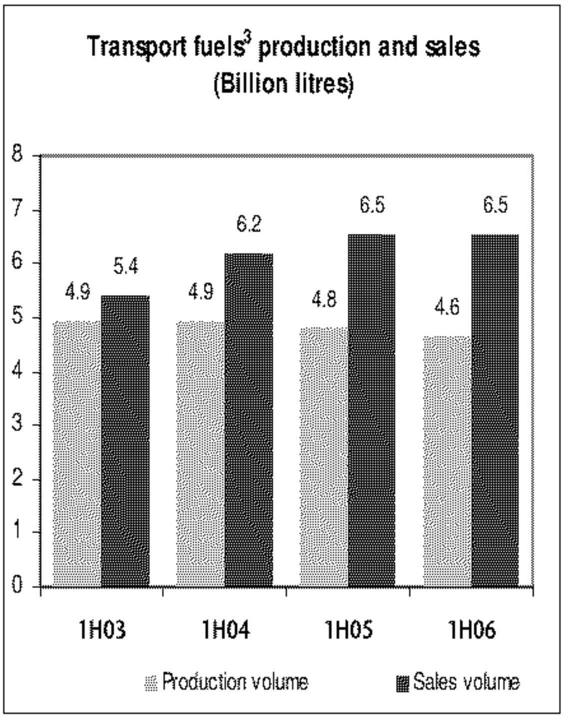
[1] The replacement cost of sales operating profit (RCOP) excludes the impact of the rise or fall in oil prices (a key external factor) and presents a clearer picture of the company's underlying business performance. It is calculated by restating the cost of sales using the replacement cost of goods sold rather than the historical cost, including the effect of contract-based revenue lags.

[2] The first half result for 2005 has been adjusted to reflect the A-IFRS transition consistent with the 2005 full year financial report accounting policies.

Key Performance Indicators

	Half year ended 30 June				
	2006	2005	2004	2003 [1]	2002 [1]
Profit before interest and tax ($m)					
- Replacement cost basis (excluding individually material tax item)	270	226	275	154	129
- Historical cost basis (including individually material tax item)	416	344	342	139	228
Profit after interest and tax ($m)					
- Replacement cost basis (excluding individually material tax item)	175	155	176	86	64
- Historical cost basis (including individually material tax item) [2]	277	258	336	76	130
Inventory gains/(losses) before tax ($m)	146	117	67	(14)	106
Basic earnings per share (cents)					
- Replacement cost basis (excluding individually material tax item)	64.7	57.5	65.2	31.9	23.6
- Historical cost basis (including individually material tax item) [2]	102.5	95.7	124.6	28.2	48.3
Return on equity attributable to members of the parent entity after tax, annualised (%)					
- Replacement cost basis (excluding individually material tax item)	15	17	25	16	13
- Historical cost basis (including individually material tax item) [2]	24	29	47	14	28
Net tangible asset backing per share ($)	8.45	6.60	5.22	4.04	3.49
Net debt ($m)	721	533	536	855	1,036
Gearing (net debt to net debt plus equity) (%)	24	23	27	43	52





[1] 2003 and 2002 comparative numbers have not been adjusted for the transition to A-IFRS.

[2] Includes an individually material tax item of $20.9 million in 2005 relating to an income tax benefit upon entry into the new tax consolidation regime.

[3] Transport fuels comprise petrol, diesel and jet.

Profit and Loss

for the half year ended 30 June 2006

	Millions of dollars	**2006**	**2005** [3]
1	Total revenue [1]	9,970	7,614
2	Total expenses [2]	(9,700)	(7,388)
3	**Replacement cost EBIT**	**270**	**226**
4	Net borrowing costs	(19)	(15)
	Income tax expense	(76)	(56)
	Replacement cost profit (RCOP)	**175**	**155**
5	Inventory gain – after tax	102	82
	Individually material tax item	-	21
	Historical cost net profit	**277**	**258**
6	Interim dividend per share	32c	15c
	Final dividend per share	N/A	31c
	Basic earnings per share		
	- Replacement cost	64.7c	57.5c
	- Historical cost	102.5c	95.7c
	RCOP earnings per litre	1.8c	1.7c

Discussion and Analysis

1 Total revenue

↑ 31%

Total revenue increased primarily due to:

- Higher product prices driven by higher crude prices and higher refiner margins;
- Marketing margins and volumes are in line with prior year.

2 Total expenses – replacement cost basis

↑ 31%

Total expenses increased primarily due to:

- Higher cost of sales, reflecting higher crude prices; and
- Higher operating expenses due to :
  - increased depreciation due to completion of the Clean Fuels Project;
  - higher shipping costs; and
  - increased infrastructure maintenance-related costs.

[1] Excludes interest revenue and individually material tax item (if applicable)
[2] Excludes interest expense, inventory gains/(losses) and individually material tax item (if applicable)
[3] The first half result for 2005 has been adjusted to reflect the A-IFRS transition consistent with the 2005 full year financial report accounting policies.

Discussion and Analysis cont'd

3 Replacement cost EBIT ↑ **19%**	Increase in Caltex's underlying performance resulted primarily from: • Significantly higher refiner margins, driven by continuing strong product demand and increased refinery maintenance in the region; • Partially offset by the impact of the delay of now completed Clean Fuels Project, which resulted in a lower ratio of high value production to total production, increased imports of 2006-standard products and increased exports of non-2006-standard products. Breakdown of replacement cost EBIT is detailed below [1]:

RCOP EBIT breakdown

Caltex refiner margin (CRM) **$412m**	CRM represents the difference between the cost of importing a standard Caltex basket of products to eastern Australia and the cost of importing the crude oil required to make that product basket. The CRM calculation basically represents: average Singapore refiner margin + product quality premium + crude discount / (premium) + product freight – crude freight – yield loss. CRM was significantly higher in 1H06 at US$10.62/bbl compared with US$7.28/bbl for 1H05. However, margins were also negatively affected by timing lags between a US$14bbl (or 24%) rise in the Tapis crude oil price during the six months ended June 2006 and rising prices for refined product in the Australian market. The financial impact during the period of these pricing lags equates to approximately A$37 million before tax. Lower planned refinery shutdown activity, resulted in sales from production increasing from 4.8 billion litres in 1H05 to 5.1 billion litres in 1H06.
Transport fuels marketing margin **$162m**	Transport fuels comprise petrol, diesel and jet. The transport fuels marketing margin is based on the average net margin over Import Parity Price in Australia. • The average transport fuels marketing margin was 3% higher than 1H05. Additionally, transport fuels sales volume slightly increased (0.4%) driven by increased demand for diesel offset by the decline in overall gasoline demand as a result of higher prices.
Lubricants and specialties margin **$54m**	Lubricants and specialties products include finished lubricants, base oils, liquified petroleum gas, petrochemicals, bitumen, wax and marine fuels. • Specialties volumes grew overall by 10% mainly due to higher production of refinery grade propylene and marine fuels.
Non fuel income **$70m**	Non fuel income includes convenience store income, franchise income, royalties, property, plant and equipment rentals, Starcard income and share of profits from non controlled equity distributors. • Non fuel income increased by 12% compared with the same period last year due to increased card income, royalties and strong Calstores results.
Operating expenses **($336m)**	Operating expenses in this caption include refining and supply, marketing, corporate and other operating expenditure. • Higher operating expenses due to increased depreciation (completion of the Clean Fuels Project) and a change in maintenance practices to undertake more work on a rolling basis than in shutdown periods.
Other **($92m)**	Other includes foreign exchange impacts, pipeline and charter revenue. In addition, losses on exports and imports and other refinery losses occurred due to the delay in the ability to produce products that comply with the new Clean Fuels standards.
Total RCOP EBIT **$270m**	

[1] The breakdown of RCOP shown here represents management reporting view of the breakdown and as such individual components may not reconcile to statutory accounts.

Discussion and Analysis cont'd

4 Net borrowing costs ↑ **27%**	Net debt increased to $721 million at 30 June 2006 (compared with $429 million at 31 December 2005) due to rising crude and product prices, a planned shutdown at Kurnell Refinery in May/June and the increased imports in the 1H06 due to delays in the Clean Fuels Project.

5 Inventory gain after tax ↑ **24%**	Regional crude oil prices rose significantly in 2006, (averaging US$70.86/bbl in June 2006 compared with US$57.24/bbl in December 2005). This increase resulted in net inventory gains of $146 million ($102 million after tax) compared with net inventory gains of $117 million ($82 million after tax) in 1H05.

6 Interim dividend	The Board declared an interim fully franked dividend of $86 million or 32 cents per share. The dividends have a franking credit of 100%. The record date is 8 September 2006, with the dividend payable on 29 September 2006.

Balance Sheet
as at 30 June 2006

	Millions of dollars	June 2006	December 2005	change $m
1	Working capital	863	487	376
2	Property, plant and equipment (PP&E)	2,194	2,076	118
3	Net debt	(721)	(429)	(292)
4	Other non-current assets and liabilities	(1)	4	(5)
	Total equity	2,335	2,138	197

Discussion and Analysis

1 Working capital

↑ $376m

The increase in working capital is primarily due to:

- Higher crude and product prices (Tapis average June 06 US$70.86/bbl vs. Dec 05 US$57.24/bbl);
- Higher inventory volumes due to delay of the Clean Fuels Project and a planned shutdown at Kurnell Refinery in May/June.

2 PP&E

↑ $118m

The increase in property, plant and equipment is due to:

- Capital expenditure and major cyclical maintenance of $200 million, including $81 million relating to the Clean Fuels Project for Caltex's two refineries;

Partly offset by:

- Depreciation of $68 million; and
- Net disposals of $15 million.

3 Net debt

↑ $292m

Net debt has increased to $721 million at 30 June 2006, an increase of $292 million from 31 December 2005. As a result, Caltex's gearing (net debt to net debt plus equity) was 23.6%, increased from 16.7% at 31 December 2005.

The increase is primarily due to higher working capital requirements driven by crude oil price increases, and a planned shutdown at Kurnell Refinery in May/June as well as funding requirements for the Clean Fuels Project.

4 Other non-current assets and liabilities

↓ $5m

Other non-current assets and liabilities have decreased primarily due to increase in deferred tax liabilities.

Cash Flows
for the half year ended 30 June 2006

	Millions of dollars	2006	2005	change
	Receipts from customers	11,156	8,353	2,803
	Payments to suppliers and employees	(8,796)	(5,841)	(2,955)
	Payments for excise	(2,155)	(2,170)	15
1	Borrowing costs paid	(28)	(22)	(6)
2	Other net operating activities	(166)	(145)	(21)
	Net operating cash inflows	**11**	**175**	**(164)**
3	Purchases of property, plant and equipment (PP&E) and major cyclical maintenance	(222)	(186)	(36)
	Other investing cash flows	4	(7)	11
	Net investing cash outflows	**(218)**	**(193)**	**(25)**
4	**Net financing cash inflows**	**213**	**35**	**178**
	Net increase in cash held	**6**	**17**	**(11)**

Discussion and Analysis

1 Borrowing costs

↑ $6m

Net debt increased to $721 million at 30 June 2006 (compared with $429 million at 31 December 2005). Average net debt for 1H06 was 44% higher than for 1H05. The higher average net debt level resulted in increased borrowing costs ($6 million).

2 Other operating activities

↑ $21m

Cash outflows from other net operating activities increased due to higher income tax instalments which are increasing in line with higher profitability.

3 Purchases of PP&E and major cyclical maintenance

↑ $36m

The increase in capital expenditure in the first half of 2006 related primarily to the Clean Fuels Project.

4 Net financing cash inflows

↑ $178m

Net financing cash inflows increased due to higher net borrowings of $298 million compared with $104 million in 2005 (reflecting the increase in net debt, which is driven by higher crude and product prices). This was partly offset by higher 2005 final dividend of $84million (2004 final dividend $68million).

2006 HALF YEAR FINANCIAL REPORT

FOR

CALTEX AUSTRALIA LIMITED

ACN 004 201 307

The 2006 Half Year Financial Report for Caltex Australia Limited includes the:

- Directors' Report
- Directors' Declaration
- Independent Review Report (KPMG)
- Condensed Half Year Financial Statements

for the half year ended 30 June 2006

Caltex Australia Group

For the purposes of this report, the Caltex Australia Group consists of:

- Caltex Australia Limited, which is the parent company of the Caltex Australia Group
- our major operating companies, including Caltex Australia Petroleum Pty Ltd, Caltex Refineries (NSW) Pty Ltd, Caltex Refineries (Qld) Pty Ltd, Caltex Petroleum Services Pty Ltd, and Caltex Lubricating Oil Refinery Pty Ltd
- a number of wholly owned entities and other companies that are controlled by the group

Please note that terms such as Caltex and Caltex Australia have the same meaning in this report as the Caltex Australia Group, unless the context requires otherwise.

THE 2006 HALF YEAR FINANCIAL REPORT SHOULD BE READ IN CONJUNCTION WITH THE 2005 FINANCIAL REPORT

Directors' Report

Introduction

The Board of Caltex Australia Limited presents this Directors' Report and the 2006 Half Year Financial Report for the Caltex Australia Group for the half year ended 30 June 2006 to shareholders. An Independent Review Report from KPMG, Caltex's external auditor, is also provided.

Board of Directors

The Board of Caltex Australia Limited comprises Richard (Dick) Warburton (Chairman), Des King (Managing Director and Chief Executive Officer), Trevor Bourne, Elizabeth Bryan, Brant Fish, John Thorn and Peter Wissel.

Directors' Profiles

Dick Warburton AO   Chairman (Non-executive / Independent)

Dick has served as a director of Caltex Australia Limited since 29 July 1999 and as Chairman of the Board from 26 April 2001. Dick is a member of the Human Resources & Nomination Committee and attends meetings of the Audit Committee in an ex-officio capacity.

Dick is one of Australia's most prominent company directors. Prior to becoming a professional director, Dick was the Chairman & Chief Executive Officer of DuPont Australia & New Zealand, where he was responsible for DuPont's petro-chemical business operations in Australia and New Zealand.

Dick is a Fellow (and a former National President) of the Australian Institute of Company Directors.

Current directorships of listed companies

- Tandou Limited (Chairman) (appointed 6 April 2004)
- Nufarm Limited (appointed 22 October 1993)
- Tabcorp Holdings Limited (appointed 28 June 2000)

Previous directorships of listed companies in last three years

- David Jones Limited (former Chairman) (6 October 1995 – 17 July 2003)
- Southcorp Limited (11 June 1993 – 14 October 2003)

Des King   Managing Director and Chief Executive Officer

Bachelor of Chemical Engineering (University of London, UK) & Doctor of Philosophy (University of Cambridge, UK)

Des was appointed as Managing Director & Chief Executive Officer with effect from 1 May 2006.

Before joining Caltex Australia, Des was responsible for the management of the 220,000 barrels a day Chevron Pembroke refinery in Wales, UK and a director of Texaco UK. He has previously held senior roles in Chevron including General Manager Strategic Planning responsible for developing the corporate strategy for both oil and gas exploration and production, refining and marketing for Chevron Corporation. Other previous roles included general management responsibility for technology marketing. Des joined Chevron in 1981, having previously been a Professor of Chemical Engineering at West Virginia University in Morgantown, West Virginia, USA.

Directors' Report cont'd

Trevor Bourne Director (Non-executive / Independent)

Bachelor of Mechanical Engineering (University of New South Wales, Australia) & Master of Business Administration (University of Newcastle, Australia)

Trevor was appointed as a director of Caltex Australia Limited with effect from 2 March 2006 and as a member of the Audit Committee from 1 May 2006.

Trevor brings to the Board broad management experience acquired in industrial and capital intensive industries. He also has engineering and supply chain skills and experience. From 1999 to 2003, Trevor served as Chief Executive Officer of Tenix Industries Limited. Prior to Tenix Industries Limited, he spent 15 years at Brambles Industries Limited, six as Managing Director of Brambles Australasia. Before that he worked for Incitec Ltd and BHP Limited.

Current directorships of listed companies

- Hastie Group Limited (Chairman) (appointed 4 February 2005)
- Origin Energy Limited (appointed 18 February 2000)
- Lighting Corporation Limited (appointed 12 February 2004)
- Coates Hire Limited (appointed 26 February 2004)

Elizabeth Bryan Director (Non-executive / Independent)

Bachelor of Arts (Australian National University, Australia) & Master of Economics (University of Hawaii, USA)

Elizabeth was appointed as a director on 18 July 2002 and is Chair of the Human Resources & Nomination Committee.

Elizabeth has over 30 years experience in the financial services industry, government policy and administration, and on boards of companies and statutory organisations. Prior to becoming a professional director she served for six years as Managing Director of Deutsche Assets Management and its predecessor organisation, NSW State Superannuation Investment and Management Corporation.

Current directorships of listed companies

- Ridley Corporation Limited (appointed 7 September 2001)

Brant Fish Director (Non-executive)

Bachelor of Mechanical Engineering (University of Florida, USA)

Brant was appointed a director with effect from 27 July 2006 and is a member of the Human Resources & Nomination Committee.

Brant is the General Manager Joint Venture Refineries with Chevron Global Refining. Prior to 1 August 2006, he was the General Manager of Supply Optimization - Asia Pacific for Chevron USA Inc, with accountability for overall refining and marketing earnings, commercial decision making and optimisation across the Asia Pacific fuel supply chain - from refinery crude supply to consumer or export sale. Brant is based in Singapore.

Brant was previously an alternate director for Peter Wissel and for the former directors, Bill Hauschildt and Mitch Rubinstein.

Directors' Report cont'd

John Thorn — Director (Non-executive / Independent)

Fellow of the Institute of Chartered Accountants

John was appointed as a director with effect from 2 June 2004. He has served as a member of the Audit Committee since 22 July 2004 and was appointed its Chair with effect from 1 May 2006.

John had over 37 years professional experience with PricewaterhouseCoopers, where he was a partner from 1982 to 2003 undertaking work for major international and local companies. During this period, he served as the Managing Partner of PricewaterhouseCoopers' Assurance & Business Advisory Service practice (from 1998 to 2001) and the National Managing Partner (from 2001 to 2003). After leaving professional practice, John has embarked on a career as a company director.

Current directorships of listed companies

- Salmat Limited (appointed 1 September 2003)
- National Australia Bank Limited (appointed 16 October 2003)
- Amcor Limited (appointed 8 December 2004)

Peter Wissel — Director (Non-executive)

Bachelor of Arts in Economics (Denison University, USA), Master of Business Administration – Finance (New York University Graduate School of Business Administration, USA)

Peter was appointed a director with effect from 23 August 2005 and as a member of the Audit Committee with effect from 1 September 2005.

Peter serves as the Regional Finance Officer, Asia Pacific and Africa Pakistan for Chevron's downstream business. In this role, Peter is responsible for financial and management reporting, local cash management, local tax matters and risk management in the 33 countries of Asia, Africa and the Middle East where Chevron conducts refining and marketing operations. Peter is based in Singapore.

Directors' Report cont'd

Alternate Director

Colleen Jones-Cervantes Alternate Director

Bachelor of Mechanical Engineering (Michigan Technological University, USA)

Colleen was appointed an alternate director for Brant Fish and Peter Wissel on 27 July 2006.

Colleen serves as the Vice President – Global Marketing, Asia Pacific Region with Chevron USA Inc., based in Singapore. In this role, she is responsible for retail sales for the Caltex brand, commercial and industrial sales, asphalt and LPG sales and company operated stores in eleven countries.

Previous Directors

Dave Reeves

Bachelor of Civil Engineering (University of Washington, USA)

Dave was the Managing Director & Chief Executive Officer from 11 August 2003 to 30 April 2006. He resigned as the Managing Director & Chief Executive Officer to take on the most senior crude oil and petroleum product supply and trading role in Chevron.

Bill Hauschildt

Bachelor of Science (Chemical Engineering) (Ohio State University, USA) & Master of Science (Chemical Engineering) (Illinois Institute of Technology, USA)

Bill was appointed a director on 21 September 2004 and served as a member of the Human Resources & Nomination Committee from 1 January 2005. He resigned as a director with effect from 22 May 2006.

Ken Watson

Bachelor of Laws (The University of Sydney, Australia) & Master of Laws (University of Virginia, USA)

Ken was appointed a director of Caltex Australia Limited on 9 February 1996. He was a member of the Audit Committee from 29 January 1998 and served as its Chairman from 18 July 2002. Ken retired as a director with effect from the conclusion of the Annual General Meeting on 27 April 2006.

Directors' Report cont'd

Review of Results and Operations

General Overview

Caltex Australia recorded a profit after tax (excluding individually material tax item) on a replacement cost of sales operating profit (RCOP) basis of $174.7 million for the first half of 2006 compared with $155.2 million for the first half of 2005. RCOP earnings per litre on average for all petroleum products sold was 1.8cpl for the first half of 2006 compared with 1.7cpl for the first half of 2005.

The Caltex first half 2006 profit has been achieved as a result of strong refining margins which were partly offset by the impact of the delay in the now completed Clean Fuels Project. Refining and Marketing improvement programs delivered further benefits. This result reflected a strong operational performance across the business, sales volumes remained steady in a contracting market and reliable supply was maintained to our customers through the Clean Fuels transition period.

In Refining, during the first half of 2006 the diesel hydrotreating units at both refineries underwent major rebuilds (Lytton completed in March and Kurnell completed in May) in preparation for the transition to cleaner fuels. However, lower planned refinery shutdown activity, compared to 2005, resulted in sales from production higher at 5.1 billion litres (1H05: 4.8 billion litres). The financial impact of the higher production was approximately A$26 million before tax.

On a US dollar basis, the Caltex Refiner Margin (CRM)[1] was significantly higher in the first half of 2006 at approximately US$10.62 per barrel (versus US$7.28 in 1H05). However, margins were negatively affected by timing lags between a US$14 a barrel (or 24%) rise in the Tapis crude oil price during the six months ended June 2006 and prices for refined product in the Australian market. The financial impact during the period of these pricing lags equates to approximately A$37 million before tax.

Record refining margins across Petrol (1H06: US$6.72/bbl, 1H05: US$4.61/bbl), Diesel (1H06: US$16.07/bbl based on 50ppm, 1H05: US$10.76/bbl based on 500ppm) and Jet (1H06: US$11.48/bbl, 1H05: US$10.61/bbl) were a reflection of strong global demand, limited regional refining capacity due to maintenance programs and reduction in Chinese exports compared to the first half of 2005.

On an historical cost basis (including inventory gains, but excluding individually material tax item), Caltex recorded an after tax profit of $276.7 million for the first half of 2006 compared with $237.4 million for the first half of 2005. This included inventory gains of $102.0 million after tax, compared with inventory gains of $82.2 million after tax in the first half of 2005.

Net debt at 30 June 2006 was $721 million, up from $429 million at 31 December 2005. The increase was due to higher working capital requirements driven by crude oil price increases and a planned shutdown at Kurnell Refinery in May/June, as well as funding requirements for the Clean Fuels Project. A temporary rise in net debt was anticipated. It is expected that net debt will return to target levels by year end.

[1] The Caltex Refiner Margin (CRM) represents the difference between the cost of importing a standard Caltex basket of products to Eastern Australia and the cost of importing the crude oil required to make that product basket. The CRM calculation represents: average Singapore refiner margin + product quality premium + crude discount/(premium) + product freight - crude freight - yield loss.

Directors' Report cont'd

Marketing

The Marketing department promotes and sells Caltex fuels, lubricants, specialties and convenience store goods through a national network of 1,842 Caltex, Caltex Woolworths and Ampol branded service stations and 61 branded resellers. Marketing also sells directly to a large number of commercial customers.

Caltex maintained sales and market leadership position despite the petrol market contracting slightly due to higher prices. Total transport fuels sales volume for first half of 2006 was in line with first half of 2005.

Diesel sales volume grew by 2.4% in the first half of 2006, compared with the same period for the previous year driven by economic activity.

Premium fuel sales volume decreased by 9.6% compared with the first half of 2005, due to higher product prices depressing customer demands. Caltex continues to rollout high octane premium unleaded petrol Vortex 98 in QLD, NSW and Victoria.

There was also growth in specialty sales volume, which was 9.6% higher in the first six months of 2006 compared with the first half of 2005, with fuel oil representing a significant portion of this increase. Non-fuel income increased by 12% compared with the same period last year. Caltex is now the number one convenience retailer in Australia with a 31.9% market share and shop sales that continue to grow.

Refining and Supply

Caltex's Refining and Supply functions purchase crude oil, arrange its transportation to the company's refineries, refine the crude into petrol, diesel, jet and specialty products, distribute the products to a network of terminals around Australia and buy and sell products and schedule product movements to meet marketing sales.

The Clean Fuels Project has been completed in the first half of 2006. This involved the construction or re-building of four major processing units which produce cleaner fuels with reduced benzene in petrol and sulphur in diesel thereby cutting air pollution and meeting the standards required by the Australian government. The delay in the completion of this project from 2005 impacted on the operation of the refineries resulting in refining utilisation and transport fuel production being restricted to near first half 2005 levels which were limited by major shutdown activities. Caltex maintained reliable supply to our customers through this transition period thanks to excellent planning and scheduling functions within Refining and Supply. Record numbers of shipping movements with additional imports and exports were handled without incident.

Caltex's refinery improvement program launched in late 2004 to lift the productivity of refining operations has continued. An additional bitumen tank has been completed at the Kurnell refinery enhancing service to our customers.

One of the two catalytic cracker units at the company's Kurnell refinery was shut down for 53 days from late April to early June for planned maintenance.

In February, a series of events were held at the Kurnell refinery to celebrate 50 years of Caltex refining in Australia.

Directors' Report cont'd

Outlook

The first half of 2006 was quite volatile. In Refining, completion of our Clean Fuels Project occurred as refiner margins moved across a wide range, while higher product prices created a difficult operating environment in the market place.

Over the coming months, we will continue to drive towards zero incidents with the safety of our employees and contractors paramount in everything we do. In addition, we continue to be focused on meeting and exceeding our customers' requirements.

Operationally, the continued growth in demand in the Asian region will continue to support robust refiner margins. However we can expect the volatility that we have experienced over the past 12 months to persist. In the Australian market, continuation of high product prices will provide an increasingly competitive environment, but our Marketing operations have proven their resilience in these conditions.

We have commenced work on further developing a long-term vision for Caltex. A project team is examining opportunities to expand refining operations to process a broader range of crude oils, meet the strong increase in the demand for diesel with an increase in production capacity, and increase the use of biofuels. The project team will work over the next 12 to 18 months to develop the strategy to position Caltex even better for the future

Dividends declared

The Board declared an interim fully franked dividend of $86 million or 32 cents per share. The record date will be 8 September 2006 with the dividend payable on 29 September 2006.

This dividend is in line with our stated policy to maintain a payout ratio of 40 – 60% of RCOP after tax, excluding individually material tax item.

However, the declaration and the amount of any dividends are at the sole discretion of the Board and are dependent on the company's earnings, cash flow requirements, financial conditions at that time and available franking credits.

Significant Events after Balance Date

No items, transactions or events of a material or unusual nature that, in the opinion of the Board, are likely to significantly affect the operations of Caltex, the results of those operations or the state of affairs of the group in subsequent financial years, have arisen in the period from 30 June 2006 to the date of this report.

Likely Developments

Business Operations
Caltex will continue to purchase, refine, distribute and market petroleum products and operate convenience stores throughout Australia.

Directors' Report cont'd

Lead Auditor's Independence Declaration under Section 307C of the Corporation Act 2001 to the directors of Caltex Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 June 2006 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Steven Gatt
Partner

Sydney, 25 August 2006

Rounding of Amounts

Caltex Australia Limited is an entity to which the Australian Securities and Investments Commission (ASIC) Class Order CO 98/100 applies and, in accordance with the relief afforded by the class order, amounts have been rounded off to the nearest thousand dollars (unless otherwise stated).

The Directors' Report is made in accordance with a resolution of the Board of Caltex Australia Limited:

RFE (Dick) Warburton AO Chairman	DF (Des) King Managing Director and Chief Executive Officer

Sydney, 25 August 2006

Directors' Declaration

The Board of Caltex Australia Limited has declared that:

- in the directors' opinion, there are reasonable grounds to believe that Caltex Australia Limited will be able to pay its debts as and when they become due and payable; and
- in the directors' opinion, the financial statements for the half year ended 30 June 2006 and notes are in accordance with the Corporations Act 2001 (Cth), including:
    - section 304 (compliance with Accounting Standards); and
    - section 305 (true and fair view).

The Directors' Declaration is made in accordance with a resolution of the Board of Caltex Australia Limited:

RFE (Dick) Warburton AO Chairman	DF (Des) King Managing Director and Chief Executive Officer

Sydney, 25 August 2006

Independent Review Report

Independent review report to the members of Caltex Australia Limited

Scope

We have reviewed the financial report of Caltex Australia Limited ("the Company") for the half-year ended 30 June 2006, consisting of the condensed consolidated income statement, balance sheet, statement of recognised income and expense, cash flows, accompanying notes 1 to 16 and the directors' declaration set out in the 2006 Half Year Financial Report. The financial report includes the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of the half-year or from time to time during the half-year. The Company's directors are responsible for the financial report.

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and other mandatory financial reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows and in order for the Company to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Caltex Australia Limited is not in accordance with:

(a) the Corporations Act 2001, including:

i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2006 and of its performance for the half-year ended on that date; and

ii. complying with Australian Accounting Standard AASB 134 Interim Financial Reporting, and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

KPMG

Steven Gatt
Partner

Sydney, 25 August 2006

Condensed Consolidated Income Statement

for the half year ended 30 June 2006

Thousands of dollars	Note	Consolidated 30 June 2006	Consolidated 30 June 2005
Revenue from sale of goods		**9,874,891**	7,523,343
Replacement cost of goods sold (excluding product duties and taxes and inventory gains)		**(7,255,974)**	(4,955,487)
Product duties and taxes		**(2,154,689)**	(2,170,169)
Inventory gains		**145,654**	117,400
Cost of goods sold - historical cost		**(9,265,009)**	**(7,008,256)**
Gross profit		**609,882**	515,087
Other revenue	2	**96,659**	92,243
Refining and supply expenses		**(7,838)**	(13,492)
Marketing expenses		**(259,783)**	(223,718)
Borrowing costs	3	**(20,322)**	(16,403)
Other expenses		**(23,997)**	(25,302)
Share of net profit of entities accounted for using the equity method		**2,543**	1,575
Profit before income tax expense		**397,144**	329,990
Income tax expense		**(120,092)**	(70,947)
Net profit		**277,052**	259,043
Net profit attributable to minority interest		**(383)**	(767)
Net profit attributable to members of the parent entity		**276,669**	258,276
Basic and diluted earnings per share:			
Historical cost - cents per share (i)	5	**102.5**	95.7

(i) Replacement cost excluding individually material tax item earnings per share is disclosed in note 5.

The consolidated income statement is to be read in conjunction with the 2005 Financial Report and the notes to the financial statements.

Condensed Consolidated Balance Sheet

as at 30 June 2006

		Consolidated	
Thousands of dollars	**Note**	**30 June 2006**	**31 December 2005**
Current assets			
Cash and cash equivalents		**34,390**	28,484
Receivables		**906,160**	826,075
Inventories		**1,249,692**	1,044,805
Other		**32,749**	25,451
Total current assets		**2,222,991**	1,924,815
Non-current assets			
Receivables		**4,095**	5,134
Investments accounted for using the equity method		**27,179**	26,016
Other investments		**15**	21
Intangibles		**42,631**	41,656
Property, plant and equipment		**2,193,902**	2,076,279
Other		**10,790**	4,627
Total non-current assets		**2,278,612**	2,153,733
Total assets		**4,501,603**	4,078,548
Current liabilities			
Payables		**1,210,796**	1,230,895
Interest bearing liabilities	7	**41,889**	68,829
Current tax liabilities		**39,980**	97,888
Provisions		**74,706**	80,427
Total current liabilities		**1,367,371**	1,478,039
Non-current liabilities			
Payables		**5,132**	5,509
Interest bearing liabilities	7	**713,390**	389,130
Deferred tax liabilities		**21,963**	10,042
Provisions		**58,611**	57,373
Total non-current liabilities		**799,096**	462,054
Total liabilities		**2,166,467**	1,940,093
Net assets		**2,335,136**	2,138,455
Equity			
Issued capital	8	**543,415**	543,415
Treasury stock	16	**(2,801)**	(2,664)
Reserves	16	**3,757**	4,205
Retained earnings	16	**1,780,918**	1,583,835
Total parent entity interest		**2,325,289**	2,128,791
Minority interest	16	**9,847**	9,664
Total equity		**2,335,136**	2,138,455

The consolidated balance sheet is to be read in conjunction with the 2005 Financial Report and the notes to the financial statements.

Condensed Consolidated Statement of Recognised Income and Expense

for the half year ended 30 June 2006

	Consolidated	
Thousands of dollars	**30 June 2006**	**30 June 2005**
Net profit	**277,052**	259,043
Actuarial gain/(loss) on defined benefit plans	**4,114**	(5,276)
Adjustment on change of accounting policy	**-**	566
Cash flow hedge fair value gains	**165**	335
Total recognised income for the period	**281,331**	254,668
Attributable to:		
Equity holders of the parent entity	**280,948**	253,901
Minority interest	**383**	767
Total recognised income for the period	**281,331**	254,668
Total equity at the beginning of the year	**2,138,455**	1,645,319
Total recognised income for the year	**281,331**	254,668
Adjustment on change of accounting policy	**-**	(100)
Own shares acquired	**(2,843)**	(2,716)
Expense on equity settled transactions	**2,093**	1,142
Dividends to minority interest	**(200)**	-
Dividends to shareholders	**(83,700)**	(67,500)
Total equity at the end of the period	**2,335,136**	1,830,813

The consolidated statement of recognised income and expense is to be read in conjunction with the 2005 Financial Report and the notes to the financial statements.

Condensed Consolidated Cash Flow Statement

for the half year ended 30 June 2006

Thousands of dollars	Consolidated 30 June 2006	30 June 2005
Cash flows from operating activities		
Receipts from customers	**11,156,160**	8,353,253
Payments to suppliers, employees and governments	**(10,951,092)**	(8,010,960)
Dividends and disbursements received	**1,073**	1,649
Interest received	**1,236**	1,805
Interest and other borrowing costs paid	**(28,125)**	(21,860)
Income taxes paid	**(168,227)**	(148,608)
Net operating cash inflows	**11,025**	175,279
Cash flows from investing activities		
Deferred payment for purchase of controlled entities	**-**	(333)
Purchases of property, plant and equipment	**(198,235)**	(158,175)
Major cyclical maintenance	**(23,346)**	(28,277)
Purchase of intangibles	**(3,608)**	(5,912)
Proceeds/(Loss) from sale of property, plant and equipment	**5,950**	(1,975)
Loans repaid from associated entities	**956**	1,000
Net investing cash outflows	**(218,283)**	(193,672)
Cash flows from financing activities		
Proceeds from borrowings	**4,827,660**	2,623,761
Repayments of borrowings	**(4,530,130)**	(2,519,690)
Repayment of finance lease principal	**(466)**	(909)
Dividends paid to minority interest	**(200)**	(200)
Dividends paid	**(83,700)**	(67,500)
Net financing cash outflows	**213,164**	35,462
Net increase in cash and cash equivalents	**5,906**	17,069
Cash and cash equivalents at the beginning of the year	**28,484**	14,196
Cash and cash equivalents at the end of the period	**34,390**	31,265

The consolidated cash flow statement is to be read in conjunction with the 2005 Financial Report and the notes to the financial statements.

Notes to the Financial Statements

for the half year ended 30 June 2006

1 Statement of significant accounting policies

The 2006 Half Year Financial Report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 (Cth), Accounting Standard AASB 134 "Interim Financial Reporting", the recognition and measurement requirements of applicable AASB standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views. This half year financial report is to be read in conjunction with the 2005 Financial Report and any public announcements by Caltex Australia Limited during the half year in accordance with continuous disclosure obligations under the Corporations Act 2001 (Cth) and the Australian Stock Exchange (ASX) listing rules. The 2006 Half Year Financial Report was authorised for issue by the directors on 25 August 2006.

The 2006 Half Year Financial Report has been prepared on an historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments held for trading.

The accounting policies have been consistently applied by each entity in the Caltex Australia Group. These are consistent with those applied as part of the 31 December annual financial report and are in accordance with the Australian equivalents to International Financial Reporting Standards (A-IFRS). The half year financial report does not include full note disclosures of the type normally included in an annual financial report.

	Consolidated	
Thousands of dollars	30 June 2006	30 June 2005
2. Other revenue		
Rental income	**15,126**	16,157
Royalties and franchise income	**48,154**	45,717
Other income	**31,986**	28,535
	95,266	90,409
Borrowing income		
Other corporations	**1,393**	1,834
	96,659	92,243
3. Costs and expenses		
Borrowing costs:		
Interest expense	**28,617**	19,497
Finance charges on capitalised leases	**932**	973
Gain on fair value derivative	**(236)**	1,604
Less:		
Capitalised borrowing costs	**(8,991)**	(5,671)
Borrowing costs	**20,322**	16,403
Depreciation and amortisation:		
Amortisation of intangibles	**2,633**	1,171
Depreciation and amortisation (excluding intangibles)	**68,209**	60,813
Total amortisation and depreciation expense	**70,842**	61,984
Selected expenses:		
Operating leases rental expense	**35,934**	40,365
Net loss/ (gain) on disposal of non current assets	**2,793**	10,044

4. Dividends

Dividends declared or paid

Dividends recognised in the current year by Caltex Australia Limited are:

	Date of payment	Franked/ unfranked	Cents per share	**Total amount $'000**
2006				
Final 2005	31 March 2006	Franked	31	**83,700**
Total amount				**83,700**
2005				
Interim 2005	30 September 2005	Franked	15	**40,500**
Final 2004	1 April 2005	Franked	25	**67,500**
Total amount				**108,000**

Franked dividends paid during the year were franked at the tax rate of 30%.

Subsequent events

Since 30 June 2006, the directors declared the following interim dividend.

The interim dividend has not been provided.

Interim 2006	29 September 2006	Franked	32	**86,400**

Notes to the Financial Statements

for the half year ended 30 June 2006 cont'd

	Consolidated	
	30 June 2006	30 June 2005
5. Basic and diluted earnings per share		
Historical cost - cents per share	**102.5**	95.7
Replacement cost excluding individually material tax item - cents per share	**64.7**	57.5

The calculation of historical cost basic earnings per share for the half year ended 30 June 2006 was based on the net profit attributable to ordinary shareholders of the parent entity of $276,699,000 (2005: $258,276,000) and a weighted average number of ordinary shares outstanding during the half year ended 30 June 2006 of 270 million shares (2005: 270 million shares).

The calculation of replacement cost basic earnings per share for the half year ended 30 June 2006 was based on the net replacement cost profit attributable to ordinary shareholders of the parent entity of $174,711,000 (2005: $155,242,000) and a weighted average number of ordinary shares outstanding during the half year ended 30 June 2006 of 270 million shares (2005: 270 million shares).

There are no dilutive potential ordinary shares, and therefore diluted earnings per share equals basic earnings per share.

6. Individually material tax item

Deferred tax balances

Following the passing of Tax Law Amendment Bill (2004 Measures No. 6) by the Senate in early 2005, further allowable depreciable deductions of $70 million are available to Caltex. This resulted in a reduction of $21 million in the deferred tax liability and income tax expense for the period ended 30 June 2005.

	Consolidated	
Thousands of dollars	30 June 2006	31 December 2005
7. Interest bearing liabilities		
Current - unsecured		
Bank loans (i)	**41,000**	68,000
Lease liabilities (iii)	**889**	829
	41,889	68,829
Non-current - unsecured		
US notes (i)	**292,297**	296,360
Bank loans (i)	**350,000**	25,000
Hedge payable (ii)	**63,350**	59,522
Lease liabilities (iii)	**7,743**	8,248
	713,390	389,130

(i) The bank loans and the US notes are provided by a number of banks and the capital markets. The majority of interest rates on these loans and notes are on a floating rate basis. Maturity dates of the committed loans and notes vary from July 2007 to July 2012. Under the loan and note agreements, the Caltex Australia Group is required to comply with certain financial covenants. There is no security or demand placed on the bank loans and US notes. The bank loans are denominated in Australian dollars, and US notes are denominated in Australian and US dollars.

(ii) The hedge payable is disclosed within interest bearing liabilities as the hedge was entered into solely as a result of the US dollar borrowings and is inextricably linked to the debt. The amount mainly represents the impact of the movement in the exchange rate from the date of inception (30 July 2002, USD exchange rate 0.5643) to 30 June 2006 (USD exchange rate 0.7394), on the amount hedged (USD136 million).

(iii) The implicit rate of interest on finance leases is 14.0% p.a. (2005: 14.0% p.a.).

8. Issued capital		
Ordinary shares		
270 million (2005: 270 million) ordinary shares, fully paid	**543,415**	543,415

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of the winding up of Caltex Australia Limited, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

Notes to the Financial Statements

for the half year ended 30 June 2006 cont'd

9. Contingent liabilities

The details and estimated maximum amounts of contingent liabilities (for which no provisions are included in the financial report) are set out below.
The directors are not aware of any circumstance or information which would lead them to believe that these liabilities will crystallise and consequently no provisions are included in the financial report in respect of these matters.

a	**Contingent liabilities - legal and other claims**	**1,000**	1,000

In the ordinary course of business, Caltex is involved as a defendant in legal proceedings. Where appropriate, Caltex takes legal advice. The group does not consider that the outcome of any current proceedings is likely to have a material effect on its operations or financial position.

A liability has been recognised for any known losses expected to be incurred where such losses are capable of reliable measurement.

Taxation

The Australian Taxation Office has served a statutory demand on Caltex to pay an amount of $48.7 million in excise duty.
This sum would be tax deductible to Caltex. The ATO has formed the view that the excise duty should be paid in relation to certain liquid fuel by-products used in the refining process and that Caltex should have paid the excise duty on such fuel usage over the past four years. Caltex is of the strong view that the excise duty legislation does not apply to the refineries' own use of such fuels in the refining process and has instituted legal proceedings in the Federal Court against the ATO in this regard. No liability has been recognised as at 30 June 2006, as Caltex is of the view that this legislation is not applicable to this type of fuel usage.
Due to a change in the excise legislation any future purported excise duty on this type of fuel usage ceased from 1 July 2006.

b All other contingent liabilities are consistent with the 2005 financial report.

	Consolidated	
	30 June 2006	**31 December 2005**
10. Investments accounted for using the equity method	**% interest**	
	2006	**2005**
Airport Fuel Services Pty Ltd	**40**	40
Australasian Lubricants Manufacturing Company Pty Ltd	**50**	50
Cairns Airport Refuelling Services Pty Ltd	**25**	25
Geraldton Fuel Company Pty Ltd	**50**	50
Link Energy Pty Ltd	**50**	50
Jenessa Holdings Pty Ltd	**50**	50
Northern Marketing Management Pty Ltd	**37.5**	37.5
Northern Marketing Partnership	**37.5**	37.5
R&JK Petroleum Pty Ltd	**50**	50
South Coast Fuels Pty Ltd	**50**	50
South East Queensland Fuels Pty Ltd	**50**	50
South East Queensland Fuels Unit Trust Pty Ltd	**50**	50
Vitalgas Pty Ltd	**50**	50

11. Net tangible assets per share		
Net tangible assets per share (dollars)	**8.45**	7.73

Net tangible assets are net assets attributable to members of Caltex less intangible assets. The weighted average number of ordinary shares used in the calculation of net tangible assets per share was 270 million (2005: 270 million).

12. Segment reporting
The Caltex Australia Group operates as a vertically integrated refiner and marketer of petroleum products.
The Caltex Australia Group operates within one geographic region - Australia.

13. Related Party Information
Arrangements with related parties continue to be in place. For details on these arrangements refer to the 2005 financial report.

14. Details of entities over which control has been gained or lost during the period
There were no entities over which control was gained or lost during the period.

15. Commitments

	Consolidated	
Thousands of dollars	**30 June 2006**	**31 December 2005**
Capital expenditure		
Capital expenditure contracted but not provided for in the financial report and payable:		
Within one year	**11,820**	46,833

Notes to the Financial Statements

for the year ended 31 December 2005 cont'd

Thousands of dollars

16. Reconciliation of equity

Consolidated	Issued capital	Treasury stock	Hedging reserve	Equity compensation reserve	Retained earnings	Total	Minority interest	Total equity
Balance at 1 January 2005	543,415	(2,219)	-	3,595	1,090,245	1,635,036	10,283	1,645,319
Total recognised income for the year	-	-	16	-	601,590	601,606	381	601,987
Adjustment on change of accounting policy	-	-	(100)	-	-	(100)	-	(100)
Own shares acquired	-	(2,716)	-	-	-	(2,716)	-	(2,716)
Shares vested to employees	-	2,271	-	(2,271)	-	-	-	-
Expense on equity settled transactions	-	-	-	2,965	-	2,965	-	2,965
Dividends to shareholders	-	-	-	-	(108,000)	(108,000)	(1,000)	(109,000)
Balance at 31 December 2005	543,415	(2,664)	(84)	4,289	1,583,835	2,128,791	9,664	2,138,455
Balance at 1 January 2006	**543,415**	**(2,664)**	**(84)**	**4,289**	**1,583,835**	**2,128,791**	**9,664**	**2,138,455**
Total recognised income for the year	**-**	**-**	**165**	**-**	**280,783**	**280,948**	**383**	**281,331**
Adjustment on change of accounting policy	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Own shares acquired	**-**	**(2,843)**				**(2,843)**	**-**	**(2,843)**
Shares vested to employees	**-**	**2,706**	**-**	**(2,706)**	**-**	**-**	**-**	**-**
Expense on equity settled transactions	**-**	**-**	**-**	**2,093**	**-**	**2,093**	**-**	**2,093**
Dividends to shareholders	**-**	**-**	**-**	**-**	**(83,700)**	**(83,700)**	**(200)**	**(83,900)**
Balance at 30 June 2006	**543,415**	**(2,801)**	**81**	**3,676**	**1,780,918**	**2,325,289**	**9,847**	**2,335,136**

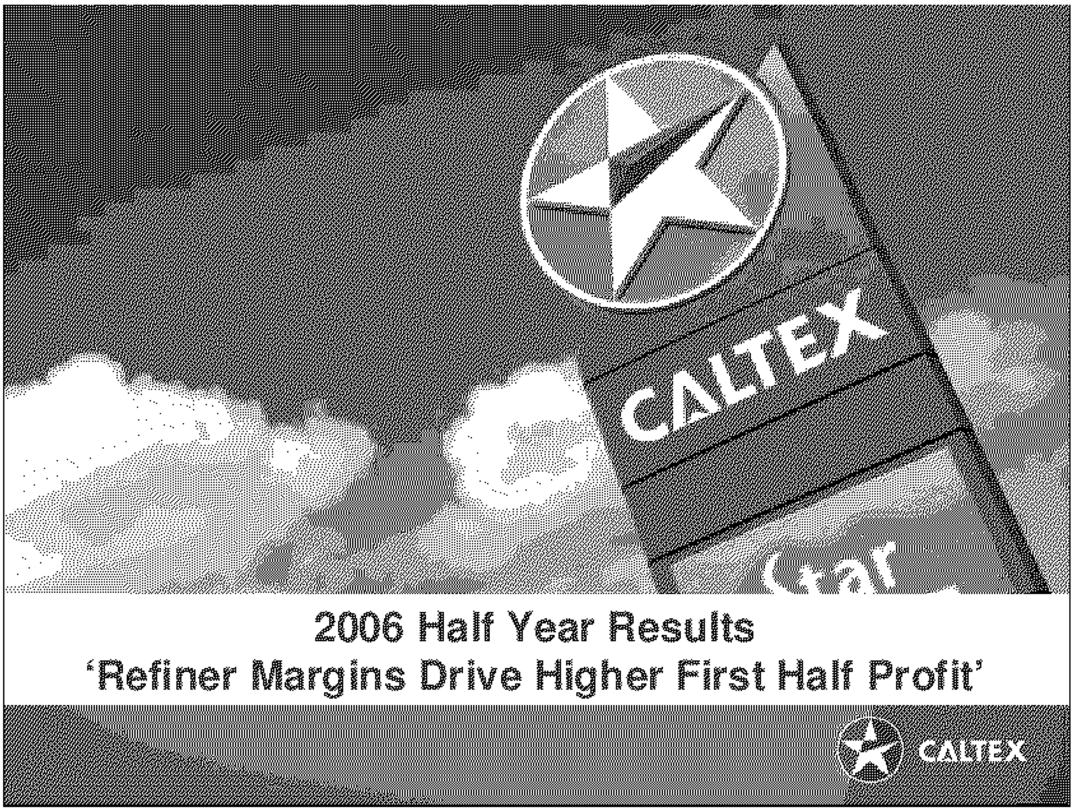
Reserves

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Equity compensation reserve

The equity compensation reserve represents the value of shares held by an equity compensation plan that the group is required to include in the consolidated financial statements. Such accounts will reverse when the underlying shares vest in the employee.



Good morning, welcome everybody and thank you for attending today. I would also like to welcome those who are taking a feed via webcast. Please note that an archive copy of the webcast should be available on caltex.com.au by the close of business today or Monday at the latest.

For those of you here in Sydney, you will have received a copy of our half year results, media release and Australian Stock Exchange announcement, together with the slides I will talk through this morning. For those taking the feed via webcast the same material is available now from both our website, caltex.com.au, and the ASX website.

I am joined in the auditorium by the Caltex management team and would like to thank the Caltex staff who assisted with the logistics this morning.

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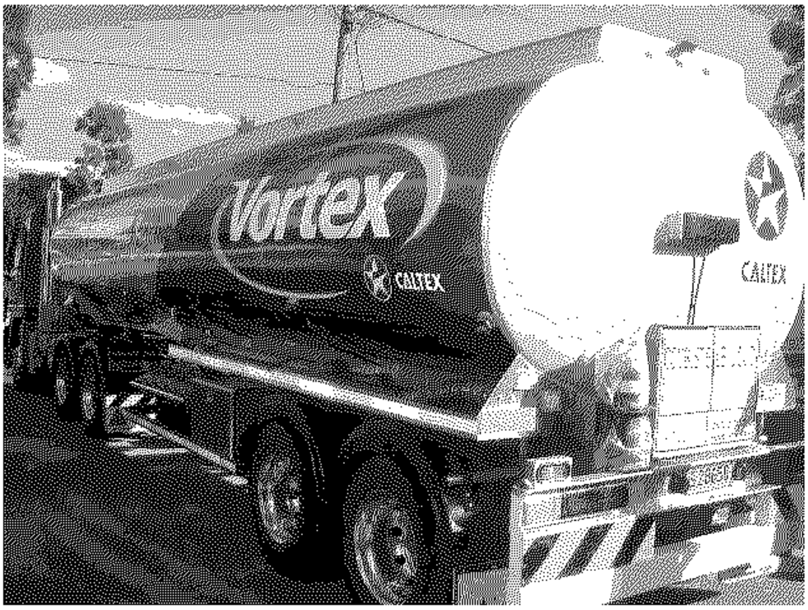
1

CALTEX

I plan to run through the highlights of the first half of 2006, and in the "Outlook" section, I will discuss our focus for the rest of 2006 and the following years. This will take about 30 minutes, and then I will open up the floor for your questions. For those taking part via webcast, you can submit questions either during the webcast or during the Q&A session.

Incident Free Operations Topic



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CALTEX

It is the custom at Caltex to commence every meeting involving 5 or more people with an Incident Free Operations Topic. Statistics show that a company with a strong safety record is also highly likely to have reliable and efficient operations.

Caltex Sydney, our reseller operation based in Western Sydney, has recently taken delivery of three new tankers. While the team at Caltex Sydney already has an enviable record of over 1000 days without a lost time injury, the selection process for these tankers emphasised our commitment to incident-free operation.

This process led to 168 individual safety items being added to the specifications of the new tankers. These include:

- Electronic level metering to eliminate the requirement for the driver to climb onto the tanker barrel;
- Driver protection features such as airbags and anti-lock disc brakes; and
- Reversing cameras (on each side of the tanker), supported by high and low mounted reversing sensors

This level of safety specification leads the industry. This is another example of how our people in Caltex are bringing to life our vision that 'zero is possible'.

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CALTEX

Slides 4 – 11 summarise the financial highlights from the first six months of 2006.

1H06 – Key Points

- $175M profit surpassed 1H05 profit performance
- Robust refiner margin supported a strong Refining result
- Strong Marketing performance in a market where higher prices caused petrol demand to contract
- Clean Fuels complete and subsequent refinery reliability has been strong. But delays had a material negative impact of $A 80 - 100M
- Higher crude prices are the major driver of higher pump prices
- Dividend of 32 cps declared

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CALTEX

The first half of this year was a challenging period for the company. Our refinery personnel worked very hard to complete and commission our four clean fuels plants, while rising international oil prices created a difficult marketing environment. The key points from the first six months are:

- Replacement Cost Net Profit after tax of $175 million – an increase of 13% on the same period last year.
- Refiner margins were volatile, but averaged around 45% higher than the same period in 2005. This underpinned the strong first half result.
- Delays in the Clean Fuels Project impacted our results by $80 to 100M (after tax).
- High pump prices negatively impacted the market, with overall petrol sales across Australia down. In this challenging environment, our marketing operations returned robust results.
- The Board has declared a fully franked interim dividend of 32 cents per share, representing a payout of 50% of our first half RCOP profit.

Summary financial results

Replacement Cost	1H2006	1H2005[1]
EBIT ($M)	270.0	226.4
NPAT ($M)	174.7	155.0[2]
EPS (cps)	64.7	57.5[2]

	30 Jun 2006	31 Dec 2005
Debt ($M)	721	429
Gearing (%)	24	17
Gearing (Lease Adjusted %)	31	26

Historic Cost	1H2006	1H2005
EBIT ($M)	415.7	343.8
NPAT ($M)	276.7	237.4[2]
EPS (cps)	102.5	85.9[2]

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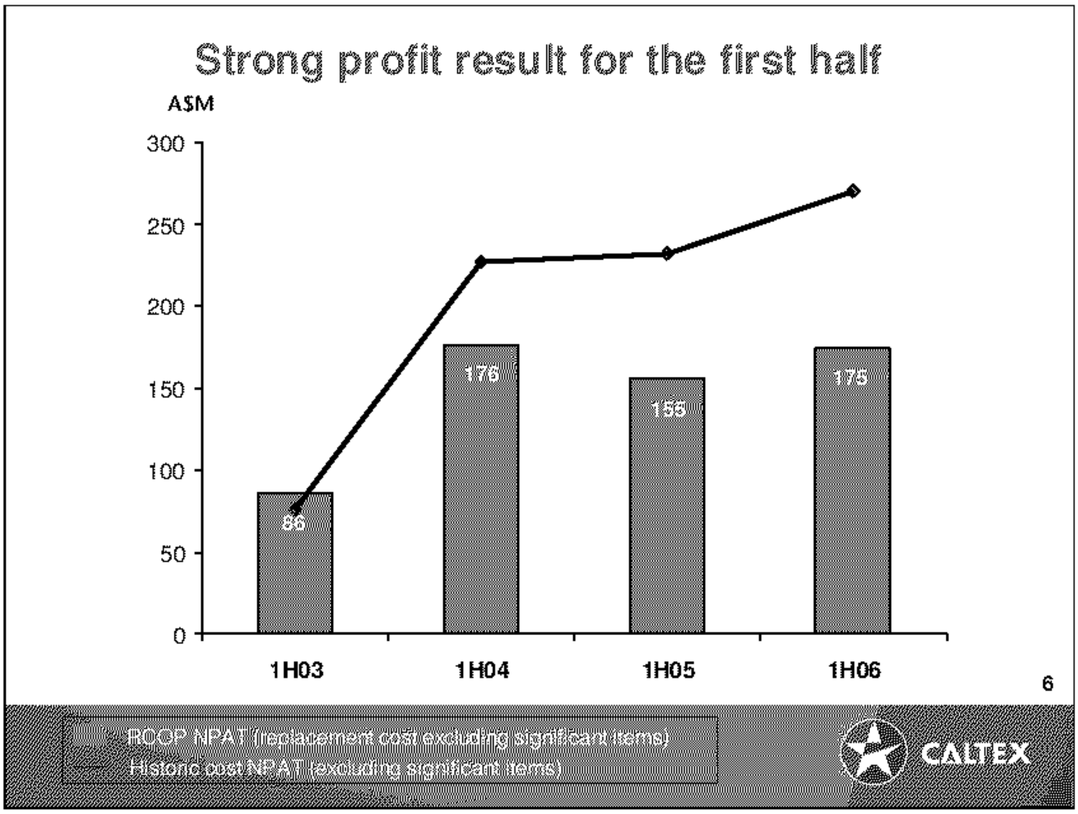
1 – 1H2005 NPAT and EPS have been adjusted to reflect the A-IFRS transition consistent with the 2005 full year financial report accounting policies
2 – Both the replacement cost and historic cost results exclude a significant credit to earnings of $20.9 million to 2005 which occurred on entry into the new tax consolidation regime.

CALTEX

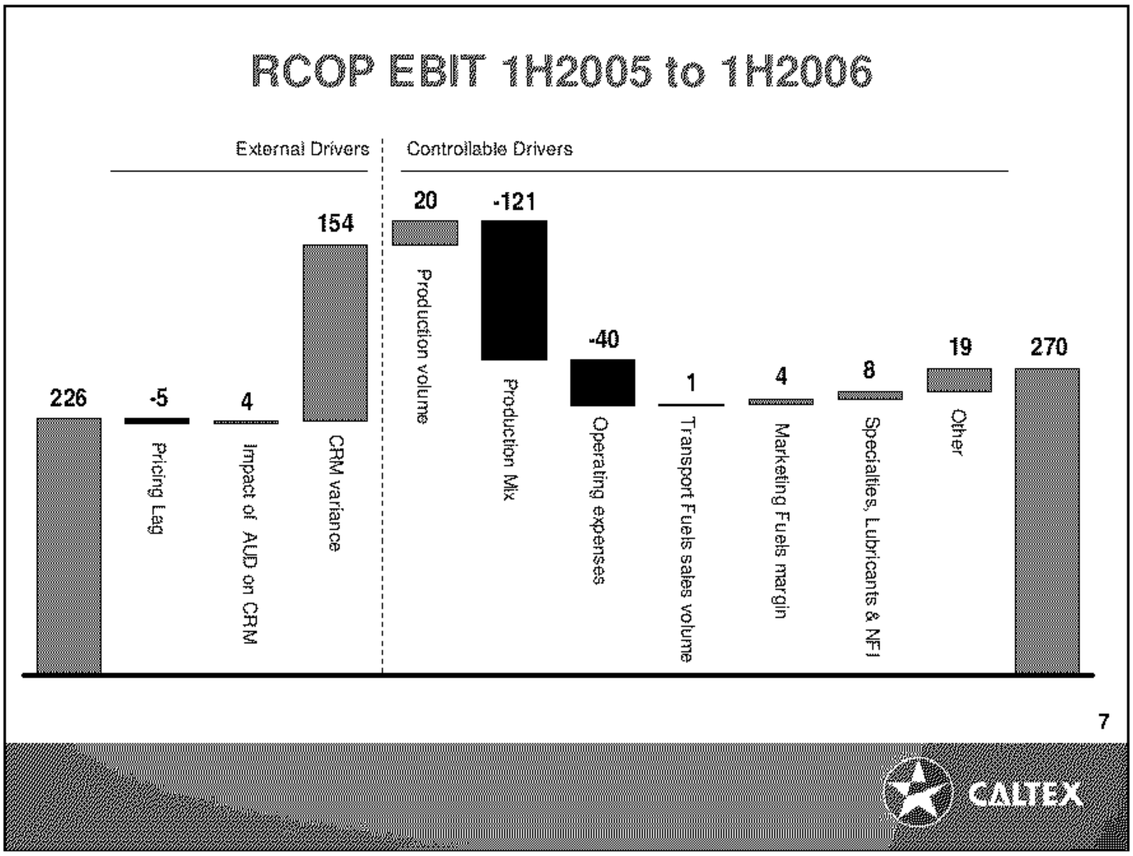
For the period ended 30 June 2006, Replacement Cost EBIT was $270 million.

Replacement Cost Net Profit After Tax was $175 million. Historic Cost Net Profit After Tax was $277 million, reflecting an inventory gain of $102 million, after tax.

As we disclosed in July, the Australian Taxation Office has served a statutory demand on Caltex to pay an amount of $48.7 million in excise duty in relation to certain liquid fuel by-products used in the refining process. No liability has been recognised as at 30 June 2006 as Caltex is of the strong view that the excise duty legislation does not apply to the refineries' own use of such fuels. Caltex has instituted legal proceedings in the Federal Court against the ATO in this regard.



The Replacement Cost Net Profit After Tax shows the underlying performance of the business. The first half 2006 profit was negatively impacted by clean fuels, but strong refiner margins underpinned the $175 million result.

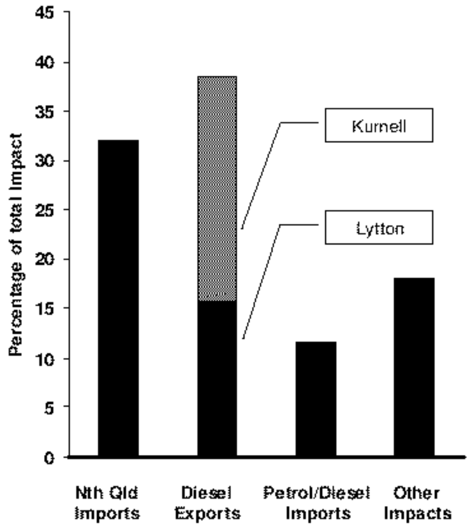


Our EBIT in the first half of 2006 was up by $44 million over the same period in 2005. The single largest contributor to this result was the increased refiner margin, especially in the second quarter due to higher than normal levels of refinery maintenance in Asia and the USA, coupled with strong global demand for product. This margin is determined by the market in Singapore.

In the areas we do control, we were able to capture an additional $13 million in Marketing EBIT benefit, while higher refinery production contributed an additional $20 million. The first half of 2006 also saw an increase in operating costs. I will expand on this later.

Overall, the major negative impact on EBIT was caused by the delay to the startup of our four clean fuels plants, which were commissioned progressively through the half year.

Clean Fuels Impacts



There are four main impacts of the clean fuels project delays:

- No variation for North Queensland – loss of refiners' margin on all imports
- Exports of high sulfur diesel streams as fuel oil blendstock
- Imports of petrol and diesel to meet the variation standards
- Other impacts including a higher diesel excise, loss of low sulfur petrol incentive and lower revenue from domestic sales

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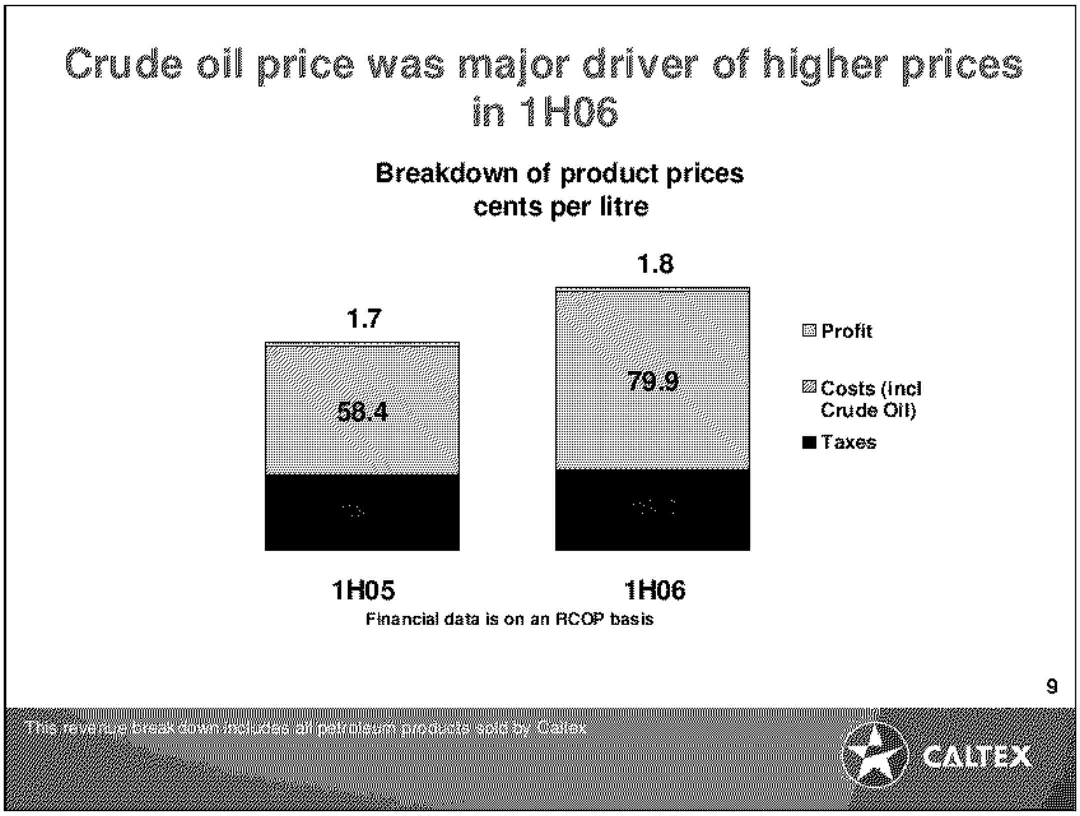
CALTEX

We have previously advised that the impact of the clean fuels delay was $80 – 100 million of NPAT. This slide gives a more detailed breakdown of the impact of the clean fuels delays.

- Caltex did not realise the refiner margin on product which needed to be imported into North Queensland in order to meet the clean fuel standards;
- There was a loss of margin as some high sulfur diesel needed to be exported as fuel oil blendstock;
- There were imports of petrol and diesel into our two refineries to ensure the product we supplied met the conditions of the variation;
- Other impacts included higher excise for higher sulphur diesel, loss of low sulfur petrol incentive, and some loss in revenue on domestic sales.

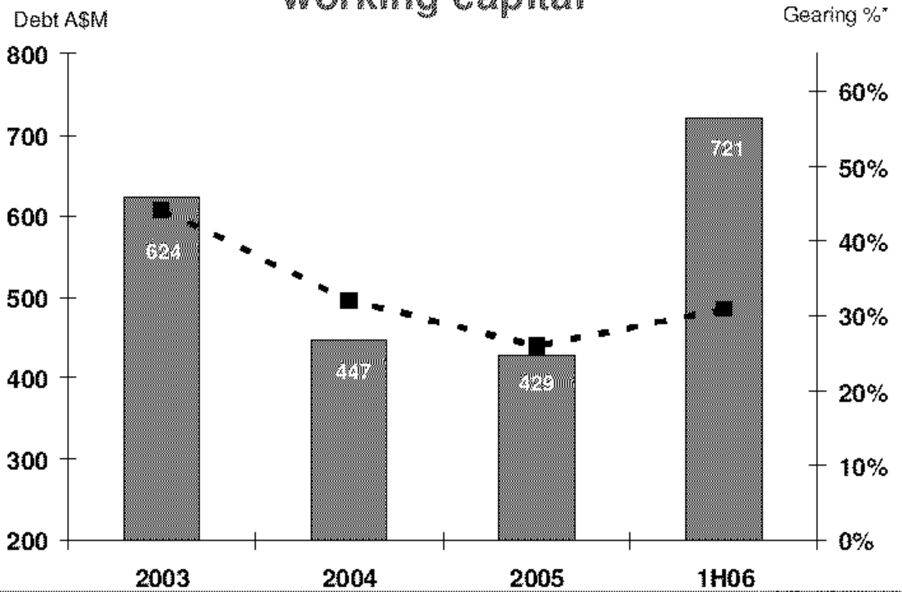
We have completed a lookback on the causes of the delays and have incorporated these learnings into our future projects, most notably the Refinery Performance Improvement Program.

I want to acknowledge the enormous effort from our employees and contractors involved in the completion and commissioning our Clean Fuels Project, and who maintained a secure supply of fuel to our customers throughout.



The price of our products increased in the first half of 2006 – an average of 24.4 cents per litre above the same period in 2005. In that time, the average profit made by Caltex across all of our products has increased by 0.1 cents per litre to 1.8 cents per litre. As you can see from this chart, the primary driver of higher fuel prices has been the increase in costs. Crude oil is a major cost for our industry, with the price increasing from $US57/bbl in December 2005 to $US71/bbl in June. This price flows through to the Singapore price of petrol, diesel and jet, and then into Australian market. Since Caltex has no crude oil production and pay the world price for the crude we refine, we do not benefit from the increasing crude oil price.

Debt and gearing impacted by Clean Fuels and working capital



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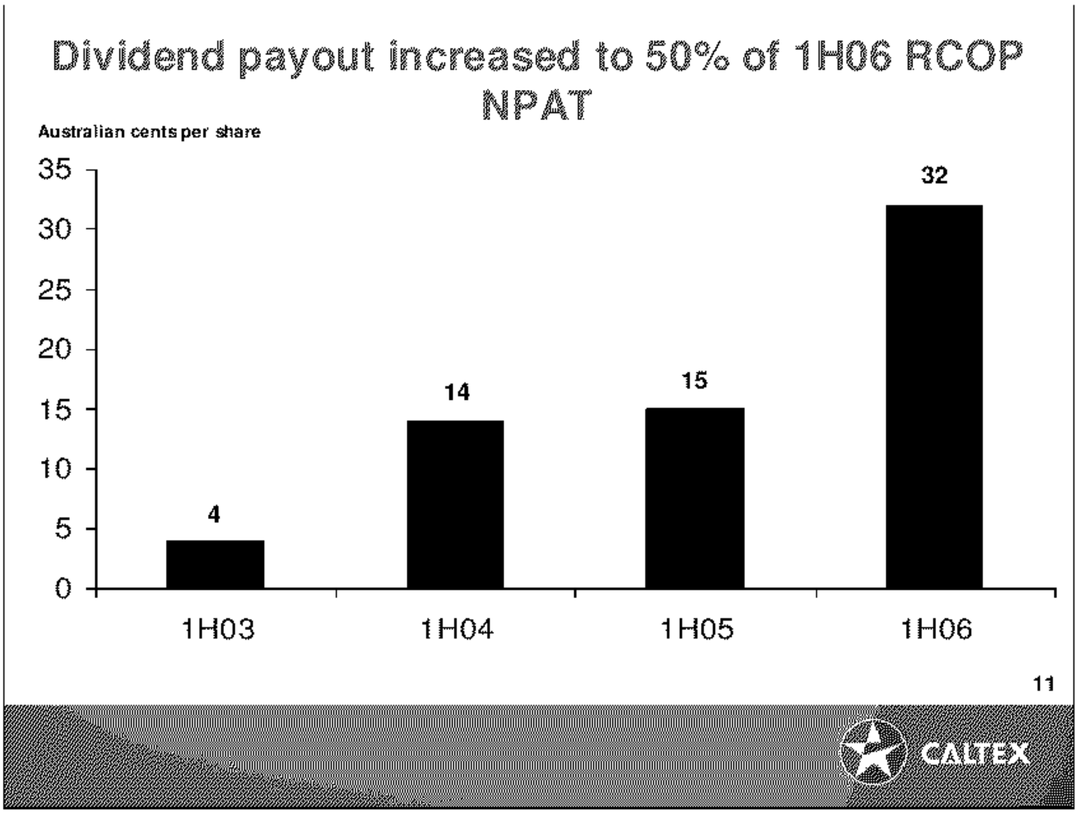
* Gearing = net debt / (net debt + equity); Net debt is calculated to includes lease liabilities

CALTEX

Net debt ended the period at $721 million, with a gearing level of around 31% on a lease adjusted basis. This is above our target level of period end debt of around $500 million. The increase is due to the capital requirements to complete the Clean Fuels Project and higher working capital arising from, firstly, the increased price of crude and products, and secondly higher than typical inventory levels at June 30 due to the planned cat cracker shutdown at Kurnell.

As inventory falls to normal levels, we anticipate net debt to be within the target range by year end.



In light of our performance, the Board has approved 32 cents per share to be paid as a fully franked interim dividend for 2006. This represents a payout ratio of 50% of our replacement cost net profit after tax.

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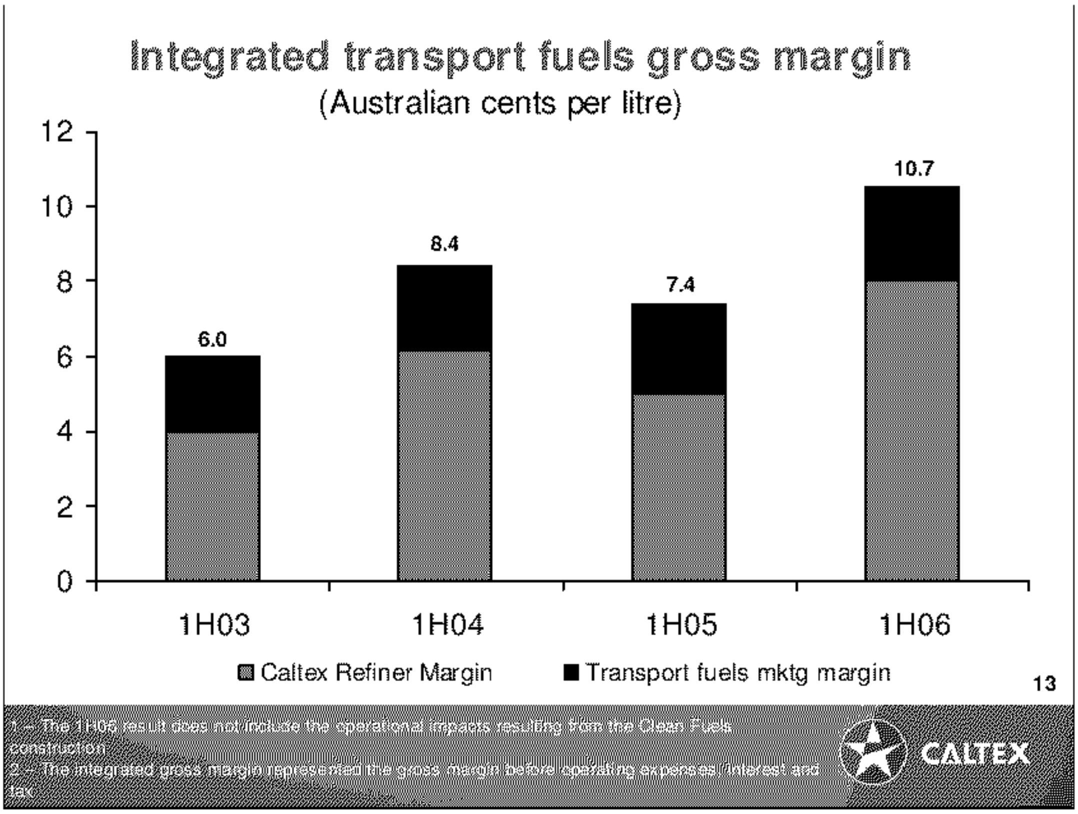
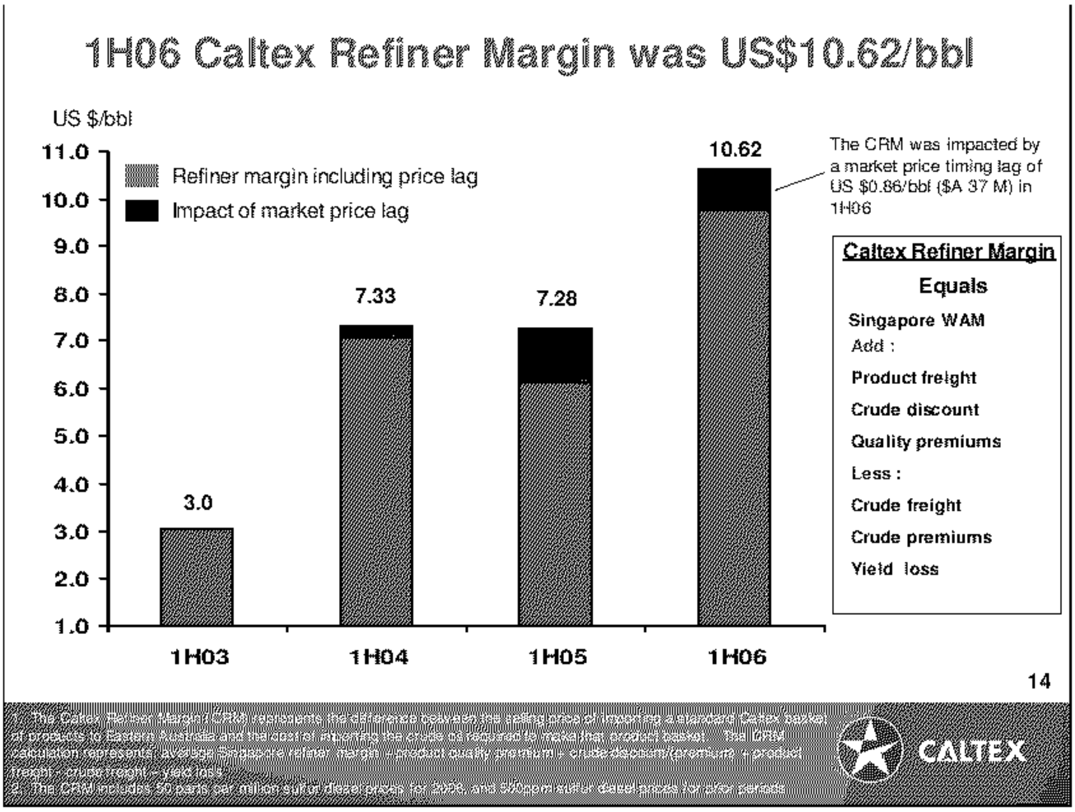
CALTEX

In slides 13 – 17 I will discuss the key profit drivers in more detail.



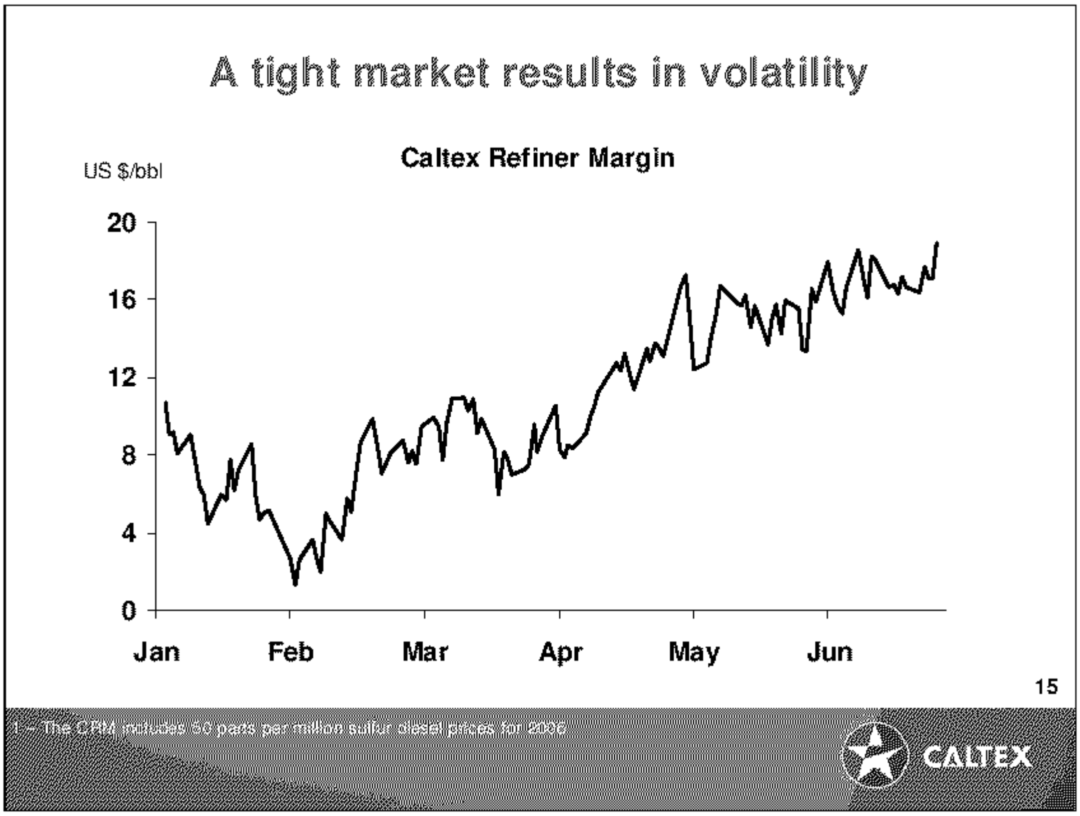
As you can see, the Caltex integrated transport fuels gross margin has increased to 10.7 cents per litre. This increase of 3.3 cents per litre from the first half of 2005 has been largely driven by rising regional refiner margins. This integrated margin is calculated on a typical yield profile from our refineries, plus the margin Marketing realised across all transport fuel sales. Since our refinery yields were not typical due to the clean fuel delays we were unable to fully capture this margin across our total production.



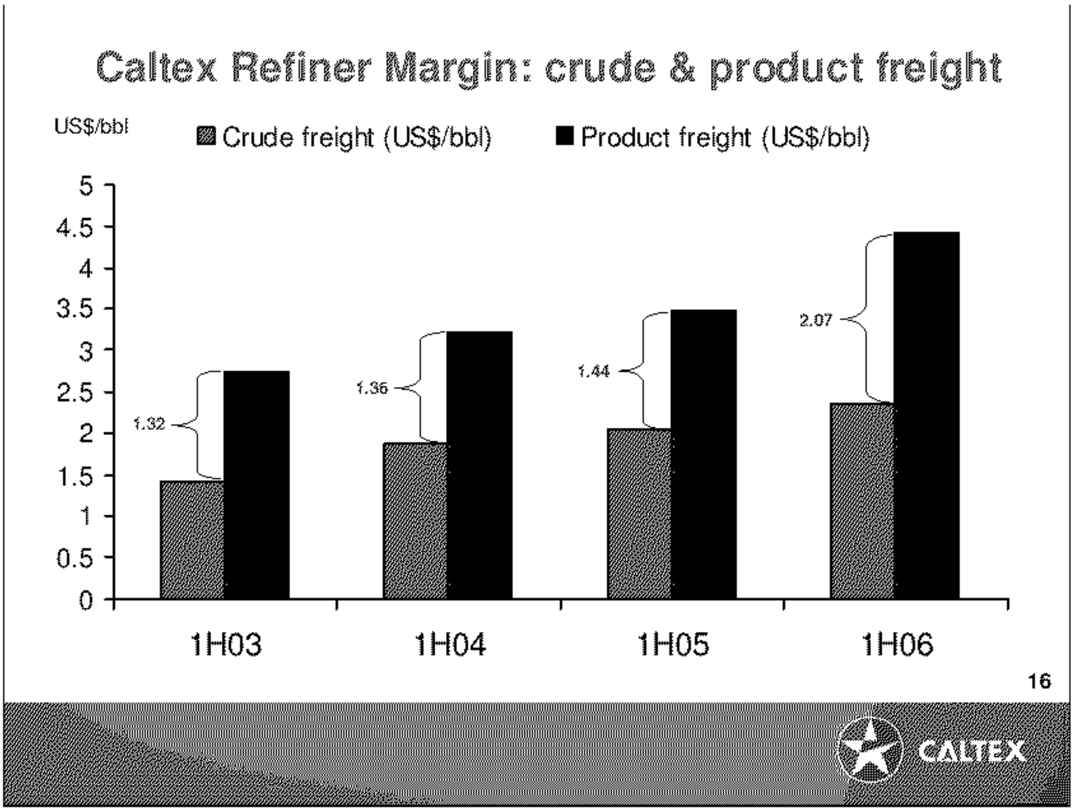
The Caltex Refiner Margin reflects the margin realised by Caltex's refineries under normal operation. The margin is based on the Singapore weighted average refiner margin, adjusted for product freight, crude freight, crude premiums or discount, product quality premiums and the average product yield at our refineries.

The average Caltex Refiner Margin for the first six months was US$10.62/bbl, over US$3/bbl higher than the same period in 2005. This margin is based on our typical production mix, which was impacted during the construction of the clean fuels plants. As a result, the realised CRM for this period was $US 7.39/bbl.

The Australian market has operated under new fuel standards in 2006. This has resulted in an increase in the price of imported products to meet these specifications. In the first half of 2006, the differential between low sulfur and ultra-low sulfur diesel has averaged around $US4.20/bbl, while for petrol the higher standards has resulted in an increased premium of around $US 1/bbl.

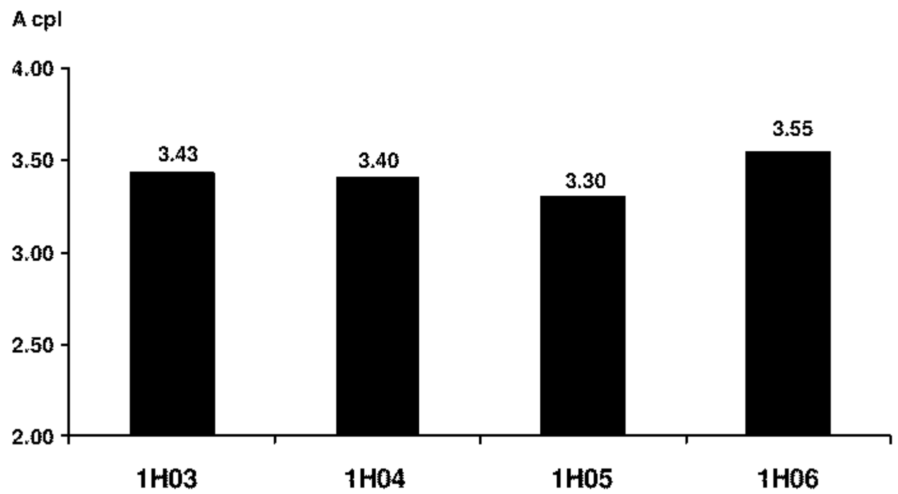


This slide shows the volatility that we experienced in the Caltex Refiner Margin in the first half. You can see in February that the margin dropped to under $US2/bbl, and at times the margin for some grades of petrol was negative – that is the price was less than the price of crude oil. In the second quarter, the margin has rebounded strongly on the back of heavy refinery maintenance in Asia and the US and strong global demand for products. In a tight global and regional market, we can expect this volatility in margins and product prices to continue.



One component of the Caltex Refiner Margin is the difference between crude freight and product freight. The differential of $US2.07/bbl for the first half of 2006 is $US 0.63/bbl higher than the first half of 2005. This was driven by tightness in shipping markets, particularly for product freight which was in high demand during the second quarter, due to heavy refinery shutdown activity through Asia and the USA.

Unit operating expenses



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* Operating expenses (cents per litre)
Excluding inland distribution costs recovered in pricing
Based on total volumes, including volumes sold to competitors under buy/sell arrangements
2004 comparative has been adjusted for the translation to A-IFRS

CALTEX

Operating expenses increased by around $40 million in the first half of 2006, compared to the same period last year. Around $10 million relates to higher depreciation and amortisation, which is largely clean fuels related. An additional $5 million relates to one-off corporate projects. The remainder primarily reflects higher maintenance costs and increased product shipping related to import and export activity during the clean fuels construction.

As with all industries, we are facing cost pressures for labour and materials, while refinery operation in the clean fuels environment will increase our costs. Additionally, our sales volumes have not grown as we forecasted, due to the impact or higher prices on consumer demand. This has impacted our unit cost base. However we are keenly aware that we must continue to drive our unit costs lower to maintain our leading position in a highly competitive market.

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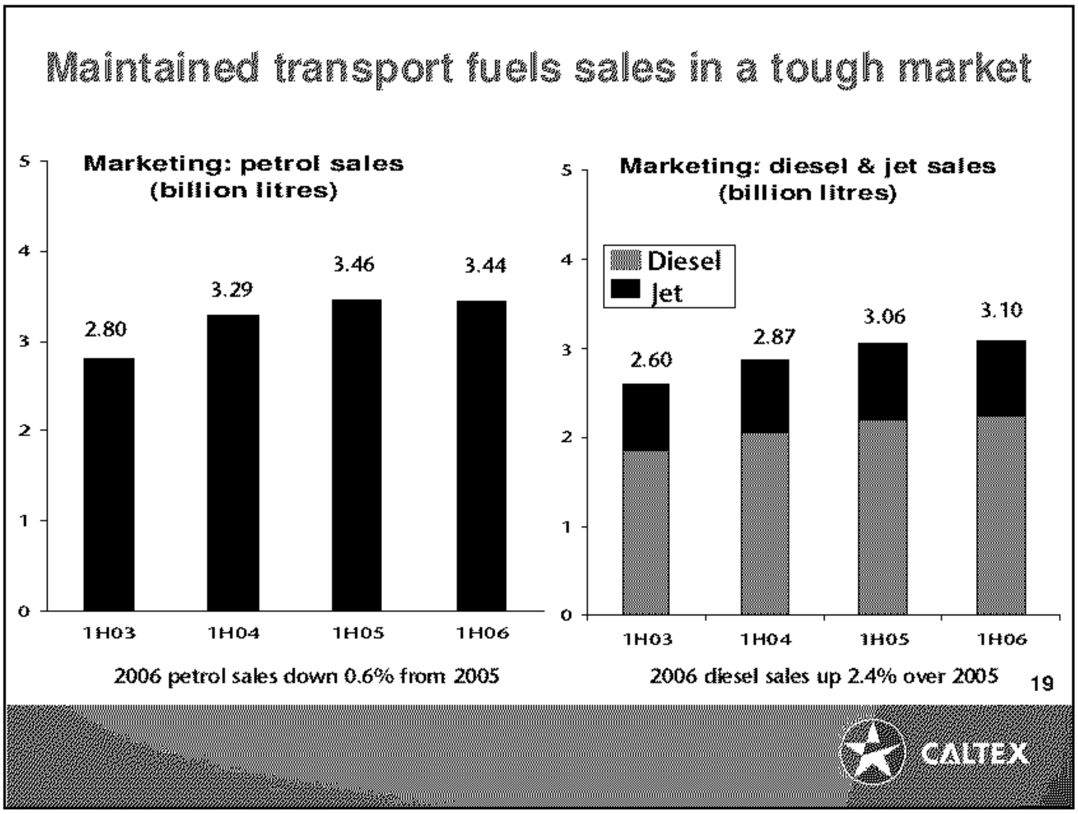
CALTEX

I will now turn to our two major operating segments, starting with Marketing.

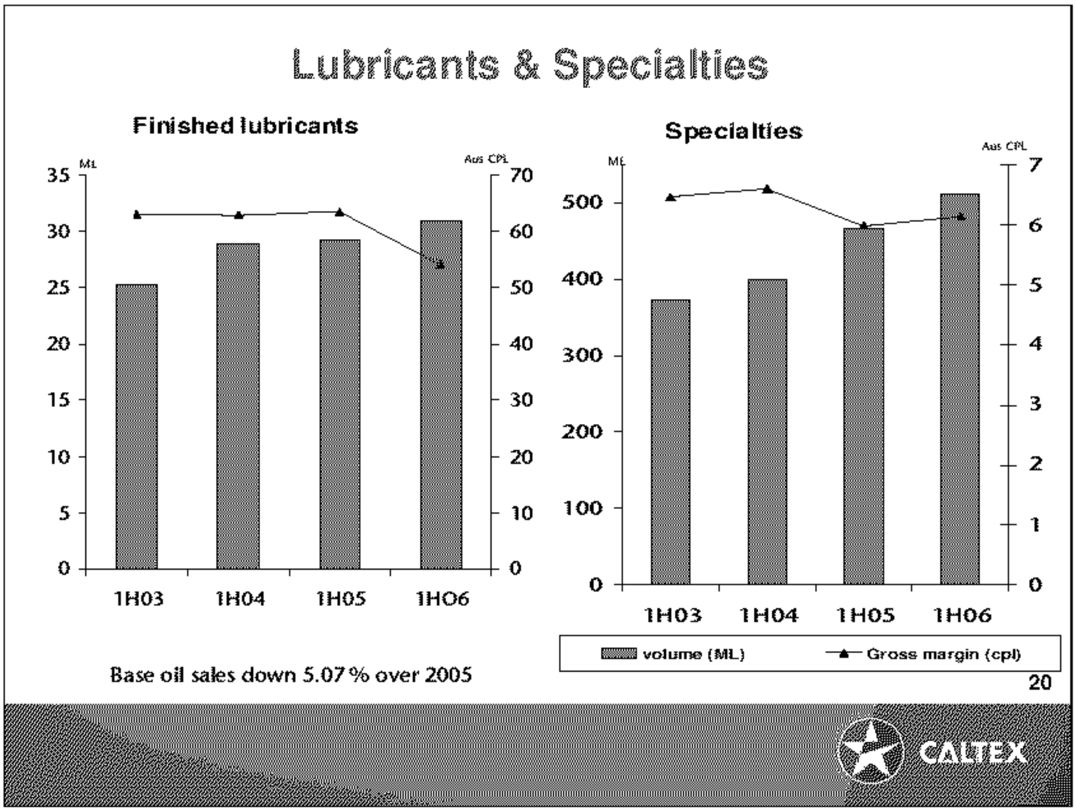


Our Marketing volumes were flat for the first half of 2006. Petrol sales fell by 0.6%, but this needs to be seen in the context of a market that contracted 2.5% to the end of May. In petrol, increases in our Woolworths venture site volumes were offset by falls at other Caltex-branded sites.

The overall diesel market grew at 5.3% on the back of strong economic growth. Our diesel volumes increased 2.4 % to around 2.2 billion litres, with growth experienced across all channels.

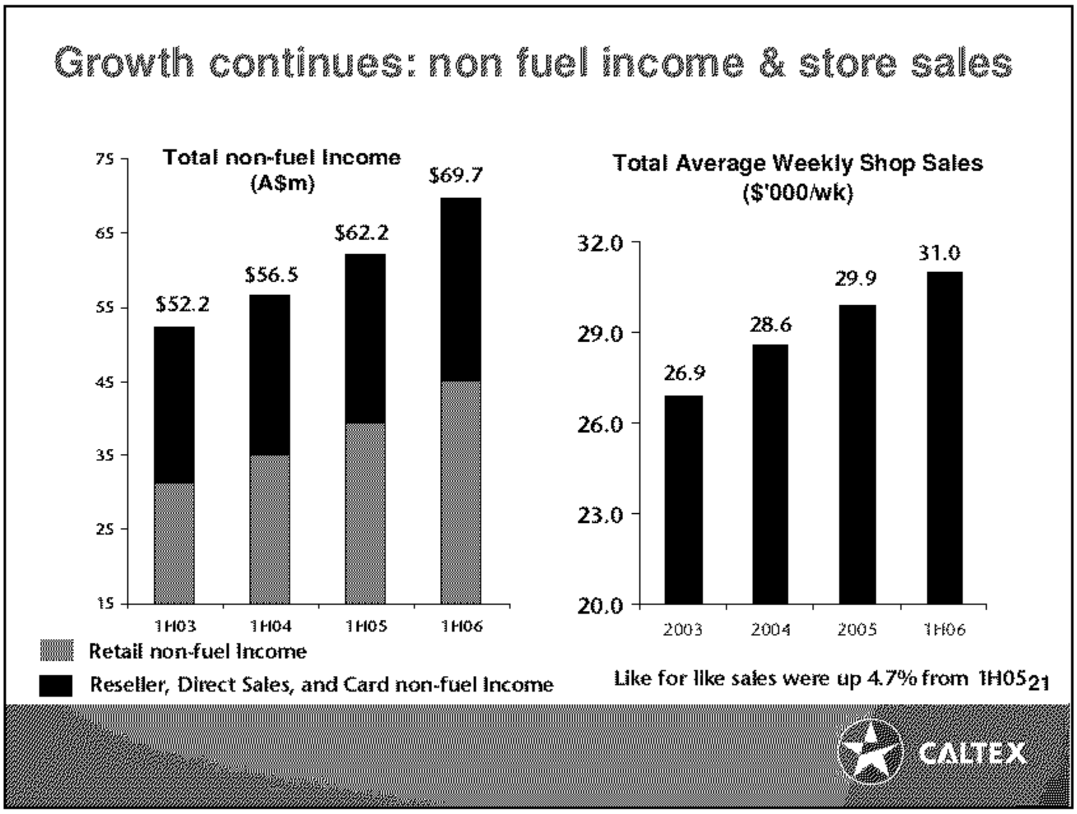
While the jet fuel market has become very competitive as our customers face increasing cost pressures, the market grew by 16% to May. Our jet fuel sales fell slightly as we chose to maintain our margins in the face of these competitive pressures.

Our biofuel sales form a small part of our total fuel sales, which we are working hard to grow. We remain committed to our targets under the Australian Government's industry action plan and will double the number of sites marketing biofuels by the end of the year to around 100.



Finished lubricant sales grew 5.9%, driven primarily by the mining and automotive segments. Production of these finished lubes from base oil produced at our Kurnell refinery, reduced material available for bulk base oil sales.

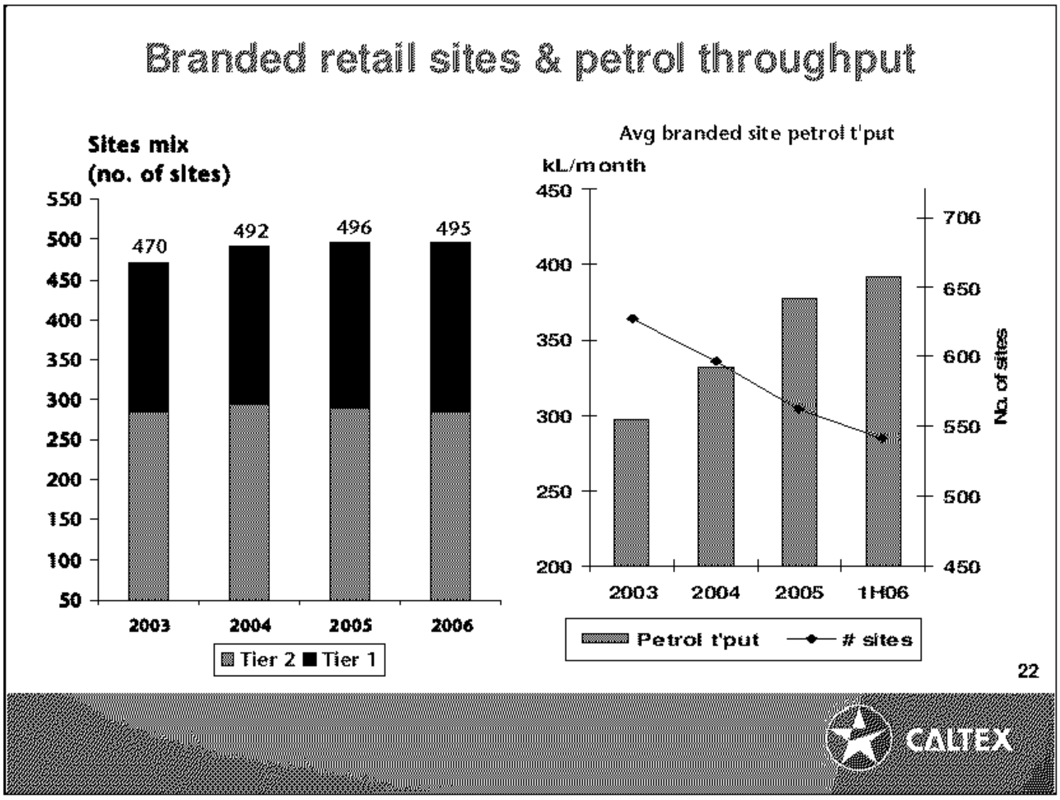
Specialities sales volumes also increased, with fuel oil representing a significant portion of this increase as we completed the clean fuels plants. We expect fuel oil volumes will fall to normal levels in the second half.



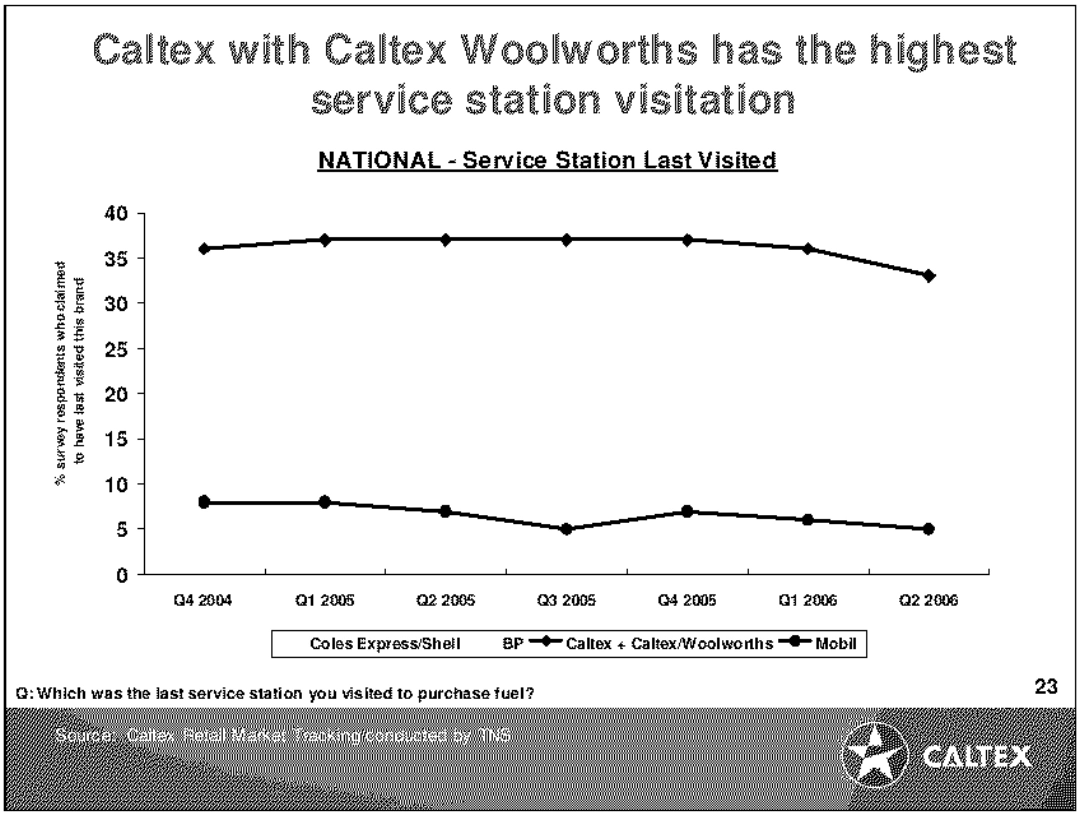
Non-fuel income grew in by 12%, when compared to the same period in 2005. All channels have contributed to this growth – our retail sales of convenience goods, increased card income and stronger results from our equity resellers.

Average shop sales have also continued to grow, with like-for-like sales growth of 4.7% from last year. This record of continual growth is predicated on our consistency in execution, tailoring the customer offer and ongoing upgrades to our facilities.

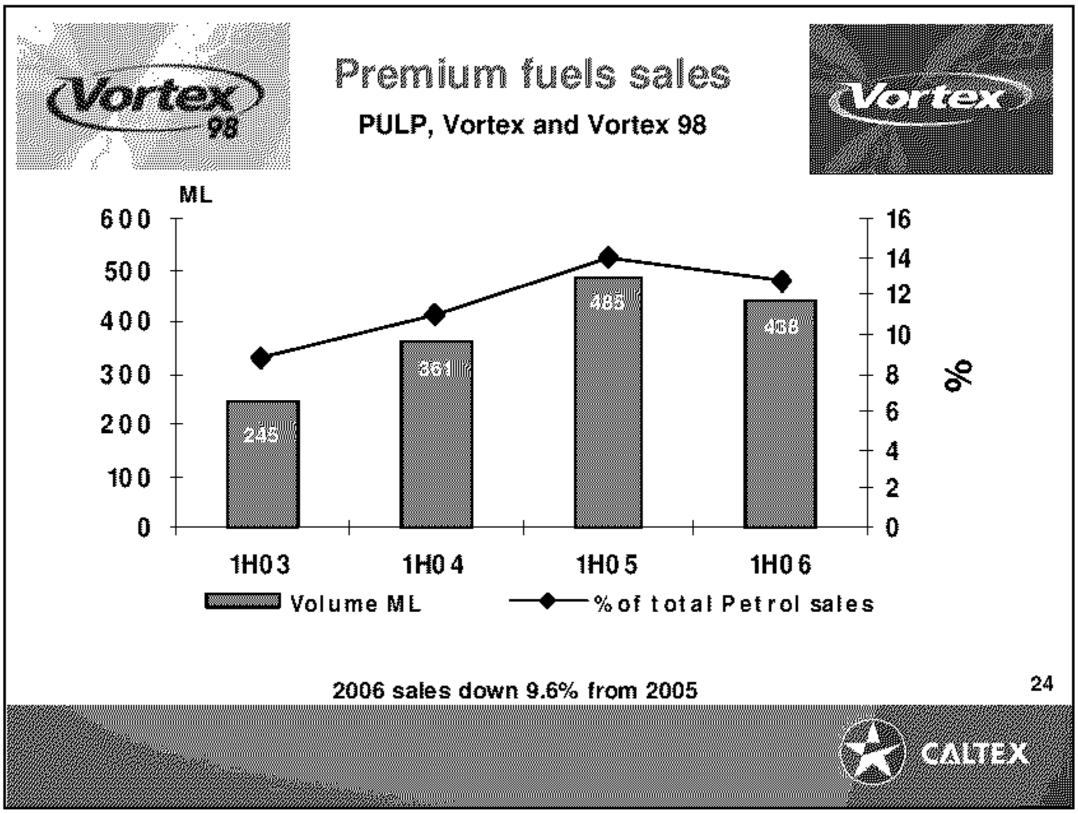
Over the course of this year, we have been continuing the development of our dry goods arrangements with Woolworths and the centralised logistics to support this. We will be rolling out these improvements progressively from the third quarter this year.



As you can see from the chart on the right, the total number of retail sites has continued to be rationalised. We will maintain our active tail management and divestment plan to drive the efficiencies of our marketing network.



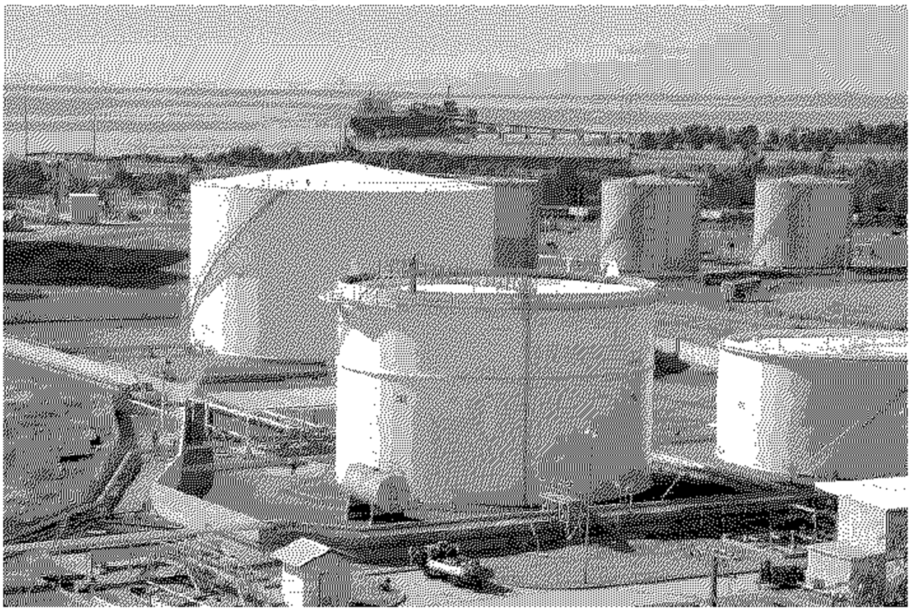
We conduct regular market research and this slide shows the response to a simple question – "Where did you last purchase your fuel?" As you can see, nationally we have maintained a consistent place as the preferred brand for fuel in the retail market.



Our total volume of premium fuels – our Vortex and Vortex 98 brands – decreased in the first six months of 2006. As I indicated earlier, the national market for petrol contracted by 2.5% to May this year, as a result of higher prices at the petrol pump. In this environment, discretionary sales of Vortex fuels suffered.

However this is an important growth area for us, and we have continued our roll out of Vortex fuels through NSW, Queensland and Victoria over the past 6 months.

Marketing Infrastructure Program



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CALTEX

Significant progress was made on strengthening our marketing infrastructure at our seaboard terminals, which is a key part of our Integrated Marketing Plan. This is our newly commissioned 15 million litre diesel tank in our Gladstone terminal. This is the first major new tank to be constructed in a Caltex terminal in at least 20 years, and reinforces our supply chain reliability in the fast growing region of Central Queensland.

Caltex also completed an upgrade to our Newport terminal in Melbourne. This work was focussed on improving the capability to receive product imports. In late June, we celebrated our expansion into the Northern Territory as we entered into a long-term agreement to lease storage and loading facilities at the Darwin terminal.

These three projects are part of a longer term plan to enhance our storage and distribution network around Australia. In the first six months, we spent around $11 million on this infrastructure. The current estimate of the full cost of this program is of the order of $60 – 65 million, however this is subject to change as the design phases of the remaining projects are completed.

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CALTEX

In the next slides, I will discuss the performance of our Refining team.

New GM Refining – Brian Waywell

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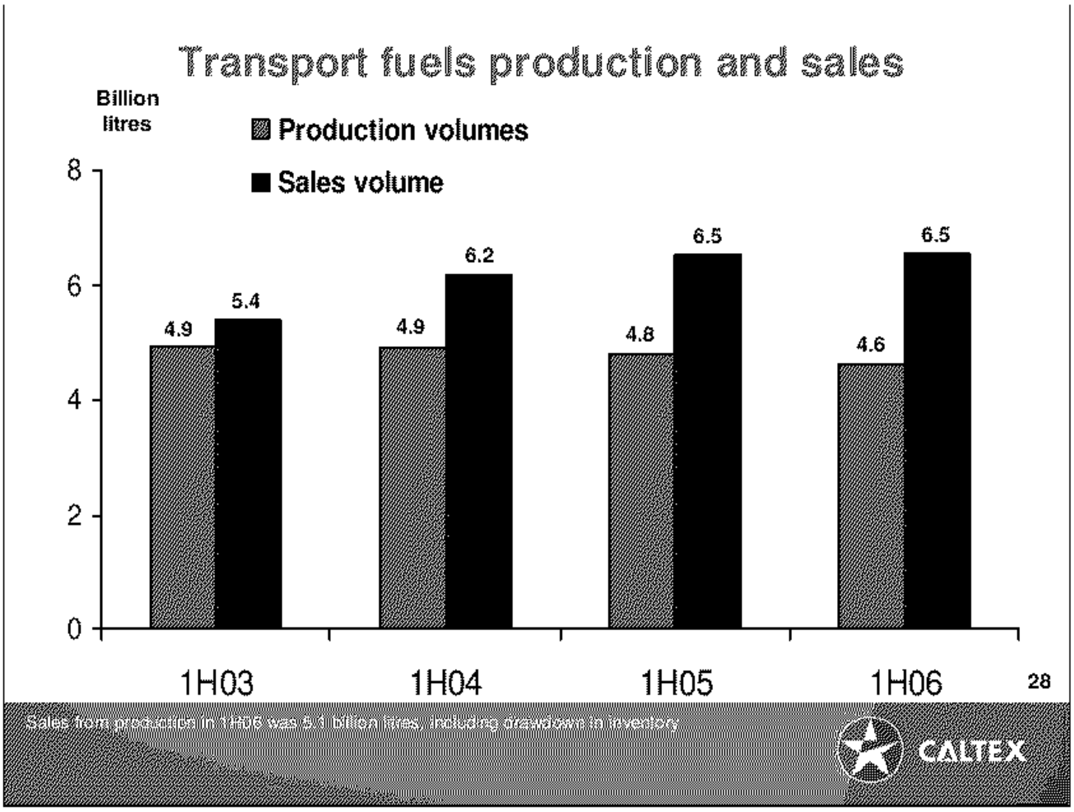
CALTEX

Before I discuss our results for the first half of 2006, I would like to make you aware of a change in our leadership team.

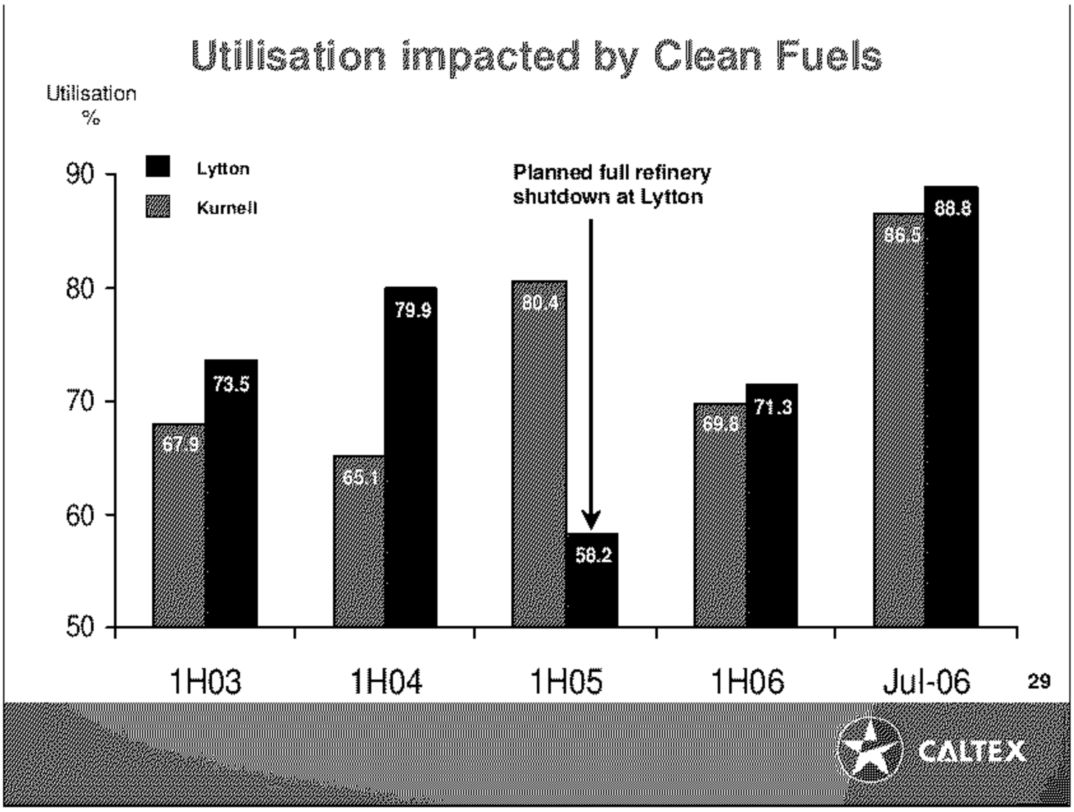
Eion Turnbull left Caltex in mid-August to pursue an opportunity with Essar Oil in India. We are sorry to lose Eion as he made a significant contribution to Caltex over the past six years, and we appreciate the leadership he has shown in moving our refinery operations towards world class.

I would now like to introduce our new General Manager – Refining, Brian Waywell, who unfortunately can't be here today. Brian has joined Caltex under a secondment arrangement from Chevron, and has over 37 years experience in the oil industry. Through his career, Brian has held a number of positions, primarily in Refining, most recently the General Manager of Joint Venture refineries with Chevron overseeing many of Chevron's refinery investments in the Asian region.

Brian's refinery experience and detailed knowledge of the refining business in our region will enable Caltex to continue the initiatives Eion and the Refinery Leadership Team have under way without any loss of momentum.



As I indicated earlier, our refinery production was constrained as we completed our Clean Fuels Project, and a planned shutdown of one of our cat crackers at Kurnell. Our production of transport fuels was slightly lower than the same period last year at 4.6 billion litres, while overall sales volumes were flat.



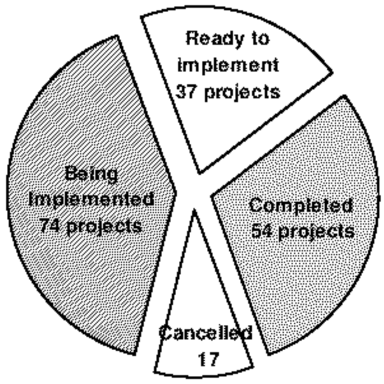
Our refinery utilisation in the first six months was heavily impacted by the construction and commissioning of our clean fuels plants and the planned cat cracker shutdown at Kurnell in the second quarter. With the full refinery shutdown at Lytton in 2005, our overall refining utilisation was broadly in line with the same period last year.

Since June our Refining team has had the opportunity to run the refineries at high rates, and have been achieving excellent results. These are reflected in the July figures you can see on the slide. Kurnell recently operated for 30 days with utilisations greater than 90%. We have proved that we can operate our refineries to meet our goal of 85% utilisation for significant periods of time. Our aim over the next 12 to 18 months is to maintain high utilisation for extended periods, and leverage our Refinery Performance Improvement Program benefits to increase our production.

Refining Performance Improvement Program

- **Execution of both minor and major profit improvement initiatives continues, with activity on major projects ramping up**
- **On track to deliver $150M EBIT at the completion of full RPIP**

Breakdown of Minor RPIP Projects by Numbers



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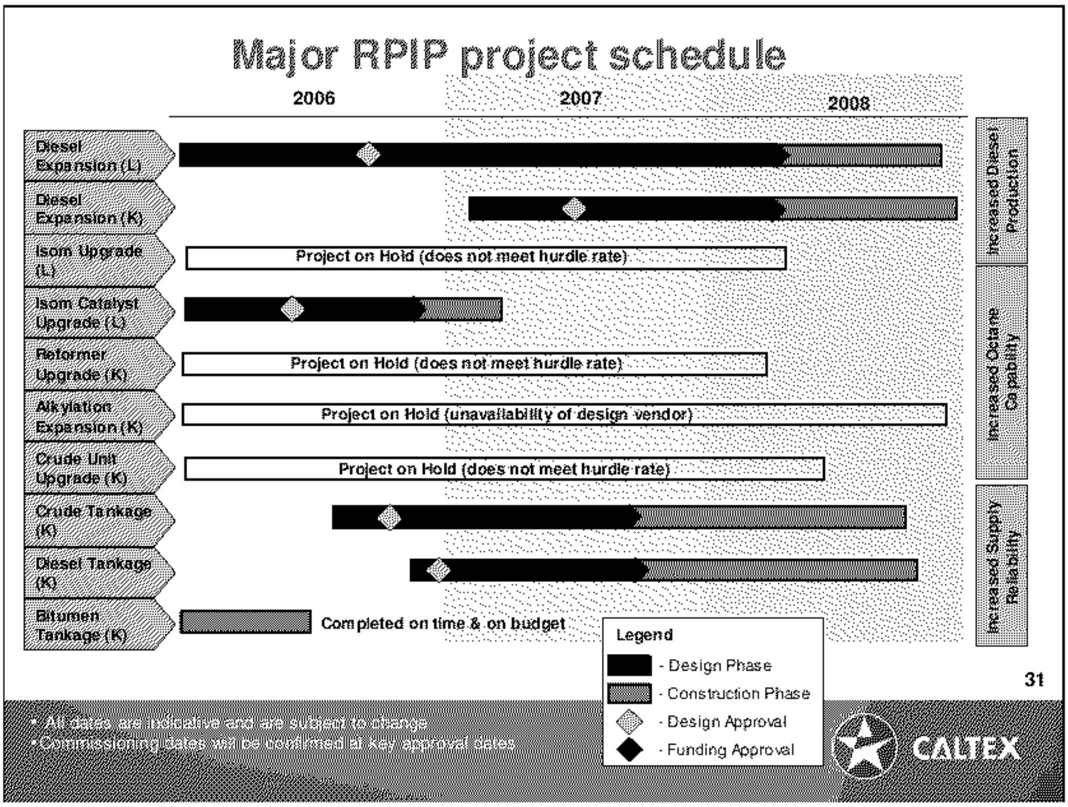
Our Refining team continued to deliver on our Refining Performance Improvement Program (RPIP). From our update in February, we have completed an additional 14 projects, while the total number of identified projects has grown by 30. The majority of these have been low or no-capex projects, targeted at increasing production rates and the yield of high value products.

We remain on track to reach the target of $150 million of annualised EBIT at the completion of the full RPIP program.



As we have mentioned previously, the bulk of the benefits from RPIP will be generated from our suite of major projects. This slide updates the schedule for these projects, which we first presented in February. There are a few points I'd like to make from this slide:

- We have successfully completed the first of our major RPIP projects, when we commissioned the new bitumen tank at Kurnell, on time and on budget. This new tank enables us to supply customers during planned shutdowns rather than downgrading our bitumen feedstock to fuel oil.
- Our resources are now primarily focussed on the diesel projects within RPIP. The on-going increase in diesel demand, due to both economic growth and the forecast demand shift over time from petrol to diesel, means these are the opportunities with the greatest benefit.
- A number of the petrol projects have been placed on hold as they have not met our hurdle rates - we have been firm in the application of capital discipline in this program to ensure we focus on the most attractive opportunities.
- The team continues to actively investigate new opportunities as we explore more and more ways to grow our business.

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I would now like to spend a little time to share with you our view of the second half of 2006.

National imports as a percentage of sales

	Petrol	Diesel	Jet	Total transport fuels
2005	17.5%	30.7%	18.7%	22.3%
2006 (Jan – May)	20.0%	43.5%	15.9%	26.4%

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In February we presented our view that the Asian region would likely remain short of refined product over the next few years. This slide shows the imports of products into Australia as a percentage of sales. The reduction in refining capacity, coupled with strong demand growth for transport fuels means that Australia now imports around 11.6 billion litres of product each year. This is projected to grow over the coming years, on the back of economic growth.

These imports are sourced from Asian refiners. As a result, Australia is integrated into the price for products in the Asian region – the price of imports into our seaboard terminals controls the terminal gate price.

This means that our refineries are fully exposed to the margins that flow from the strong growth in demand for petroleum products in Asia. Similarly, the prices for petroleum products throughout Australia also reflect the market prices in the region.

2H06 outlook

- Environment still supports robust refiner margins, but likely to remain volatile
- Targeting refinery production comparable to 2004, with minimal shutdown activity in the second half.
- High crude oil prices will continue the tough marketing environment.

Excellence in execution is key

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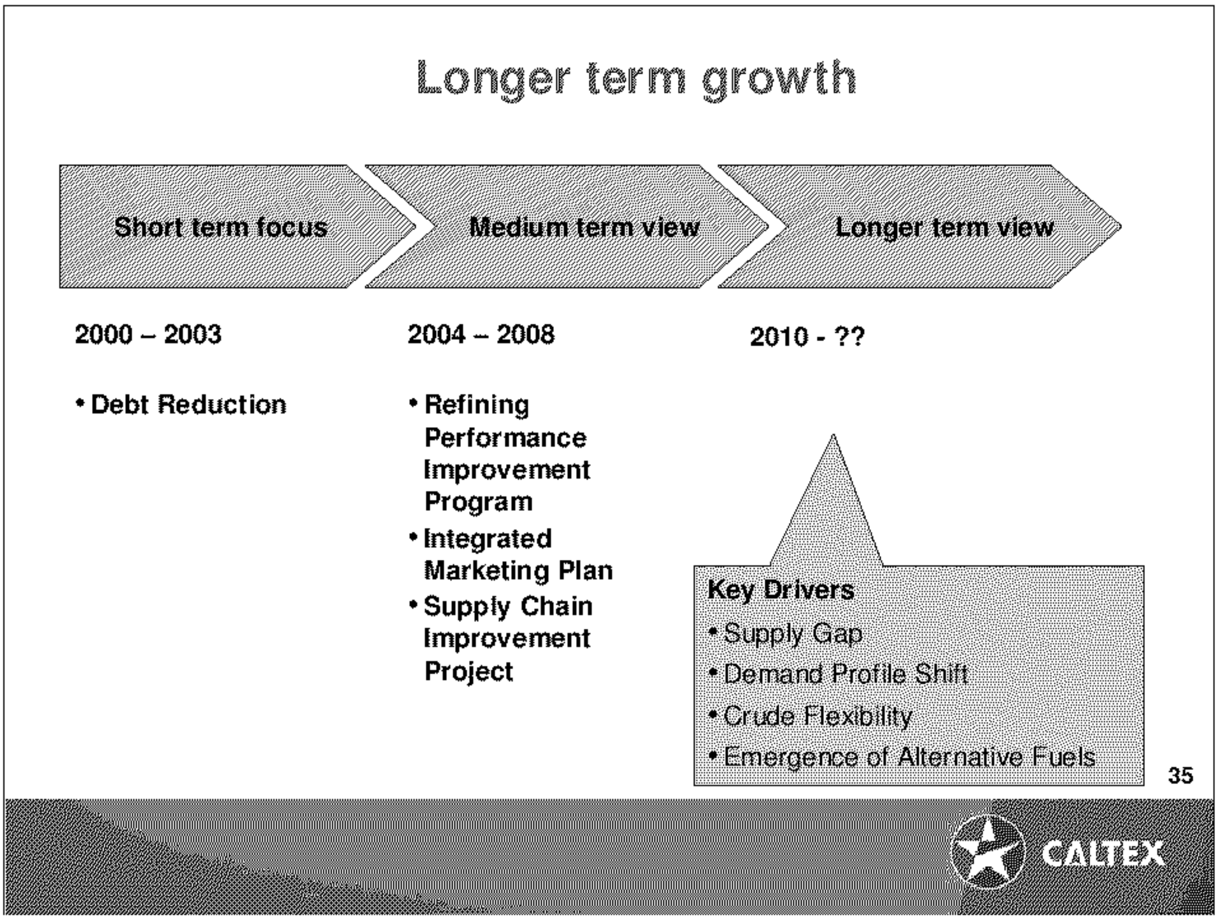
CALTEX

Looking ahead, the second half is one of great opportunity for Caltex:

- We have successfully completed our clean fuels plants, and have returned to our typical product mix and can fully capture the available margins;
- With only minor planned shutdown activity in the second half, our refineries have the opportunity to run at high utilisation rates – we are anticipating our full year production to be comparable to 2004.
- The external environment indicates robust, but volatile, margins. Traditionally, margins will ease in the fourth quarter, as demand in the northern hemisphere seasonally declines.
- Continuation of the high crude oil prices would maintain a competitive marketing environment, particularly for petrol.

The key focus for Caltex for the rest of the year is to *EXECUTE WITH EXCELLENCE*.



Over the past 5 years, our corporate strategy has logically evolved as our business and the industry has changed. From 2000 we had a very near term focus, as we reduced debt. As we met our goals, we moved our sights out 2 to 3 years, and each area of the business has developed growth opportunities with relatively quick returns.

With clean fuels now behind us and the short term initiatives gaining traction, we have increased our planning horizon again. We have recently assembled a project team to further develop our longer term strategies for 2010 and beyond. Some of the key drivers for the project are:

- The supply gap between our production and sales volumes, post-RPIP;
- The demand profile shift, the most pronounced being the shift from petrol to diesel;
- Increasing the flexibility of our refineries to process a broader variety of crudes;
- The emergence of alternative transport fuels.

These are complex issues to understand and we need to develop the appropriate long term strategies that will secure a good long term future from Caltex. Work on the project has just commenced, and we anticipate that we will be in a position to inform you of our progress in 2007.

0 : 1 : 85 : 100

Our focus remains:

0 : Safety and incident free operations

1 : Number 1 in hearts and minds of customers

85 : Utilisation of refineries

100 : Full engagement of all our staff

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CALTEX

We have been consistent in our strategy for more than 2 years now, and it is encapsulated in this slide:

Zero safety incidents, and incident-free operations

Number 1 in the hearts and minds of our customers

85% Utilisation of our refineries

and 100% Engagement of all of our staff

Our efforts that I have talked about today – the seaboard terminal infrastructure upgrades, RPIP improvements, improvements to our dry goods efficiencies, and increasing refinery utilisation – are all underpinned by this strategy.

This first six months of 2006 has been a challenging and volatile period for Caltex in a number of ways, but our people have delivered what I believe is a strong result. Our task is to ensure that we continue to deliver on the goals that we have set and continue to be the leading refiner and marketer in Australia.

I would now like to ask for any questions that you might have. We can start with questions from the audience here in Sydney, and alternate with questions that are coming in from the Webcast.

[Field questions from the audience & Webcast]

END: Thank you for attending the presentation today, either in the auditorium in Sydney, or over the internet. I look forward to talking to you again in February when we announce our full year results for 2006.

Important Notice

This presentation for Caltex Australia Limited is designed to provide:

- an overview of the financial and operational highlights for the Caltex Australia Group for the 6 month period ended 30 June 2006; and
- a high level overview of aspects of the operations of the Caltex Australia Group, including comments about Caltex's expectations of the outlook for the second half of 2006 and future years, as at 25 August 2006.

References in the presentation to assumptions, estimates and outcomes and forward-looking statements about assumptions, estimates and outcomes, which are based on internal business data and external sources, are uncertain given the nature of the industry, business risks, and other factors. Also, they may be affected by internal and external factors that may have a material effect on future business performance and results. No assurance or guarantee is, or should be taken to be, given in relation to the future business performance or results of the Caltex Australia Group or the likelihood that the assumptions, estimates or outcomes will be achieved.

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