Initiation Report

October 15, 2025

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OQ Exploration and Production

Low cost/capex producer with cash generative production profile; we initiate with a Buy on 10% FCFY and DY.

- **OQEP is a national upstream champion ranking among Oman's top three oil and gas producers, controlling one of the largest reserve bases in the country.**
- **EPSA framework grants OQEP up to 30% working interest in any commercial discovery – a LT growth driver with minimal exploration risk.**
- **Low OpEx of USD 8/bbl (53% below peers) and CapEx of USD 9/bbl, support a strong FCFY and DY of 10% over FY 25-29e. Base dividends at an 8.7% yield are sustainable even with an oil price as low as USD 55-60/bbl, in our view.**
- **We initiate with Buy at a TP of OMR 0.40/share (20% upside), as the stock trades at 5.2x EV/EBITDA, in-line with peers, but offering a lucrative DY of 10% vs. 4.5% for peers and 35% P/E discount at 9x.**

OQEP is Oman's only government-owned upstream operator, with a firm track record expanding its production nearly 14-fold to an average of 228 kboe/d by FY 24. As a subsidiary of OQ, Oman's flagship energy company, OQEP is a cornerstone of Oman's hydrocarbon sector, accounting for around 56% of OQ's adjusted EBITDA in FY24A. The company ranks among the nation's top three oil and gas producers—alongside EDO and Shell—and controls one of the largest reserve bases in the country. As of Jun-24, the company holds 2P working interest reserves of around 0.974 bboe and 2C contingent resources of 820 mmboe, offering a firm reserve life of 9 years for oil and 15 years for gas based on 2P reserves.

OQEP's long-term growth is strongly supported by Oman's Exploration and Production Sharing Agreement (EPSA) framework, which allows the government to appoint a nominee with up to a 30% working interest in any commercial discovery. Since FY 09A, OQEP has held exclusive nominee status, enabling low-cost portfolio expansion with limited exploration risk. This participation mechanism is a cornerstone to our investment thesis and LT value driver for OQEP, allowing organic growth through partner discoveries. OQEP's production should grow at a 2% CAGR in FY 25-29e on gas expansions, following a sharp CAGR of 6% in FY 21-24A.

We expect a strong FCFY and DY of 10% in FY 25-29e on low OpEx and CapEx per barrel. We expect a FCF of USD 696m (OMR 268m) in FY 25-29e at a FCFY of 10%, despite lower oil prices (USD 68/bbl in FY 25e, -15% y/y), on a strong production base, strategic gas sales contracts with 1.75-2% annual price escalations, and exclusive EPSA rights. Its low-cost base (USD 8/bbl vs. USD 16/bbl peers) and CapEx/boe (USD 9.2/boe through FY 44e to USD 4.6/boe by FY 49e) support an attractive FCF yield of 10% over FY 25–29e. We expect total dividends of USD 679m (OMR 261m) in FY 25-28e, comprising base dividends of USD 600m (OMR 231m) and a performance-linked dividend (PLD) of USD 79m (OMR 30m), based on an oil price of USD 68/bbl and cash costs of USD 8/boe. We think the base dividends are sustainable even at a lower oil price of USD 55-60/bbl, as FCF of USD 528-584m (OMR 203-225m) would still cover 93% of base dividends.

We initiate coverage with a Buy recommendation at a DCF-based TP of OMR 0.40/share (a 20% upside), thanks to a resilient FCFY and DY of 10% with upside from exploration and stake increase in existing and new fields. We estimate an average FCF of OMR 443m (USD 1.1bn) in FY 25-49e, assuming that reserves are fully depleted by FY 49e. Our assumptions incorporate an oil price moderation to USD 68/bbl in FY 25e (-15% y/y) and a gradual shift in the production mix toward gas, with the oil/gas split converging to 50/50 by FY 29e from 55/45 in FY 25e. OQEP trades at 5.2x EV/EBITDA on FY 26e, broadly in line with peers, but it trades at a huge discount of 35% to peers on P/E of 9x in FY 26e, thanks to equity income and low interest expense on a healthy balance sheet. OQEP's appeal lies in its dividend story, offering an estimated 10% DY in FY 26e vs. a peer average of c.4.5%.

BUY **OMR 0.40**

Industrial / OMAN

Bloomberg code	OQEP OM
Market index	MSX
Target Price	0.400
Upside (%)	20.1

Market data	**10/14/2025**
Last closing price	0.33
52 Week range	0.3-0.4
Market cap (OMR m)	2,664
Market cap (USD m)	6,900
Average Daily Traded Value (OMR m)	2.0
Average Daily Traded Value (USD m)	5.0
Free float (%)	25%

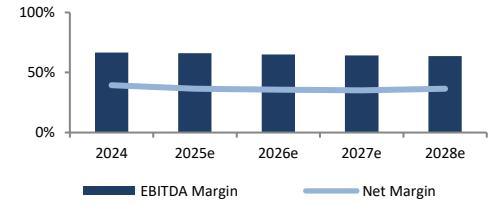
Year-end (local m)	2024	2025e	2026e	2027e
Revenues	841	831	834	838
EBITDA	559	548	543	539
Net income	332	304	298	294
EPS	0.04	0.04	0.04	0.04
EPS growth (%)	(48.2)	(5.5)	(1.7)	(1.3)
P/E (current price)	8.3	8.8	8.9	9.0
DPS	0.02	0.03	0.03	0.03
Div. yield (%)	6.5%	10.4%	9.6%	9.3%
FCF/share	0.03	0.04	0.03	0.03
FCF yield (%)	8.6%	11.1%	9.5%	9.2%
CAPEX	246	307	329	335
CAPEX/sales (%)	29.2	36.9	39.4	40.0
Net Debt/EBITDA (x)	0.4	0.4	0.4	0.4
EV/EBITDA (x)	5.1	5.2	5.2	5.3
RoAE (%)	39.5	32.8	31.0	29.2
RoIC (%)	23.4	23.0	22.0	20.6

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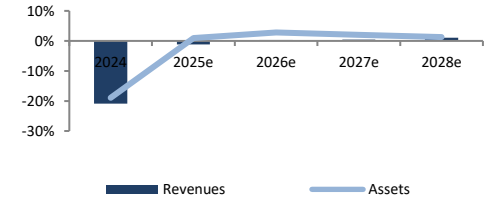
Abacus

Arqaam Capital Fundamental Data

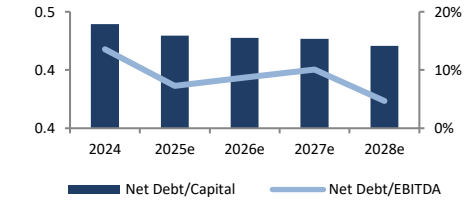
Profitability



Growth



Gearing



OQEP

Year-end	2023	2024	2025e	2026e	2027e	2028e
Financial summary						
Reported EPS	0.08	0.04	0.04	0.04	0.04	0.04
Diluted EPS	0.08	0.04	0.04	0.04	0.04	0.04
DPS	0.04	0.02	0.03	0.03	0.03	0.03
BVPS	0.35	0.42	0.43	0.45	0.47	0.49

Year-end	2023	2024	2025e	2026e	2027e	2028e
Valuation metrics						
P/E (x) (current price)	4.3	8.3	8.8	8.9	9.0	8.6
P/E (x) (target price)	5.2	10.0	10.5	10.7	10.9	10.4
EV/EBITDA (x) (current price)	3.7x	5.1x	5.2x	5.2x	5.3x	5.3x
EV/EBITDA (x) (target price)	4.4	6.0	6.1	6.2	6.3	6.3
EV/FCF (x)	5.4	11.6	9.0	10.5	10.9	9.7
Free cash flow yield (%)	18.6%	8.6%	11.1%	9.5%	9.2%	10.3%
Dividend yield (%)	11.8%	6.5%	10.4%	9.6%	9.3%	9.9%

Year-end	2023	2024	2025e	2026e	2027e	2028e
Growth (%)						
Revenues	(23.5)	(20.9)	(1.2)	0.3	0.4	1.1
EBITDA	(26.6)	(27.1)	(2.0)	(0.9)	(0.8)	0.1
EBIT	(35.5)	(30.4)	(4.5)	(2.4)	(2.3)	(0.3)
Net income	-	(47.7)	(8.5)	(1.7)	(1.3)	4.8

Year-end	2023	2024	2025e	2026e	2027e	2028e
Margins (%)						
EBITDA	72.2	66.5	66.0	65.1	64.3	63.7
EBIT	38.0	33.5	32.4	31.5	30.6	30.2
Net	59.6	39.4	36.5	35.8	35.1	36.5

Year-end	2023	2024	2025e	2026e	2027e	2028e
Returns (%)						
RoAA	29.6	17.9	18.2	17.6	16.9	17.5
RoAE	105.6	39.5	32.8	31.0	29.2	29.3
RoIC	23.2	23.4	23.0	22.0	20.6	19.9
FCF margin	17.6	8.1	10.0	8.6	8.2	8.9

Year-end	2023	2024	2025e	2026e	2027e	2028e
Gearing (%)						
Net debt/Capital	31.4	17.9	15.9	15.5	15.3	14.1
Net debt/Equity	61.1	25.6	22.5	21.8	20.9	18.7
Interest cover (x)	36.0	79.0	16.5	16.1	16.5	17.8
Net debt/EBITDA (x)	0.6	0.4	0.4	0.4	0.4	0.4

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Abacus *Arqaam Capital Fundamental Data*

Company profile

OQEP is Oman's only government-owned upstream oil and gas company and a major subsidiary of OQ, contributing around 56% of OQ's adjusted EBITDA in FY 2024. Since its founding in 2009, it has grown production nearly 14-fold to 227.8 kboe/d as of FY 24.

The company ranks among Oman's top three oil and gas producers, contributing ~14% of the country's hydrocarbon output in FY 2023. It holds 2P working interest reserves of approximately 0.974 billion boe as of H1 24. OQEP manages 14 upstream assets across exploration, development, and production, and benefits from Oman's strategic location, strong regulatory environment, and economic stability.

Investment thesis

We initiate coverage with a Buy recommendation at a DCF-based TP of OMR 0.400/share (a 20% upside), thanks to a resilient FCFY of 10% and DY of 10% with upside from exploration and stake increase in existing and new fields.

OQEP benefits from a strong production base, strategic gas sales contracts with 1.75–2% annual price escalations, and exclusive EPSA rights. Its low-cost base (USD 7.8/bbl vs. USD 16/bbl peers) and CapEx/boe (USD 9.3/boe through FY 44e to USD 4.6/boe by FY 49e) support a strong FCF yield of 10% over FY 25–28e.

We expect an average FCFF of OMR 443m in FY 25-49e, assuming that reserves are fully depleted by FY 49e. Our assumptions incorporate an oil price moderation to USD 68/bbl in FY 25e (-15% y/y) and a gradual shift in the production mix toward gas, with the oil/gas split converging to 50/50 by FY 29e from 55/45 in FY 25e.

Attractive P/E and DY. OQEP is trading at 5.2 times EV/EBITDA for FY 26e, which is generally in line with its peers. However, it is significantly undervalued, trading at a 35% discount compared to peers, with a price-to-earnings (P/E) ratio of 9 times for FY 26e. This disparity can be attributed to strong equity income and low interest expenses, supported by a healthy balance sheet. One of OQEP's main attractions is its dividend yield, which is estimated to be around 10% for FY 26e, compared to the peer average of approximately 4.5%.

OQEP

Year-end	2023	2024	2025e	2026e	2027e	2028e
Income statement (OMRmn)						
Sales revenue	1,063	841	831	834	838	847
Cost of sales	(614)	(523)	(529)	(538)	(547)	(557)
Gross profit	**449**	**318**	**302**	**296**	**290**	**290**
SG&A	(45)	(37)	(33)	(33)	(34)	(34)
EBITDA	**767**	**559**	**548**	**543**	**539**	**539**
Depreciation	(363)	(278)	(279)	(281)	(282)	(284)
EBIT	**404**	**282**	**269**	**262**	**257**	**256**
Interest expense	(11)	(4)	(16)	(16)	(16)	(14)
Share of results of associates & JV	-	8	11	12	12	25
Profit before tax	707	329	308	303	299	313
Taxes	(80)	(3)	(5)	(5)	(4)	(5)
Other post-tax income/(expense)	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (group)	627	327	304	298	294	309
Minorities	7	5	-	-	-	-
Net profit (parent)	**634**	**332**	**304**	**298**	**294**	**309**
Arqaam adjustments (including dilution)	7	5	-	-	-	-
Arqaam Net profit	**634**	**332**	**304**	**298**	**294**	**309**

Year-end	2023	2024	2025e	2026e	2027e	2028e
Balance sheet (OMRmn)						
Cash and equivalents	257	160	182	180	159	146
Receivables	471	442	415	414	413	415
Inventories	99	77	70	71	72	73
Tangible fixed assets	931	866	894	942	995	1,027
Other assets including goodwill	289	114	114	115	116	116
Total assets	**2,047**	**1,659**	**1,674**	**1,721**	**1,755**	**1,778**
Payables	328	288	275	280	285	290
Interest bearing debt	725	394	394	394	375	348
Other liabilities	154	65	65	65	65	65
Total liabilities	**1,208**	**747**	**734**	**739**	**725**	**702**
Shareholders' equity	767	912	940	983	1,031	1,075
Minorities	71	-	-	-	-	-
Total liabilities & shareholders' equity	**2,047**	**1,659**	**1,674**	**1,721**	**1,755**	**1,778**

Year-end	2023	2024	2025e	2026e	2027e	2028e
Cash flow (OMRmn)						
Cashflow from operations	**795**	**449**	**566**	**542**	**538**	**535**
Net capex	(265)	(246)	(307)	(329)	(335)	(315)
Free cash flow	**529**	**245**	**314**	**270**	**260**	**293**
Equity raised/(bought back)	-	80	-	-	-	-
Dividends paid	(316)	(173)	(276)	(256)	(246)	(264)
Net inc/(dec) in borrowings	(546)	(222)	-	-	(219)	(27)
Other investing/financing cash flows	(11)	(4)	(16)	(16)	(16)	(14)
Net cash flow	**75**	**(124)**	**22**	**(2)**	**(21)**	**(13)**
Change in working capital	961	400	376	249	222	293

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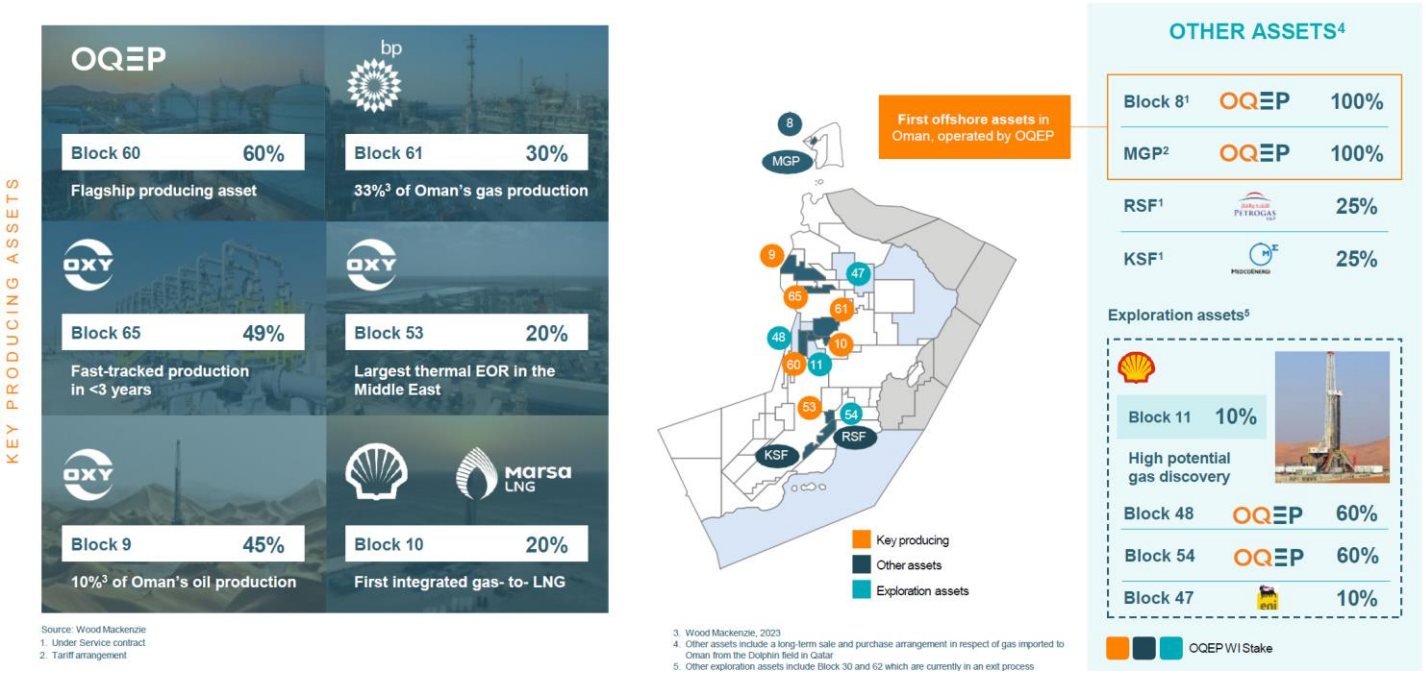
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Investment thesis - OQEP — A low-cost producer with production growth at minimum exploration risk

We expect a strong FCF yield of 10% on the back of low cost and capex/bbl.

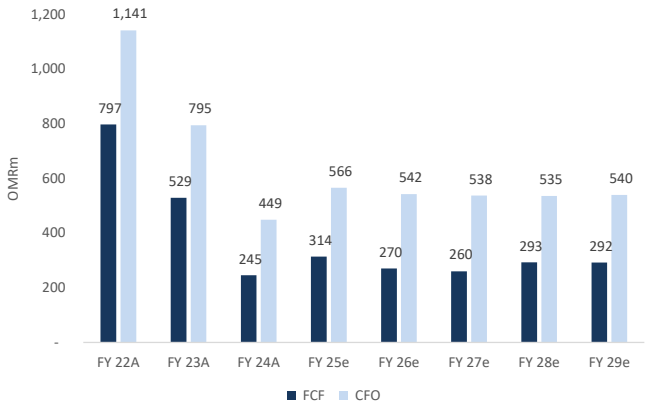
OQEP is Oman's third-largest upstream operator with 14 blocks offering a resilient, cash-generative model with an FCF of OMR 286m (USD 742m) in FY 25-29e at FCFY of 10%. Despite global headwinds from lower oil prices and soft global growth of c.3% in FY 25e (vs. 3.3% in FY 24), OQEP benefits from a strong production base, strategic gas sales contracts with 1.75-2% annual price escalations, and exclusive EPSA rights. Its low-cost base (USD 7.8/bbl vs. USD 16/bbl peers) and CapEx/boe (USD 9.2/boe through FY 44e to USD 4.6/boe by FY 49e) support a strong FCF yield of 10% over FY 25-29e.

Exhibit 1: OQEP strong asset portfolio with c. 37% ownership in 14 blocks



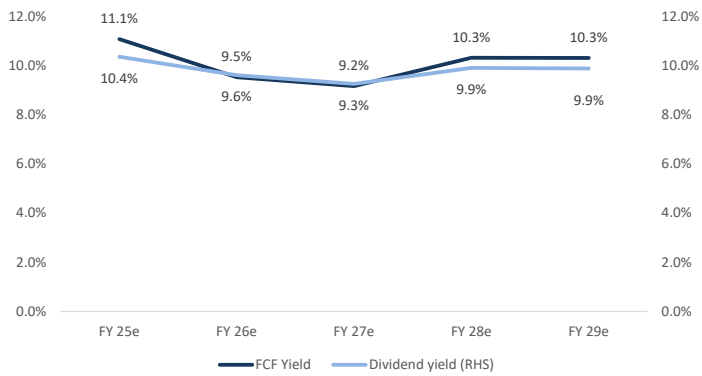
Source: Company Data, Arqaam Capital Research

Exhibit 2: Resilient cashflow generation over FY 25-29e…



Source: Arqaam Capital Research, Company Data

Exhibit 3: .. covering base dividends and some PLD



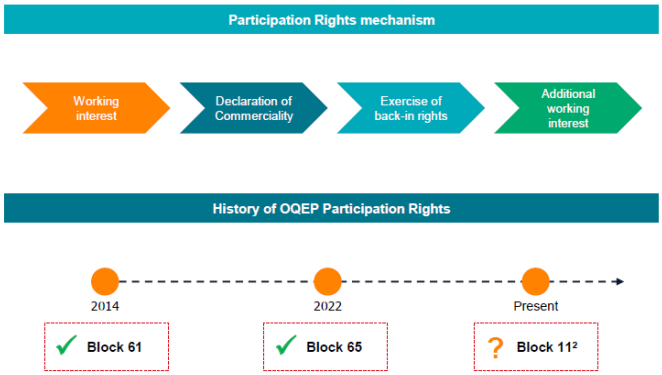
Source: Arqaam Capital Research, Company Data

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Participation rights drive OQEP's long-term value; exclusive nominee since FY 09 with up to 30% stake in partner discoveries supports low-risk, low-cost growth

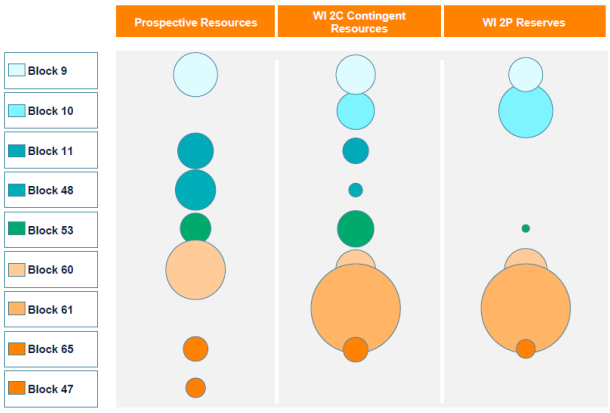
OQEP's long-term growth is strongly supported by Oman's Exploration and Production Sharing Agreement (EPSA) framework, which allows the government to appoint a nominee with up to a 30% working interest in any commercial discovery. **Since FY 09A, OQEP has held exclusive nominee status, enabling low-cost portfolio expansion with limited exploration risk.** This participation mechanism is a cornerstone to our investment thesis and LT value driver for OQEP, allowing organic growth through partner discoveries. However, there is no legal guarantee of continued exclusivity. Despite this risk, growth was backed by brownfield expansion, notably Block 60.

Exhibit 4: Block 11 is now a potential candidate for participation rights



Source: Arqaam Capital Research, Company Data

Exhibit 5: Blocks 60 and 61 offer the biggest upside for resources



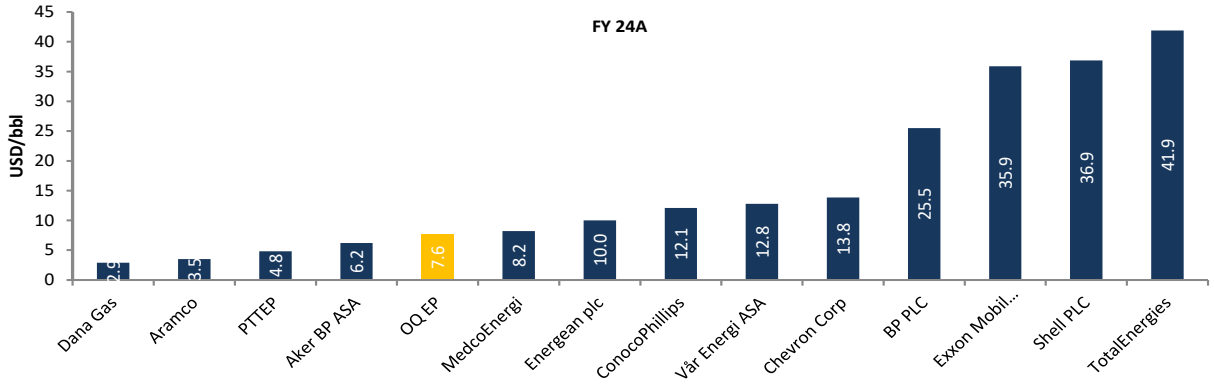
Source: Arqaam Capital Research, Company Data

OQEP's low lifting costs at USD 8/bbl — nearly half the global average of USD 16/bbl — make production profitable even at USD 55/boe oil price

OQEP's operational efficiency is exemplified by its low lifting costs, estimated at around USD 8/bbl in FY 26-29e, which are among the lowest globally (peers' average is around USD 16/bbl). This low-cost base is driven by economies of scale, favorable geology, and efficient transformation initiatives—such as remote monitoring and data-driven production scheduling—that optimize field uptime and reduce operational variability. The focus on mature, de-risked assets with geologically favorable reserves ensures consistent, low-cost production, supporting profitability even when oil prices hover around USD 55 per barrel.

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Exhibit 6: OQEP cost of lifting stood at USD 7.6/bbl, 53% below the peer average of USD 16.0/bbl in FY 24A

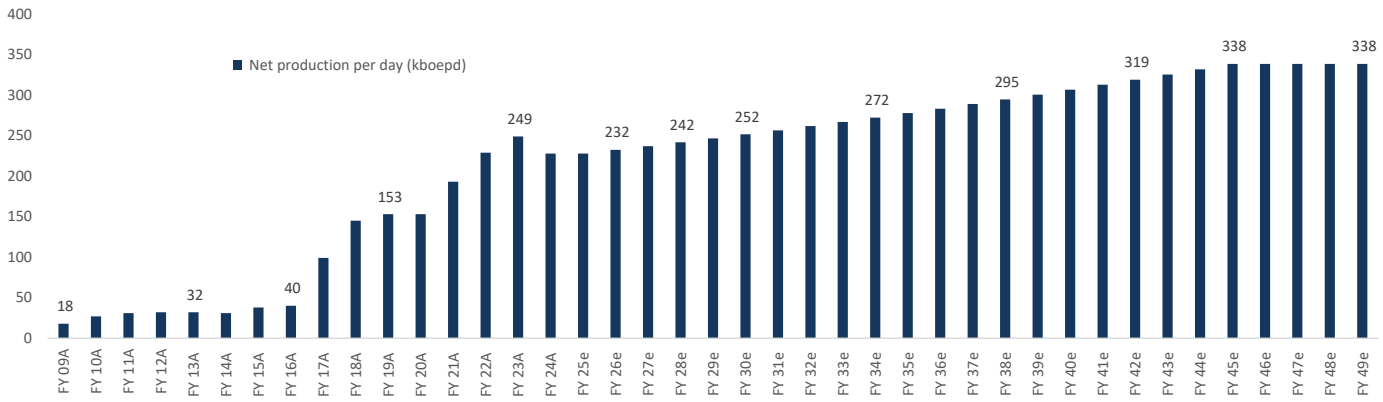


Source: Company Data, Arqaam Capital Research

OQEP's production should grow at a modest 2% CAGR in FY 25-29e, following a sharp CAGR of 5.7% in FY 21-24A

OQEP's net production has grown at a CAGR of 5.7% in FY 21-24A, explained by incremental production in block 60 thanks to continued expansion in production profile and exploration. We expect this trend to continue, albeit at a slower pace of 2% CAGR in FY 25-29e, thanks to higher gas production given promising gas discovery at block 11 backed by sizable gross CapEx of USD 2.52bn (OMR 974m) annually, with a production plateau beyond FY 44e.

Exhibit 7: OQEP's production has been steadily growing over time; we expect 2% production CAGR in FY 25-28e backed by gas production growth, backed by sizable gross CapEx of USD 2.52bn (OMR 974m) annually.



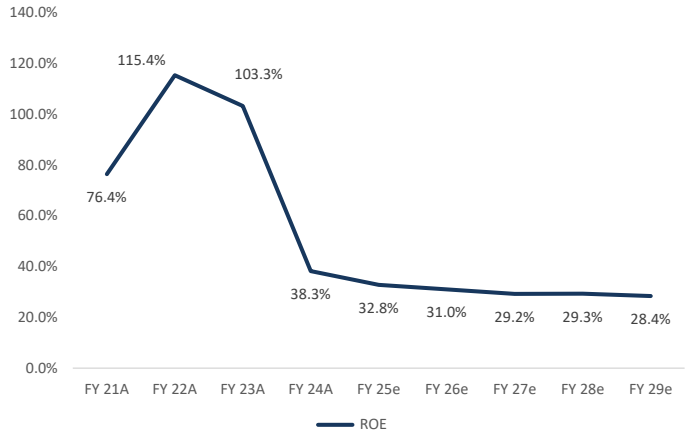
Source: Company Data, Arqaam Capital Research

We expect resilient RoE and ROIC of 30% and 21%, respectively, in FY 25-29e, thanks to low-risk/high-return exploration backed by government-led EPSA.

Thanks to 2% production CAGR in the long-term in FY 25-29e, following a sizable 6% CAGR in FY 21-24A, at a low cost per barrel, we expect RoE and ROIC of 30% and 21%, respectively, in FY 25-29e. ROIC and RoE are well above our estimated weighted average cost of capital of 11%, resulting in strong value creation, thanks to a low-risk/high-return exploration profile on the lucrative EPSA framework.

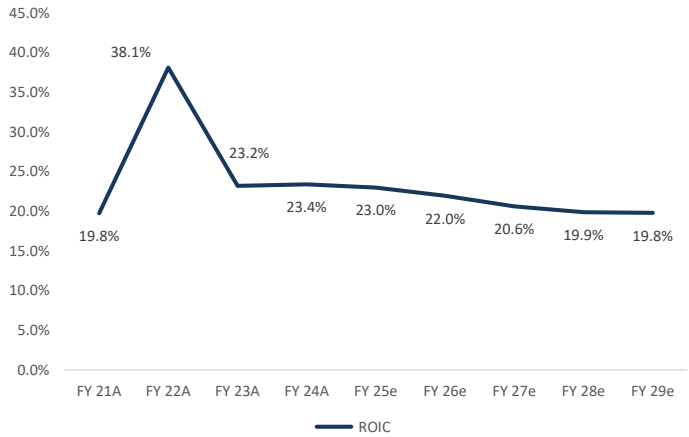
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Exhibit 8: Despite lower oil prices, ROE and ROIC remain attractive at 30% and 21%, respectively, in FY 25-29e..



Source: Arqaam Capital Research, Company Data

Exhibit 9: .. well above our 11% cost of capital, creating EVA

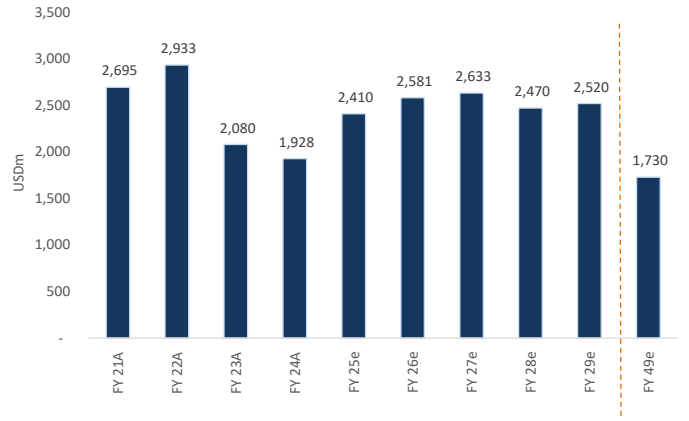


Source: Arqaam Capital Research, Company Data

OQEP's annual CapEx of USD 833m (OMR 322m) in FY 25-28e is 2x covered by operating cashflows, supporting growth, and long-term EBITDA generation

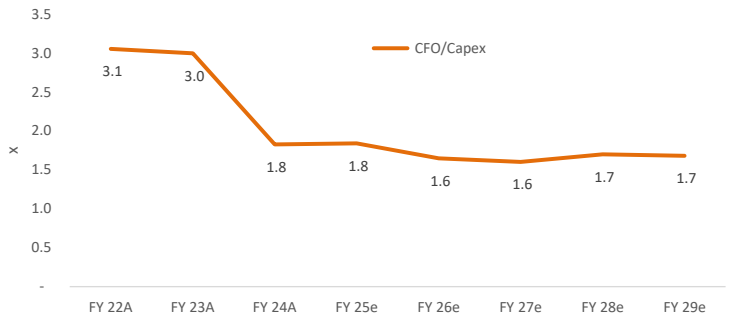
OQEP maintains disciplined CapEx, allocating ~USD 833m (OMR 332m) annually over FY 25–28e on a net basis (USD 2.52bn/OMR 974m on a gross basis) for field development, workovers, and infrastructure upgrades. This should support volume growth, efficiency initiatives, including a 35 MW solar project and national grid connection, which will reduce costs and emissions. We expect operating cash flows to be 2x the Capex requirement over FY 25-28e, fully funding growth while preserving flexibility for debt service and dividends. Capex per barrel is expected to hold at USD 9.2/boe through FY 44e, then decline to USD 4.6/boe by FY 49e as production matures. This financial discipline underpins stable EBITDA growth and strong long-term cash flow.

Exhibit 10: We expect gross capital expenditures to be maintained at USD 2.52bn (OMR 974m) per annum…



Source: Arqaam Capital Research, Company Data

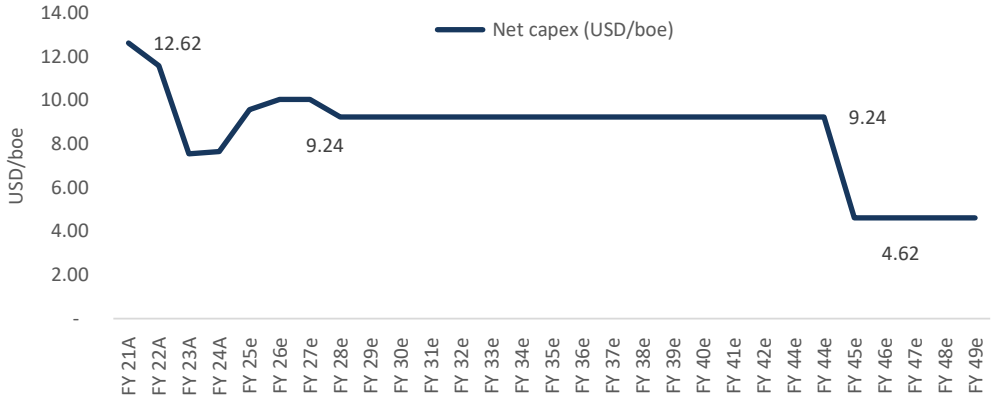
Exhibit 11: …. with capex requirements more than covered by operating cash flows



Source: Arqaam Capital Research, Company Data

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Exhibit 12: Capex intensity is expected to remain steady at USD 9.2/boe through FY 44e, declining to USD 4.6/boe by FY 49e as operations mature



Source: Arqaam Capital Research, Company Data

OQEP holds 0.974 bboe 2P reserves and 820 mmboe 2C resources, ranking 3rd in Oman, ensuring long-term production visibility

OQEP's strong reserve base provides solid long-term production visibility. As of 30 June 2024, the company holds 2P working interest reserves of around 0.974 bboe and 2C contingent resources of 820 mmboe, independently estimated. As Oman's only government-owned operator, OQEP ranks third overall in Oman by reserves and production. OQEP offers a firm reserve life of 9 years for oil and 15 years for gas, based on 2P reserves as of H1 24A. Positioned within the OQ Group ecosystem—Oman's largest integrated energy company—OQEP benefits from significant hydrocarbon assets and exclusive participation rights. Its classified contingent resources (1C, 2C, 3C) offer valuable future optionality as commercial conditions evolve, underpinning production stability and long-term growth potential—key factors driving resilient, resource-backed cash flow and revaluation upside.

Exhibit 13: Summary of reserves and resources

Category	FY 23	H1 24
1P Reserves (Working Interest)		
Oil and Condensate (mmbbl)	262	240
Gas (bscf)	2,394	2,274
Total (bboe)	0.68	0.63
2P Reserves (Working Interest)		
Oil and Condensate (mmbbl)	422	400
Gas (bscf)	3,449	3,330
Total (bboe)	1.02	0.97
3P Reserves (Working Interest)		
Oil and Condensate (mmbbl)	578	556
Gas (bscf)	4,411	4,291
Total (bboe)	1.34	1.30
2C Contingent Resources (Working Interest)		
Oil and Condensate (mmbbl)	323	323
Gas (bscf)	2,882	2,882
Total (mmboe)	820	820

Source: Arqaam Capital Research, Company Data

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LT Gas Sales Agreements feature 1.75-2.0% annual price escalation, offering stable gas revenue growth for OQEP at 23% of total revenues in FY 28e, up from 20% in FY 24A.

OQEP's growth is also supported by long-term take-or-pay gas sales agreements featuring annual price escalations of 1.75-2.0%, leading to a 2% CAGR in realized gas prices, reaching OMR 3.8 per mcf by FY 28e. These contracts provide stable revenue streams, shielding OQEP from oil market volatility. Gas sales are expected to contribute OMR 196m (USD 510m) to FY 28e revenue, accounting for 23% of total revenue — up from 20% in FY24—underscoring the expansion of gas production in OQEP's portfolio. Furthermore, ongoing infrastructure development in Oman, including pipeline and processing capacity expansions, supports increased contracted gas volumes. This infrastructure readiness enhances OQEP's ability to meet rising domestic and regional gas demand, securing stable cash flows and reinforcing its long-term strategic optionality.

Base dividends of USD 600m/OMR 232m (OMR 0.03/share) plus PLD of USD 79m/OMR 30m offer a 10% yield in FY 25-29e

OQEP's cash flow and dividend outlook remain solid, underpinned by strong operational performance and disciplined capital management. On our numbers, we expect FCF of USD 736m (OMR 284m) in FY 25-28e with total dividends of USD 679m (OMR 262m) comprising base dividends of USD 600m (OMR 232m) and a performance-linked dividend (PLD) of USD 79m (OMR 30m), based on an oil price of USD 68/bbl and cash costs of USD 8/boe. This implies an 86% payout ratio and 97% of FCF. We think base dividends are sustainable even at lower oil price of oil price of USD 55-60/bbl, as FCF of USD 528-584m (OMR 204-225m) would still cover 93% of base dividends.

Starting H1 25A, OQEP is distributing as a performance-linked dividend (PLD) of USD 115m (OMR 44m) in Q3 and Q4 25A. PLD is calculated as 90% of free cash flow above base dividends, which is USD 79m (OMR 30m) in FY 25-29e, on our estimates.

Leverage remains low, with net debt/EBITDA well below 1.0x in FY 26-29e, leaving room for dividends in case of lower oil prices and selective brownfield investments such as acquiring producing fields or increasing OQEP stake in lucrative fields.

Exhibit 14: Low net debt/EBITDA of 0.4x in FY 25-29e leaves room to maintain base dividends at lower oil prices

OMRm	FY 25e	FY 26e	FY 27e	FY 28e	FY 29e
FCF	314	270	260	293	292
FCFY (%)	11.1%	9.5%	9.2%	10.3%	10.3%
Base Dividends	232	232	232	232	232
PLD	44	24	15	32	31
Total Dividends	**276**	**256**	**246**	**264**	**263**
Dividend yield (%)	**10.4%**	**9.6%**	**9.3%**	**9.9%**	**9.9%**
Net Debt	212	214	216	201	190
Net Debt/EBITDA (x)	0.4	0.4	0.4	0.4	0.3

Source: Company Data, Arqaam Capital Research

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Valuation – upside stems from high dividend pass-through

Our DCF valuation yields a TP of OMR 0.40/share. We initiate with a Buy rating on 20% upside and a lucrative DY of 10%.

We value OQEP using a DCF based on FCFF of OMR 443m in FY 25-49e, assuming that reserves are fully depleted by FY 49e. Our assumptions incorporate an oil price moderation to USD 68/bbl in FY 25e and a gradual shift in the production mix toward gas, with the oil/gas split converging to 50/50 by FY 29e from 55/45 in FY 25e. We initiate coverage with a Buy recommendation at a DCF-based TP of OMR 0.400/share (providing a 20% upside), thanks to a resilient FCFY of 10% and DY of 10% with upside from exploration and stake increase in existing and new fields.

OQEP is primarily a dividend story: the company pays a base dividend of USD 600m (OMR 232m) annually, supplemented by a performance-linked dividend (PLD) equal to 90% of residual FCF after the base payout. In FY 25, OQEP should distribute USD 115m (OMR 44m) in PLD in H2 25, and we expect this mechanism to continue, translating into an attractive FY 26-29e dividend yield of c.10%.

We account for the company's net debt balance of OMR 173m (USD 448m) as of Q2 25A, and contributions from OQEP's investments with a total value of OMR 16m.

Exhibit 15: Valuation Summary

OMRm		FY 25e	FY 26e	FY 27e	FY 28e	FY 29e	FY 49e
EBIT		269	262	257	256	262	586
Other income		11	12	12	25	26	49
(Taxes Paid)		(5)	(5)	(4)	(5)	(5)	(10)
+Depreciation		279	281	282	284	285	315
COPAT		555	550	546	560	568	939
Working capital changes		22	4	3	1	(2)	(0)
CAPEX		(263)	(284)	(289)	(268)	(273)	(149)
Free cash flow		**314**	**270**	**260**	**293**	**292**	**790**
PVOP	3,027						
PVTV	0						
Enterprise Value	**3,027**						
Net Debt (Q2 25A)	173						
Investments	16						
Equity Value	**2,870**						
Number of Shares	8,000						
Fair Value (OMR/share)	**0.359**						
Target Price (OMR/share)	**0.400**						

Source: Arqaam Capital Research

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Peer Analysis – Compelling entry point as OQEP offers a low P/E of 9x (35% discount) and a 10% DY (2x the sector average).

OQEP trades at an EV/EBITDA of 5.2x in FY 26e, in line with peers, but trades at a low P/E and offers a DY of 10% in FY 26e, 2x as high as peers.

OQEP currently trades at a valuation of 5.2x EV/EBITDA for FY 26e, positioning itself broadly in line with its industry peers. However, what sets OQEP apart is its significant P/E discount of 35% relative to the average within the sector. This substantial discount can be attributed to the company's equity income streams and a low interest expense, benefiting from a robust and healthy balance sheet.

The allure of OQEP becomes even more pronounced when considering its strong dividend proposition. With an estimated yield of approximately 10% for FY 26e, compared to the peer average of around 4.5%, this reflects the company's commitment to returning value to shareholders, backed by its strong financial stability and cash flow generation.

Exhibit 16: Multiple valuation

Company name	Country	Mkt Cap	P/E (x)		EV/EBITDA (x)		EBITDA ROE (%)		EBITDA CAGR	DY (%)
		USD m	FY 25e	FY 26e	FY 25e	FY 26e	FY 26e	FY 26e	FY 25-27e	FY 26e
Saudi Arabian Oil Co	SAUDI ARABIA	1,603,482	16.6	16.2	7.8	7.6	58%	24.0	5%	5.6
Exxon Mobil Corp	UNITED STATES	477,441	16.7	15.1	7.4	7.0	22%	12.6	8%	3.7
Chevron Corp	UNITED STATES	316,486	20.0	17.0	8.4	7.3	25%	10.5	13%	4.6
Shell PLC	BRITAIN	209,537	11.6	11.1	4.6	4.7	20%	10.0	2%	4.1
BP PLC	BRITAIN	90,433	12.9	11.8	4.3	4.3	19%	12.1	2%	5.7
TotalEnergies SE	FRANCE	133,134	8.9	8.6	4.6	4.7	16%	12.2	2%	6.5
ConocoPhillips	UNITED STATES	119,224	14.8	14.3	5.5	5.6	45%	11.6	5%	3.4
Occidental Petroleum Corp	UNITED STATES	46,977	20.7	17.5	5.8	5.5	51%	7.8	8%	2.0
CNOOC Ltd	CHINA	119,324	6.2	6.3	2.6	2.6	62%	15.3	2%	7.0
Average		**346,227**	**14.3**	**13.1**	**5.7**	**5.5**	**35%**	**12.91**	**5%**	**4.75**
Median		**133,134**	**14.8**	**14.3**	**5.5**	**5.5**	**25%**	**12.06**	**5%**	**4.62**
Mean		**195,044**	**13.4**	**12.5**	**5.4**	**5.2**	**31%**	**12.32**	**5%**	**4.47**
OQEP	**OMAN**	**6,900**	**8.8**	**8.9**	**5.2**	**5.2**	**65%**	**31.0**	**-0.9%**	**9.6%**
Discount/premium			**-35%**	**-29%**	**-4%**	**-0%**	**34%**	**19.0**	**-6%**	**4.4**

Source: Bloomberg, Arqaam Capital Research

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Upside/downside risks

Brent crude price. OQEP's earnings are sensitive to oil price movements, despite a favorable production-sharing mechanism that compensates for every USD 10/bbl decline in Brent prices with a higher entitlement share for OQEP by 2-4%, partially cushioning the revenue impact. Nevertheless, this uplift is not sufficient to offset the drag from weaker oil prices. As shown in Exhibit 17, a USD 10/bbl higher Brent scenario (USD 78/bbl) would lift EPS by 15% and raise our TP to OMR 0.45, while a USD 10/bbl lower scenario (USD 58/bbl) would reduce EPS by 18%, lowering our TP to OMR 0.33, versus our base case of USD 68/bbl.

Exhibit 17: Every 10 USD/bbl change in Brent moves EPS by 15% up and 18% down

	Brent price (USD/bbl) FY 25-29e	OQEP's share	Impact on EPS	TP (OMR)
Upper Case (Base case +USD 10/bbl)	78	47%	15%	0.455
Base Case	**68**	**50%**	**0%**	**0.400**
Lower Case (Base case - USD 10/bbl)	58	53%	-18%	0.332

Source: Arqaam Capital Research

Oil production volumes. We project OQEP's base case oil production at 45 mboe in FY 25-29e. Upside stems from faster ramp-up of new wells, while downside risks relate to operational delays or reservoir underperformance. Our sensitivity analysis suggests that a ±10% change in oil output translates to 17% higher EPS at 50 mboe and 14% lower EPS at 41 mboe.

Exhibit 18: Every ±10% production swing changes EPS by 17% up and 14% down

	Oil production (mboe)	Impact on EPS	TP (OMR)
Upper Case (Base case +10%)	50	17%	0.459
Base Case	**45**	**0%**	**0.400**
Lower Case (Base case -10%)	41	-14%	0.349

Source: Arqaam Capital Research

Gas production. Gas output is less accretive to OQEP's bottom line due to lower pricing dynamics. Our sensitivity analysis highlights that a ±10% change in gas volumes results in only a ±2-3% EPS swing.

Exhibit 19: Every ±10% change in production shifts EPS by ±2-3% and TP between OMR 0.38–0.42

	Gas production (bscf)	Impact on EPS	TP (OMR)
Upper Case (Base case +10%)	265	3%	0.419
Base Case	**241**	**0%**	**0.400**
Lower Case (Base case -10%)	216	-2%	0.383

Source: Arqaam Capital Research

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Operating cost per barrel. Cost efficiency is a key margin lever. Every ±10% change in opex /boe has a pronounced impact on earnings. As per Exhibit 20, reducing costs from USD 7.9/boe to USD 7.1/boe could boost EPS by 9% and raise TP to OMR 0.45, while an increase to USD 8.7/boe could cut EPS by 9% and drag TP down to OMR 0.35.

Exhibit 20: Every ±10% change in cost per boe moves EPS by ±9% and TP by ±0.05 OMR

	Cost (USD/boe)	Impact on EPS	TP (OMR)
Upper Case (Base case +10%)	8.7	-9%	0.352
Base Case	**7.9**	**0%**	**0.400**
Lower Case (Base case -10%)	7.1	9%	0.446

Source: Arqaam Capital Research

Net capex per barrel. While OQEP's capital intensity remains relatively stable, sensitivity analysis shows that a ±10% swing in capex per boe exerts influence on our TP. Higher spending of USD 10.6/boe compresses our TP to OMR 0.34, while lower capex of USD 8.6/boe expands our valuation to OMR 0.46.

Exhibit 21: Every ±10% swing in capex shifts TP by ±0.06 OMR

	Capex (USD/boe)	Impact on EPS	TP (OMR)
Upper Case (Base case +10%)	10.6	0%	0.342
Base Case	**9.6**	**0%**	**0.400**
Lower Case (Base case -10%)	8.6	0%	0.456

Source: Arqaam Capital Research

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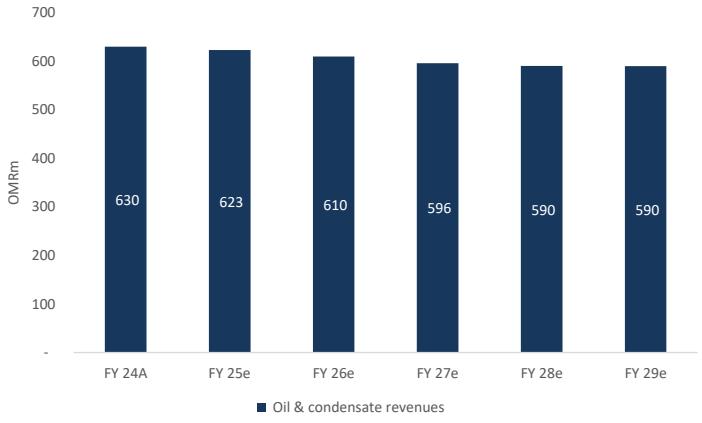
Key Operating Assumptions

We forecast 1% revenue CAGR in FY 25-28e, driven by gas volume/price growth.

We pencil in revenue CAGR of 1% over FY 25-28e, underpinned by a gradual improvement in production volumes, and 2% growth in gas selling prices. Revenues are forecasted to reach OMR 847m (USD 2.19bn) by FY 28e, up from OMR 831m (USD 2.15bn) in FY 25e, mainly driven by 7% revenue CAGR in gas on i) a compounded growth of 5% in gas production volumes in FY 25-28e (vs. 7% in FY 21-24A), reaching gross production of 253 bscf in FY 28e backed by higher product mix towards gas at 50% (vs. 45% in FY 25e) and healthy pipeline of discoveries and expansions and ii) 2% growth in gas selling prices thanks to existing gas sales agreements.

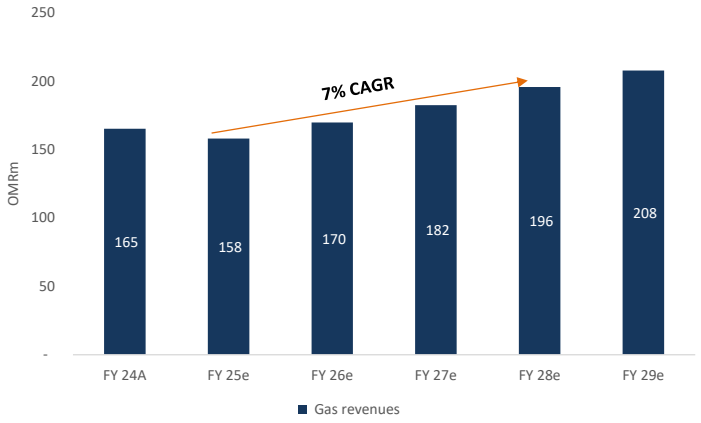
We expect only a minor 1% decline in revenues to OMR 831m (USD 2.15bn) in FY 25e on a 15% decline in oil prices to USD 68/bbl, which is partly compensated by a higher production share of 52% (+2 ppts y/y) to OQEP, thanks to favorable production sharing agreements, offering a higher share to contractors at lower oil prices.

Exhibit 22: We expect flattish oil revenues on muted production/price growth at an oil price of USD 68/bbl.



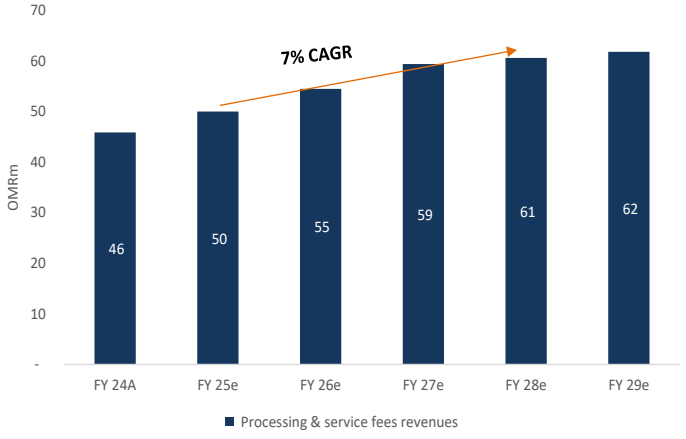
Source: Arqaam Capital Research, Company Data

Exhibit 23: … but we expect 7% gas revenue CAGR in FY 25-28e on higher production and prices



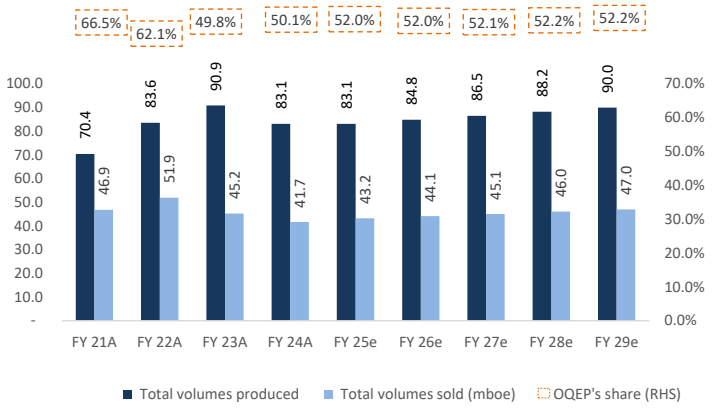
Source: Arqaam Capital Research, Company Data

Exhibit 24: We opt to keep processing and service revenues at 7% of topline



Source: Arqaam Capital Research, Company Data

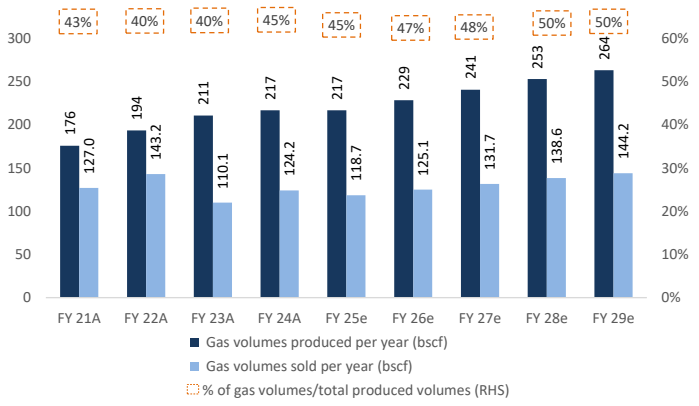
Exhibit 25: OQEP's share of production should increase to 52% in FY 25e, as compensation for lower oil prices



Source: Arqaam Capital Research, Company Data

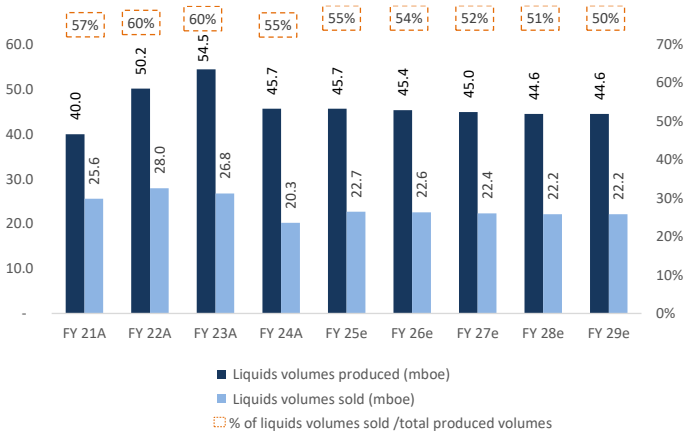
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Exhibit 26: OQEP to shift oil: gas volume split from 55:45..



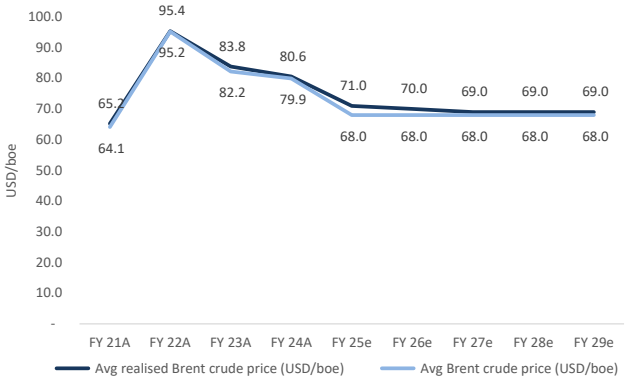
Source: Arqaam Capital Research, Company Data

Exhibit 27: ..to 50:50, amid gas development projects



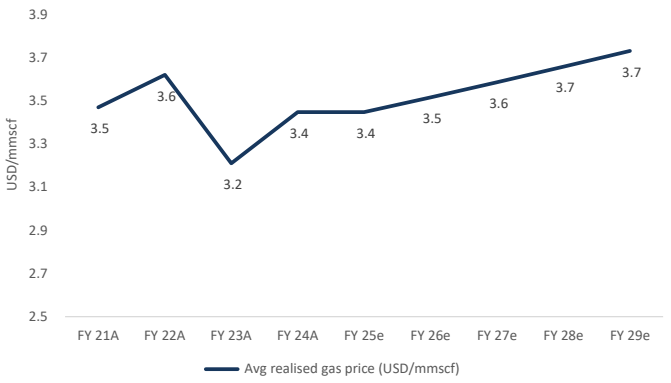
Source: Arqaam Capital Research, Company Data

Exhibit 28: Brent oil price is expected to decline to USD 68/bbl in FY 26e…



Source: Arqaam Capital Research, Company Data

Exhibit 29: while gas prices are projected to rise to USD 3.70/mmscf by FY 29e, up from USD 3.45/mmscf in FY 25e

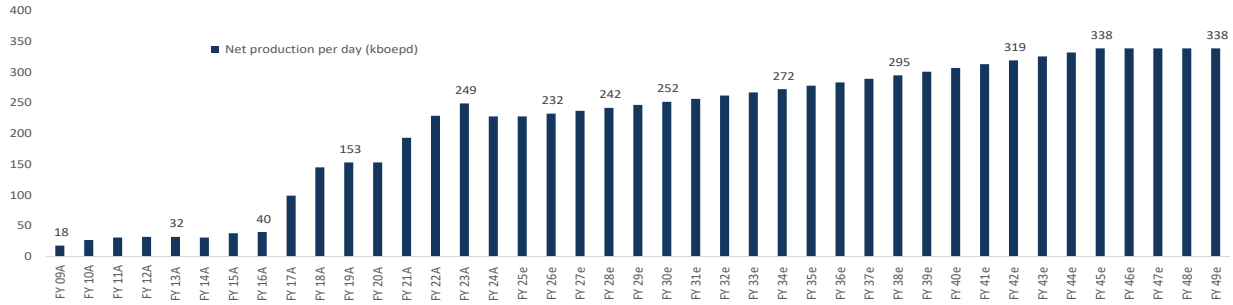


Source: Arqaam Capital Research, Company Data

OQEP's production should grow at 2% in FY 25-28e, after a sharp CAGR of 6% in FY 21-24A

OQEP's net production has grown at a CAGR of 5.7% in FY 21-24A, benefiting from higher output across key assets and production optimization initiatives. We expect this trend to continue, albeit at a slower pace of 2% CAGR in FY 25-28e, thanks to sizable gross CapEx of USD 2.52bn (OMR 974m) annually, with a production plateau beyond FY 44e at 338 kboepd.

Exhibit 30: OQEP's production has been steadily growing over time; we expect 2% production CAGR in FY 25-28e backed by sizable gross CapEx of USD 2.52bn (OMR 974m) annually.



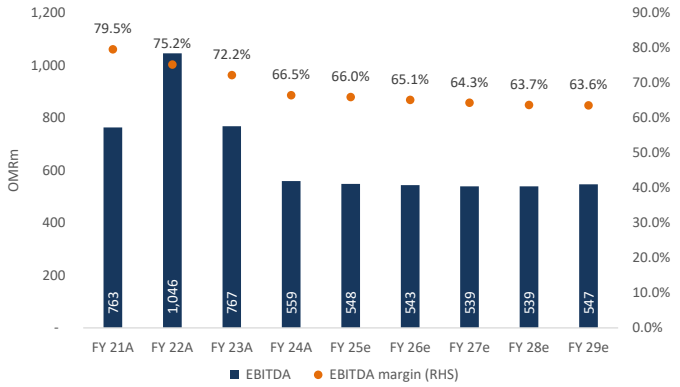
Source: Company Data, Arqaam Capital Research

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We pencil in resilient EBITDA of 65% in FY 25-28e (-1 ppt vs. FY 24A), despite lower oil prices, on production growth, supported by a low lifting cost

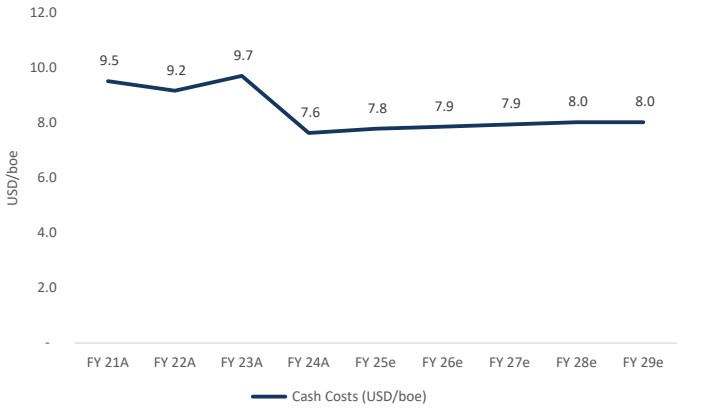
We expect an EBITDA margin of c.65% in FY 25-28e (vs. 66% in FY 24A), despite a 15% decline in oil prices, thanks to 2% production CAGR at a low cost per barrel of USD 7.9/bbl. Despite pricing pressure, margins are expected to remain relatively resilient, supported by a low-cost operating model and disciplined execution on new developments. Lifting costs are assumed to decline from a high of USD 9.7/bbl in FY 23A to USD 7.9/bbl in FY 25-28e, thanks to higher production at stable costs in absolute terms.

Exhibit 31: 1 ppt decline in EBITDAM in FY 25e despite lower oil prices, on below-average cost of lifting



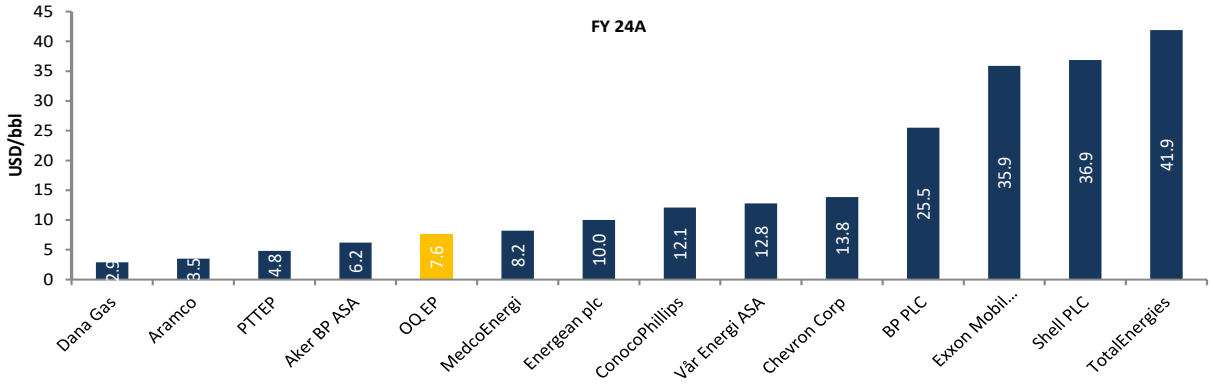
Source: Arqaam Capital Research, Company Data

Exhibit 32: Cost of lifting should remain low on higher production at stable costs in absolute terms.



Source: Arqaam Capital Research, Company Data

Exhibit 33: OQEP cost of lifting stood at USD 7.6/bbl, 53% below the peer average of USD 16.0/bbl in FY 24A



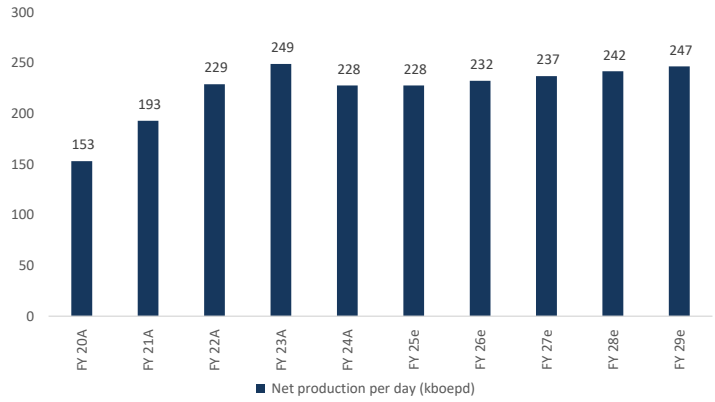
Source: Company Data, Arqaam Capital Research

Flattish net income of OMR 301m (USD 781m) in FY 25-28e, at a resilient NPM of 36%, supported by 2% production CAGR, strong EBITDA margins, and cost discipline

We forecast net income to average OMR 301m (USD 781m) over FY 25–28e, reflecting production growth of 2% at strong EBITDA margins, supported by a clean capital structure with minimal interest expense. We estimate NPM to remain solid at 36% in FY 25-28e, indicating strong profitability and cost control across upstream operations, amid soft oil prices.

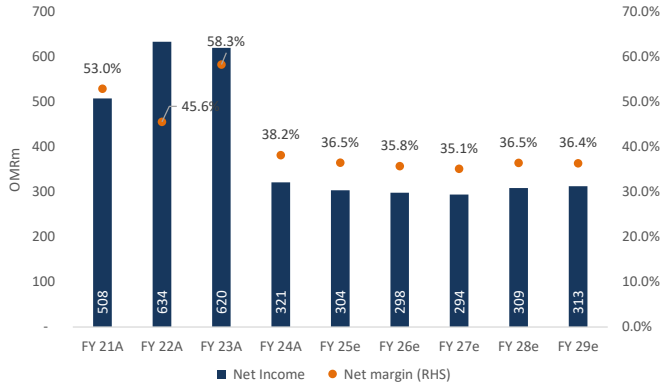
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Exhibit 34: We expect 2% production CAGR in FY 25-28e on higher gas production



Source: Arqaam Capital Research, Company Data

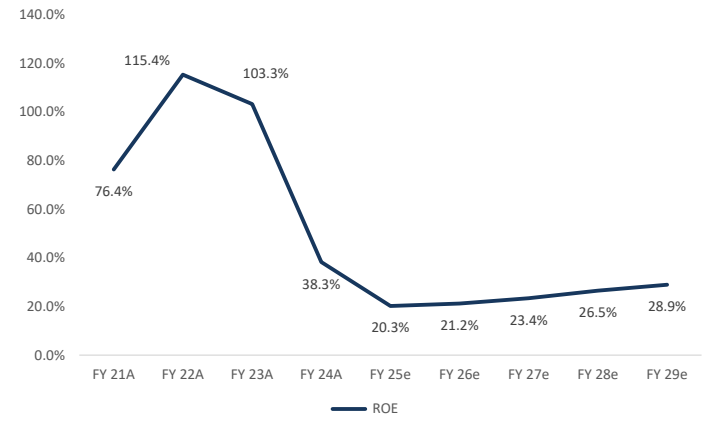
Exhibit 35: With a resilient net profit margin of 36% in FY 25-28e



Source: Arqaam Capital Research, Company Data

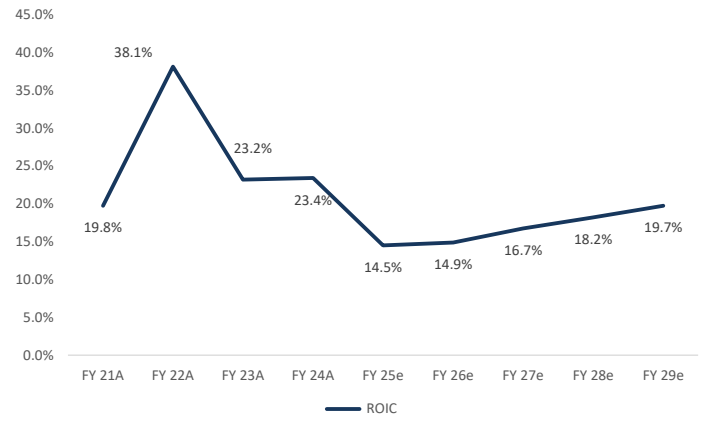
OQEP benefits from a high-margin, low reinvestment-intensity portfolio, which supports strong returns even without aggressive volume growth. The company's capital allocation strategy emphasizes reinvestment into high-return, low-risk opportunities—primarily infill drilling, tiebacks, and facility debottlenecking—rather than greenfield expansion. This helps maintain a high ROIC and minimizes execution risk. Additionally, returns are bolstered by growing income from equity-accounted investees, including partnerships that require marginal capital while contributing positively to the bottom line. We expect this equity income to grow at a CAGR of 3% over FY 25–28e, providing further upside to return metrics. Overall, OQEP's improving return profile highlights its ability to generate economic value and maintain financial discipline in a sector often characterized by cyclical volatility.

Exhibit 36: Despite lower oil prices, ROE and ROIC remain attractive at 31% and 21% in FY 25-28e, respectively..



Source: Arqaam Capital Research, Company Data

Exhibit 37: .. well above our 11% cost of capital, creating EVA



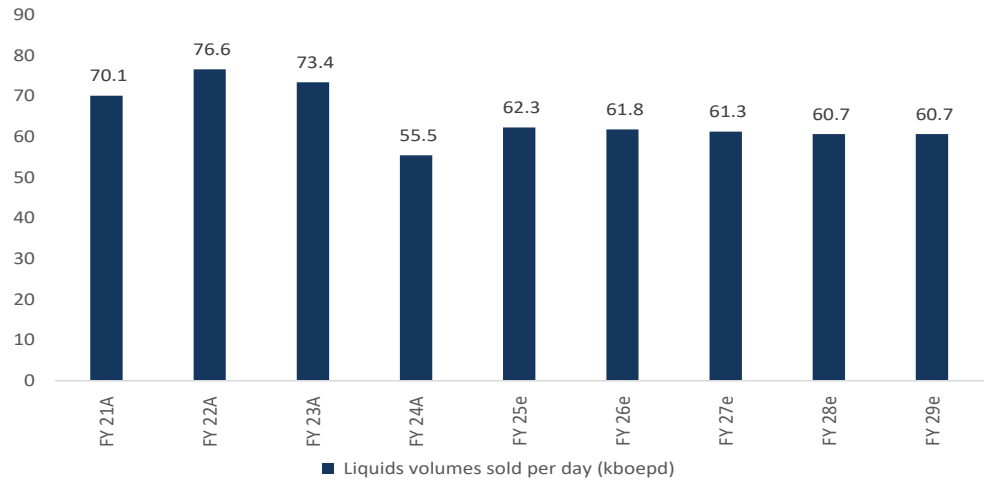
Source: Arqaam Capital Research, Company Data

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Oil segment – a slight decline in revenues this year on lower oil prices

We forecast average oil volumes sold to reach 62 kboepd in FY 25-28e, rising from 55.5 kboepd by FY 24A, supported by a higher production share for OQEP, despite a 15% decline in oil prices. Production sharing agreements allow for a higher share of contractors at lower oil prices.

Exhibit 38: OQEP's liquid volumes sold per day to rise to 62 kboepd in FY 25-28e, up from 55.5 kboepd in FY 24A on higher production share



Source: Arqaam Capital Research, Company Data

Block 60's Bisat expansion boosts production capacity to 100 kboepd starting Q3-25e, and advances decarbonization with solar power and grid connections.

OQEP announced the successful commissioning of Block 60's Bisat-C expansion in Jun-25, adding substantial processing capacity, bringing gross fluids capacity of 447,000 barrels/day, including 37,000 barrels/day of oil. Following the expansion, Bisat-C now processes 777,000 barrels/day of gross liquids, including 67,000 barrels/day of oil.

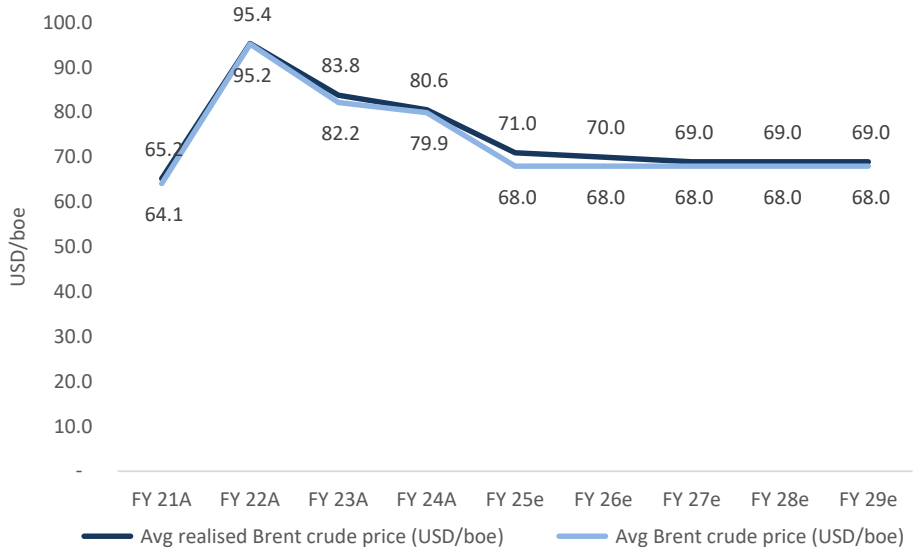
Alongside capacity expansion, decarbonization efforts are underway. A 35 MW solar project, expected to be operational by Q1 26e in partnership with OQ Alternative Energy, will supply about one-third of Bisat's power needs, reducing operational costs and carbon emissions by replacing fossil fuel-based energy. Moreover, the installation of 107 km of overhead power lines will connect the Bisat substation to the national grid, providing up to 100 MW of reliable external power. This will allow the phase-out of in-house power generation, enhancing operational reliability, lowering costs, and further cutting emissions, aligning production growth with sustainability goals.

This production growth reflects management's focus on maximizing output from existing assets, particularly through secondary recovery and water injection, while selectively bringing new wells online in high-IRR zones.

We expect oil revenues of OMR 605m (USD 1.57bn) in FY 25-28e, vs. OMR 630m (USD 1.63bn) in FY 24A, as we assume oil price of USD 68/bbl in FY 25e (-15% y/y), and factoring in a marginal decline of 1% in volumes sold as product mix shifts toward gas at 50% in FY 28e (vs. 45% in FY 25e).

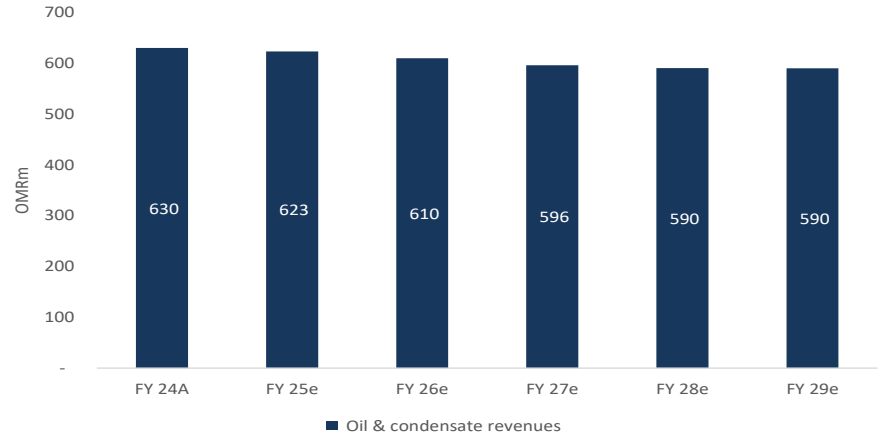
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Exhibit 39: Oil prices are expected to decline to USD 68/bbl in FY 25e (-15% y/y).



Source: Arqaam Capital Research, Company Data

Exhibit 40: We expect flattish revenues for oil & liquids in FY 25-28e as we assume a lower oil price of USD 68/bbl coupled with a 1% decline in volumes



Source: Arqaam Capital Research, Company Data

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Exhibit 41: Oil segment operating assumptions

Oil	FY 21A	FY 22A	FY 23A	FY 24A	FY 25e	FY 26e	FY 27e	FY 28e	FY 29e
Oil & condensate revenues (OMRm)	642	1,027	867	630	623	610	596	590	590
% growth		60%	-16%	-27%	-1%	-2%	-2%	-1%	0%
Oil volumes produced (mboe)	40.0	50.2	54.5	45.7	45.7	45.4	45.0	44.6	44.6
% growth		26%	9%	-16%	0%	-1%	-1%	-1%	0%
% of oil volumes sold /total produced volumes	57%	60%	60%	55%	55%	54%	52%	51%	50%
Oil volumes sold (mboe)	25.6	28.0	26.8	20.3	22.7	22.6	22.4	22.2	22.2
% growth		9%	-4%	-24%	12%	-1%	-1%	-1%	0%
OQEP Share (%)	64%	56%	49%	44%	50%	50%	50%	50%	50%
Oil volumes produced per day (kboepd)	109.6	137.5	149.3	125.3	125.3	124.3	123.2	122.1	122.1
Oil volumes sold per day (kboepd)	70.1	76.6	73.4	55.5	62.3	61.8	61.3	60.7	60.7
Avg realised Brent crude price (USD/boe)	65.2	95.4	83.8	80.6	71.0	70.0	69.0	69.0	69.0
% growth		46%	-12%	-4%	-12%	-1%	-1%	0%	0%
Avg premium/discount to Brent crude (USD/boe)	1.09	0.14	1.64	0.70	3.00	2.00	1.00	1.00	1.00
Avg Brent crude price (USD/boe)	64.1	95.2	82.2	79.9	68.0	68.0	68.0	68.0	68.0

Source: Arqaam Capital Research, Company Data

Gas segment – 7% revenue CAGR (5% volume, and 2% price escalation)

Gas net production volumes should grow at a 5% CAGR to 253 mmscf/d by FY 28e, driven by the development of gas fields in Oman.

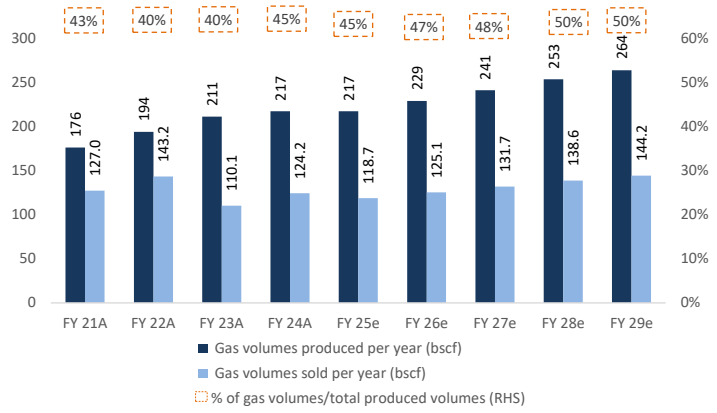
We expect gas net production volumes to grow at a CAGR of 5% over FY 25–28e, reaching 253 mmscf/d by FY 28e, driven by the development of gas fields in Oman backed by a higher product mix towards gas at 50% (vs. 45% in FY25e) and a healthy pipeline of discoveries and expansions. This is supported by growing gas demand within the country. OQEP's strategy is focused on gas capacity expansion, amid uncertainty in global oil prices and growing local needs. Oman's broader push toward cleaner energy and electrification provides a favorable backdrop, and OQEP is well-positioned to support this transition through expanded gas processing infrastructure and improved pipeline connectivity.

Gas selling price should grow at 1.75-2.00% annually as per GSA.

Gas selling price is projected to grow steadily at 2% annually over our forecast horizon, supported by annual price escalations embedded in the company's existing gas sales agreements (GSAs), which range from 1.75% to 2.0%. These long-term, take-or-pay contracts with regulated pricing structures provide strong revenue visibility and reduce exposure to market-driven price fluctuations. While this limits upside in a bullish commodity environment, it ensures pricing stability. We estimate the gas segment should contribute around OMR 196m (USD 508m) to FY 28e topline (23% of total revenues vs. 20% in FY 24A).

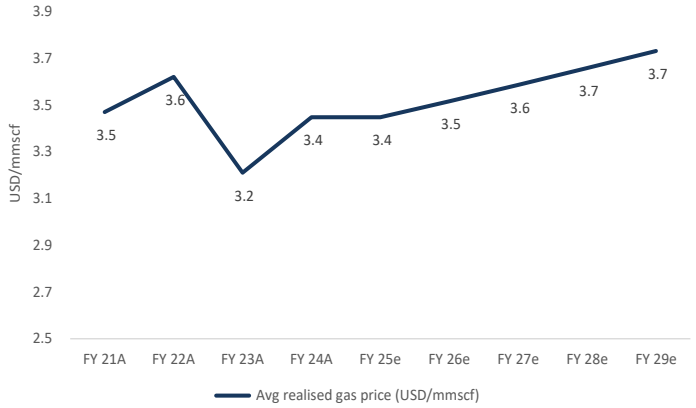
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Exhibit 42: Gas volume growth to 253 mmscf/day by FY 28e, driven by developing Omani gas fields



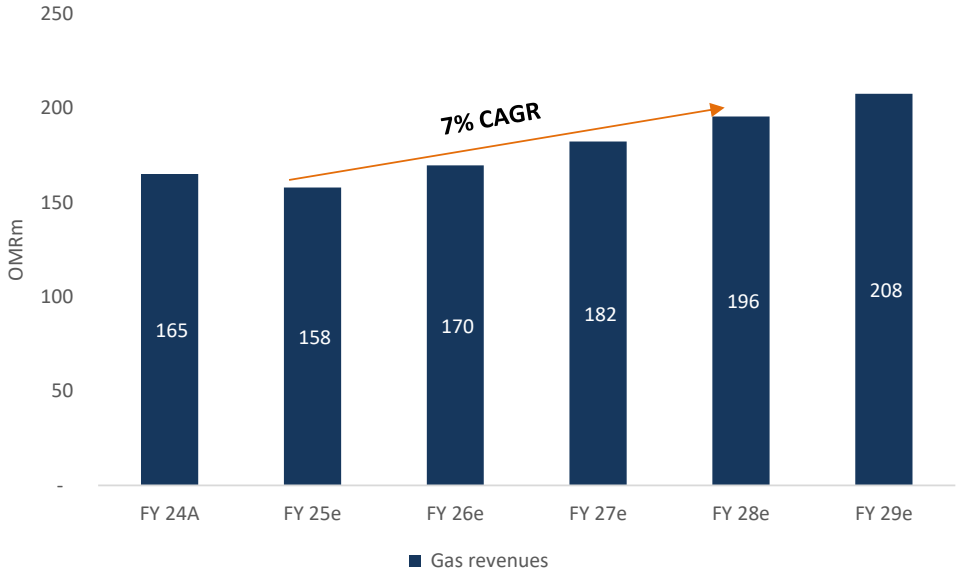
Source: Arqaam Capital Research, Company Data

Exhibit 43: Gas prices should grow at 2% annua pas du toutlly as per Gas Sales Agreements



Source: Arqaam Capital Research, Company Data

Exhibit 44: Gas revenues are seen growing at 7% CAGR in FY 25-28e, driven by both volume and price growth



Source: Arqaam Capital Research, Company Data

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Exhibit 45: Gas segment operating assumptions

Gas	FY 21A	FY 22A	FY 23A	FY 24A	FY 25e	FY 26e	FY 27e	FY 28e	FY 29e
Gas revenues (OMRm)	170	200	136	165	158	170	182	196	208
% growth		17%	-32%	21%	-4%	8%	7%	7%	6%
Gas volumes produced per year (mboe)	30.4	33.4	36.4	37.4	37.4	39.4	41.5	43.7	45.5
% growth		10%	9%	3%	0%	5%	5%	5%	4%
% of gas volumes sold/total produced volumes	43%	40%	40%	45%	45%	47%	48%	50%	50%
Gas volumes sold per year (mboe)	21.9	24.7	19.0	21.4	20.5	21.6	22.7	23.9	24.9
% growth		13%	-23%	13%	-4%	5%	5%	5%	4%
Gas volumes produced per year (bscf)	176.1	193.7	211.0	217.0	217.0	228.7	240.8	253.3	263.6
Gas volumes sold per year (bscf)	127.0	143.2	110.1	124.2	118.7	125.1	131.7	138.6	144.2
OQEP Share (%)	72%	74%	52%	57%	55%	55%	55%	55%	55%
Gas volumes produced per day (kboepd)	83.4	91.5	99.7	102.5	102.5	108.0	113.8	119.7	124.5
Gas volumes sold per day (kboepd)	60.0	67.6	52.0	58.7	56.1	59.1	62.2	65.5	68.1
Gas volumes produced per day (mmscf/d)	482.5	530.7	578.1	594.6	594.6	626.7	659.8	694.0	722.2
Gas volumes sold per day (mmscf/d)	347.9	392.3	301.6	340.2	325.2	342.8	360.9	379.6	395.0
Avg realised gas price (USD/mmscf)	3.5	3.6	3.2	3.4	3.4	3.5	3.6	3.7	3.7
% growth		4%	-11%	7%	0%	2%	2%	2%	2%

Source: Arqaam Capital Research, Company Data

Low lifting cost of USD 7.9/bbl in FY 25-28e is driven by favorable geological structure, economies of scale, and efficient cost management with mature assets.

We expect a favorable lifting cost of USD 7.9/bbl over FY 25–28e (vs. USD 8.9/bbl in FY 22-24A), reflecting economies of scale with growing production, and favorable geological structure. This is around FY 24A lifting costs USD 7.7/bbl, among the lowest in the region, as the company benefits from geologically favorable and commercially viable reserves. OQEP's focus on mature, de-risked assets ensures lower variability in production costs and supports profitability even at mid-cycle oil prices.

Net Capex of USD 833m (OMR 322m) over FY 25–28e is fully self-funded by strong operating cash flows

We assume capital intensity to increase by 9% at USD 833m (OMR 322m) in FY 25-28e (vs. USD 763m/OMR 295m in FY 22-24A), at USD 9.7/boe (vs. USD 8.9/boe in FY 22-24A), largely allocated to gas field expansions, field development, well workovers, and infrastructure upgrades. This is followed by a decline to USD 4.6/boe by FY 49e, assuming a shift to maintenance-only CapEx as fields mature. OQEP remains self-funded, with capex requirements more than covered by cash flows (CFO is 2x times capex in FY 25-28e), underscoring the company's strong internal funding capacity.

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Exhibit 46: CFO is almost double the CapEx requirement in FY 25-29e, leaving room to maintain base dividends at lower oil prices

OMRm	FY 25e	FY 26e	FY 27e	FY 28e	FY 29e
OpEx	250	257	265	273	279
CapEx	307	329	335	315	321
CFO	**566**	**542**	**538**	**535**	**540**
CFO/CapEx (x)	**1.8**	**1.6**	**1.6**	**1.7**	**1.7**

Source: Company Data, Arqaam Capital Research

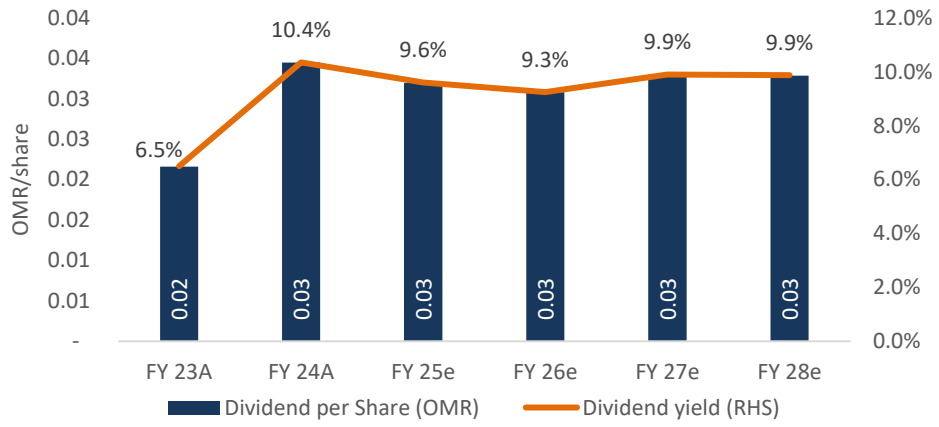
We think base dividends of USD 600m (OMR 232m) annually are sustainable at an oil price of USD 55-65/bbl.

We forecast average annual FCF of USD 696m (OMR 269m)in FY 25-28e, reflecting strong cash conversion, with operating cash flow projected to reach USD 1.4bn (OMR 540m) in FY 28e (vs. USD 1.2bn/OMR 463m in FY 24A), despite lower oil price on working capital inflows of USD 57m (OMR 22m) in FY 25e (vs. USD -260m/OMR -100m in FY 24A). Given this solid cash flow profile and a relatively unlevered balance sheet, we expect OQEP to maintain regular distributions of base dividends.

In FY 25-26e, OQEP intends to pay a base dividend of USD 150m (OMR 58m) per quarter (USD 600m/OMR 232m annually). In addition, the company has a PLD policy, under which 90% of expected free cash flow (plus net proceeds from any asset disposals) — after deducting the USD 600m base dividend — will be distributed. **We think base dividends are sustainable even at lower oil price of oil price of USD 55-60/bbl, as FCF of USD 528-584m (OMR 204-225m) would still cover 93% of base dividends.**

On our numbers, we expect FCF of USD 696m (OMR 269m) in FY 25-28e with total dividends of USD 679m (OMR 262m), comprising base dividends of USD 600m (OMR 232m) and a performance-linked dividend (PLD) of USD 79m (OMR 30m), based on an oil price of USD 68/bbl and cash costs of USD 8/boe. This implies an 86% payout ratio and 97% of FCF.

Exhibit 47: We expect a DPS of OMR 0.03/share over our forecast horizon, yielding 10%



Source: Arqaam Capital Research, Company Data

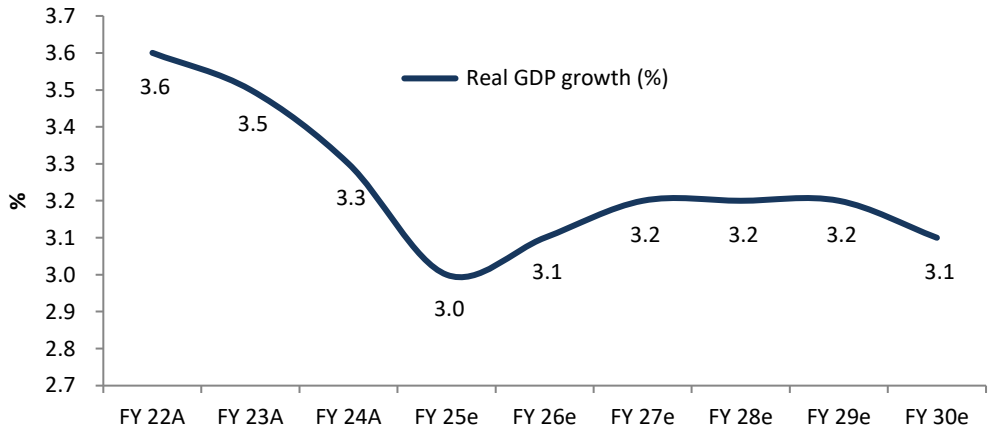
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More on Industry

IMF revises global real GDP growth upward to 3.0% in FY 25e (vs. 2.8% prev.)

The global economy shows resilience despite elevated uncertainty from trade tensions. In its July 2025 update, the IMF raised its global growth projection to 3.0% for FY 25e, 20 bps higher than the April forecast, supported by front-loaded trade activity, lower-than-expected effective U.S. tariff rates, improved financial conditions, and fiscal expansion in key economies. However, growth remains below the pre-pandemic average of 3.7%. For the oil and gas sector, bearish fundamentals persist as robust supply from OPEC+ and non-OPEC producers is expected to outpace tepid demand growth. While recent geopolitical flare-ups temporarily lifted risk premiums, the IMF expects energy prices to decline by c.7% in FY 25e, reflecting slower global demand from major consumers, including China, the U.S., and the EU. Upstream producers may therefore continue to face a weaker pricing environment as trade distortions unwind and economic activity moderates.

Exhibit 48: Real GDP growth to drop to 3.0% in FY 25e, and stabilize at 3.2% onwards



Source: IMF, Arqaam Capital Research

Hefty US tariffs triggered global trade tensions, but the impact is now more contained.

Following a hefty set of tariffs by the US at a 10% baseline levy on nearly all imports (effective April 5) and a 34% "reciprocal" tariff on Chinese goods (April 2), later escalating to as high as 125–145% on April 9 after Beijing retaliated with tariffs of 84% and then 125% on U.S. exports. The shock drove U.S. applied tariff rates on Chinese imports to an average of 127.2%, while China's on U.S. goods peaked at 147.6%. Global markets slumped on fears of a trade war, and firms began rerouting supply chains through Southeast Asia to mitigate risk. In May, both countries agreed to a 90-day truce: Washington cut its maximum tariff on Chinese imports to 30% and Beijing lowered its rate to 10% (effective May 14), reducing average applied tariffs to 51.8% (U.S) and 32.6% (China). Oil prices initially slumped on concerns of weaker global demand, but later recovered part of their losses as the tariff pause supported sentiment.

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Oil demand is driven by Asia. Robust oil demand growth of 4.2 mb/d in emerging and developing economies over the 2024-30 period contrasts with a continued contraction in advanced economies. Asian markets dominate growth, with India's expected 1 mb/d increase the largest of any single country by far, though rising oil use in Southeast Asian economies is also significant. By contrast, oil consumption among OECD countries is forecast to decline by 1.7 mb/d through 2030.

OPEC+ restores 2.5 mb/d from May–Oct 25; Brent stabilizes around USD 65-70/bbl as oversupply builds

Starting in Apr-25, OPEC+ began the gradual and flexible restoration of its voluntary production cuts, in line with the decision agreed in Dec-24. The phased return was designed to avoid destabilizing the market, with increases applied in measured monthly tranches. No additional supply came back in April itself, but the mechanism triggered from May onwards.

In May, June, and July 2025, OPEC+ added 411k barrels per day (bpd) each month to its production targets. These steady increments represented the planned unwinding of the 2.2 mb/d of voluntary reductions that had been implemented by eight key members in FY 23A. By Aug-25, the group accelerated the pace, introducing a larger 548k bpd increase, followed by a 547k bpd rise in Sep-25—equivalent to the effect of four months' worth of increments condensed into a single step. This sequence effectively completed the phase-out of the original 2.2 million bpd voluntary cut by the end of September.

In Oct-25, OPEC+ implemented a much smaller increase of 137k bpd and agreed on another 137k bpd in Nov-25, restoring the voluntary cuts of 1.65 mb/d announced in Apr-23.

In aggregate, OPEC+ restored around 2.47 mb/d of production between May-Oct 2025, bringing supply targets significantly closer to pre-cut levels. By the end of this period, the group had fully unwound the latter (Nov-23) tranche of voluntary cuts and was only beginning to address the earlier (Apr-23) tranche. This leaves OPEC+ with a sizable buffer of voluntary supply—roughly 1.5 mb/d—that could still be brought back, providing the alliance with flexibility to adjust output in response to oil demand trends and price stability concerns.

Impact on oil prices: The steady return of barrels to the market weighed on prices throughout mid-25, keeping Brent crude in the mid-USD 60s per barrel despite geopolitical tensions and periods of short-term supply risk. In April 2025, Brent averaged around USD 68/bbl, down from USD 73/bbl in March, reflecting both weaker demand signals and the expectation of additional OPEC+ supply. As the group added over 2 million bpd by September, inventories began to build, further pressuring prices. While temporary geopolitical flare-ups provided short-lived support, the dominant effect of higher OPEC+ output against softening demand created a ceiling on price recovery, anchoring Brent around **USD 66–67/bbl** by early Q4 25.

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Exhibit 49: OPEC+ increased production by 137k bpd in Oct-25, and agreed on another 137k bpd for Nov-25

Production required by country (kbd)	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25
Saudi Arabia	9,200	9,367	9,534	9,756	9,978	10,020	10,061
Russia	9,083	9,161	9,240	9,344	9,449	9,491	9,532
Iraq	4,049	4,086	4,122	4,171	4,220	4,237	4,255
UAE	3,015	3,092	3,169	3,272	3,375	3,387	3,399
Kuwait	2,443	2,466	2,488	2,518	2,548	2,559	2,569
Kazakhstan	1,486	1,500	1,514	1,532	1,550	1,556	1,563
Algeria	919	928	936	948	959	963	967
Oman	768	775	782	792	801	804	808

Source: Arqaam Capital Research, OPEC

Exhibit 50: World oil demand should rise 1.4% in FY 26e, mainly driven by non-OECD countries

Region	FY 24	1Q25	2Q25	3Q25	4Q25	FY 25	y/y	1Q26	2Q26	3Q26	4Q26	FY 26	y/y
OECD													
Americas	25.0	24.9	25.1	25.4	25.3	25.2	0.2	25.0	25.2	25.6	25.4	25.3	0.1
of which the US	20.4	20.4	20.5	20.7	20.7	20.6	0.2	20.5	20.6	20.9	20.8	20.7	0.1
Europe	13.5	12.9	13.6	14.0	13.5	13.5	0.0	13.0	13.6	14.1	13.5	13.6	0.0
Asia Pacific	7.2	7.3	6.9	6.9	7.4	7.1	-	7.3	6.9	6.9	7.4	7.1-	0.0
Total OECD	**45.7**	**45.2**	**45.6**	**46.3**	**46.2**	**45.8**	**0.1**	**45.3**	**45.8**	**46.6**	**46.3**	**46.0**	**0.2**
Non-OECD													
China	16.7	16.9	16.5	17.0	17.0	16.9	0.2	17.0	16.7	17.3	17.2	17.1	0.2
India	5.6	5.7	5.7	5.5	5.9	5.7	0.2	5.9	5.9	5.7	6.2	5.9	0.2
Other Asia	9.7	9.9	10.2	9.7	9.7	9.9	0.2	10.1	10.5	10.0	10.0	10.2	0.3
Latin America	6.8	6.8	6.9	7.0	6.9	6.9	0.1	6.9	7.0	7.1	7.0	7.0	0.1
Middle East	8.9	8.8	8.8	9.3	9.2	9.0	0.2	9.0	9.0	9.5	9.3	9.2	0.2
Africa	4.7	4.9	4.6	4.7	5.1	4.8	0.2	5.1	4.8	4.9	5.2	5.0	0.2
Russia	4.0	4.0	3.9	4.0	4.2	4.0	0.0	4.1	3.9	4.1	4.2	4.1	0.0
Other Eurasia	1.3	1.4	1.3	1.2	1.3	1.3	0.1	1.5	1.3	1.2	1.3	1.3	0.0
Other Europe	0.8	0.8	0.8	0.8	0.9	0.8	0.0	0.8	0.8	0.8	0.9	0.8	0.0
Total Non-OECD	58.2	59.1	58.7	59.2	60.2	59.3	1.2	60.3	59.9	60.5	61.4	60.5	1.2
Total World	103.8	104.3	104.3	105.5	106.4	105.1	1.3	105.6	105.7	107.1	107.7	106.5	1.4
Previous Estimate	103.8	104.3	104.3	105.5	106.4	105.1	1.3	105.6	105.7	107.1	107.7	106.5	1.4
Revision	-	0.1	0.1	-	0.0	-	-	-	-	-	-	-	-

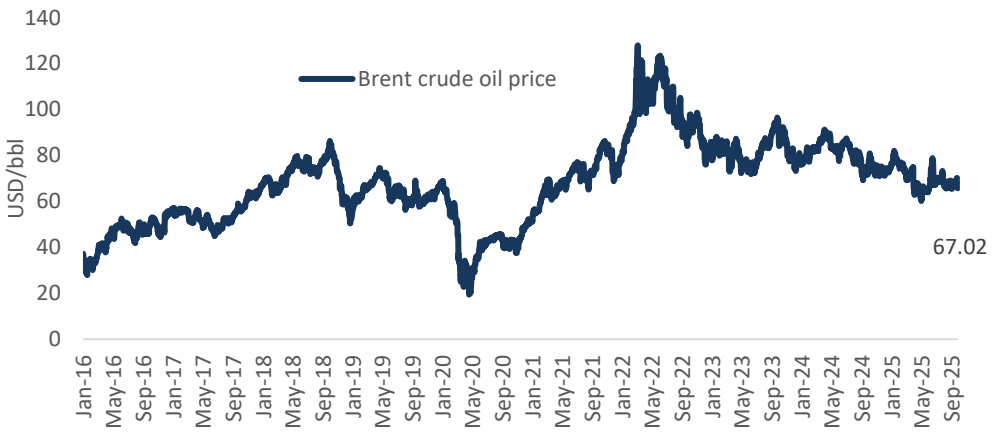
Source: Arqaam Capital Research, OPEC

Geopolitical tensions may provide brief support to oil prices, while demand trends and OPEC+ adjustments shape the market.

Heightened trade frictions and geopolitical risks continue to inject a risk premium into oil markets, particularly given supply-side uncertainties around Russia and Iran. Yet this support is being overshadowed by demand dynamics and OPEC+'s ongoing supply unwind. The IEA now forecasts global oil demand growth of ~740 kb/d in 2025, broadly unchanged from prior months, with resilient OECD deliveries in H1 offset by flat to contracting demand in EMs. On the supply side, however, output has surged: global production reached a record 106.9 mb/d in August, with OPEC+ unwinding cuts and non-OPEC+ production at all-time highs. The mismatch leaves the market vulnerable to a surplus, keeping prices capped despite ongoing geopolitical tensions.

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Exhibit 51: Crude oil prices stabilize at USD 67 in Sep-25 amid OPEC+ hikes



Source: Arqaam Capital Research, Bloomberg

Oil inventories expand amid growing supply

Observed global oil stocks rose by 26.5 mb in July, bringing the cumulative build since January to 187 mb. Chinese stockpiling alone accounted for ~106 mb of the increase between February and August 2025. OECD commercial inventories rose by 6.9 mb in July and remain on a steady upward trend, despite still sitting 67 mb below the five-year average. The IEA now expects global inventories to rise by ~0.4 mb/d in FY 25e and ~0.8 mb/d in FY 26e, with stock builds accelerating to ~2.5 mb/d in H2 25e as supply outpaces demand. This sustained inventory overhang exerts downward pressure on Brent, even as temporary geopolitical shocks occasionally lift prices.

Tariff hikes and trade fragmentation delay capital expenditure, with CapEx declining 9% in FY 25e

Rising trade barriers and uncertainty are expected to constrain energy-related capital expenditure, particularly in upstream oil, refining, and infrastructure. According to IEA estimates, global energy CapEx is projected to fall 9% in FY 25e, as firms prioritize cash preservation over long-cycle projects. Oil and gas companies are delaying field developments, refinery expansions, and LNG/gas processing capacity additions. Weak price signals, tighter fiscal policy, and geopolitical risk premiums have lowered investment visibility, delaying recovery in global upstream CapEx.Lower oil prices and higher production costs, due to tariffs and inflated costs for essential materials, could mean larger cuts to investment are still to come

Oil production from the US is slowing due to lower oil prices and tariffs. For supply, the pace of expansion in US oil production is slowing as oil companies scale back investments, but it nevertheless remains the largest contributor to non-OPEC+ growth in the forecast.

Lower oil prices prompt efficiency and diversification for NOCs

In a weaker price environment, National Oil Companies (NOCs) are pivoting to efficiency and diversification. Upstream spending cuts are expected, with parallels to 2020 when global NOC upstream CapEx fell by over 20%. With production costs ranging from under USD 5/bbl in Middle Eastern fields to above USD 20/bbl in complex offshore projects, cost discipline is paramount.

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Diversification into downstream, petrochemicals, and renewables is intensifying — ADNOC recently announced USD 3bn in new petrochemical investments. Meanwhile, subsidy reforms may be leveraged to ease fiscal strain, with the potential to reduce budget deficits by 2–3% of GDP in some exporters.

Short-term outlook indicates an oversupplied oil market by 660 kb/d in FY 25e on production hikes.

Global oil supply is projected to exceed demand by roughly 660 kb/d, according to the IEA. In FY 25e, demand is forecast at 105.1 mb/d against a supply of 105.8 mb/d. Demand is then projected to rise further to 106.5 mb/d in FY 26e, while supply continues to edge higher, reaching 107.9 mb/d in the same year, and this surplus could grow as OPEC+ moves to unwind cuts. Meanwhile, the long-term effects of trade tariffs remain uncertain, with negotiations ongoing. These factors create a fragile market balance and increase the likelihood of sustained volatility.

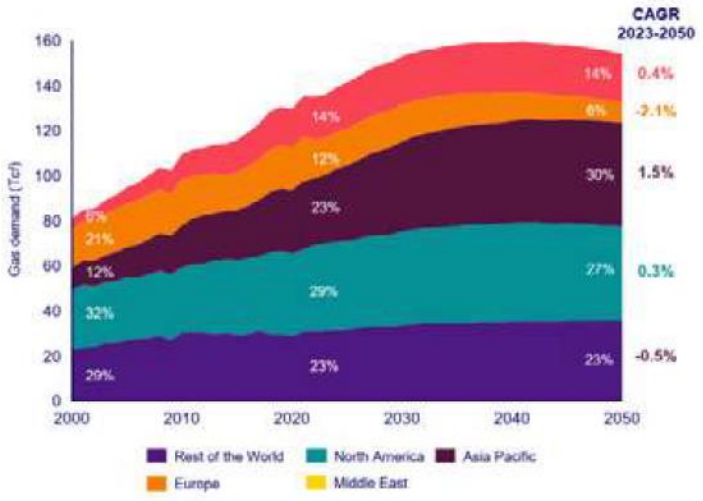
LT fundamentals remain resilient as oil demand should grow at a CAGR of 0.5% until FY 50e

Oil demand is projected to grow at a CAGR of 0.5% until FY 50, with the road sector (33% of demand in FY 23) and the petrochemical sector (24% in FY 23) as the main drivers. While road sector demand is expected to stabilize, the petrochemical sector, growing at a CAGR of 2.1%, will account for 36% of the demand by FY 50e.

Gas demand to grow 0.4% CAGR till FY 50, led by the power and industrials sectors

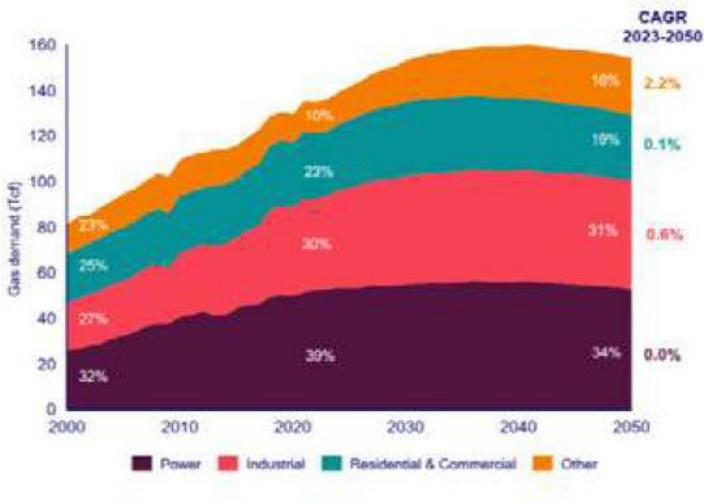
Gas demand is set to grow at a modest CAGR of 0.4% till FY 50, driven by the power (47% of demand in FY 24A) and industrial sectors (32% in FY 24A). However, the increasing use of renewables in the power sector will reduce gas consumption, with the power sector's share dropping to 38% by FY 50e. In contrast, demand for gas from the industrial sector is expected to grow steadily, increasing its share to 35% by FY 50e.

Exhibit 52: Global gas demand by region 2000-2050 (tcf)



Source: Arqaam Capital Research, Wood Mackenzie

Exhibit 53: Global gas demand by sector 2000-2050 (tcf)



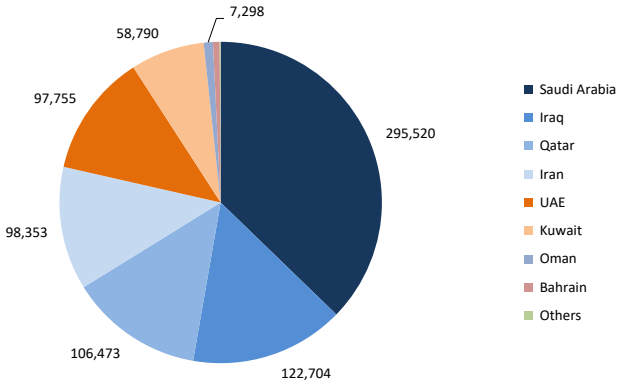
Source: Arqaam Capital Research, Wood Mackenzie

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The Middle East holds 43% of oil, 41% of gas, led by Saudi Arabia, Iraq, and Qatar.

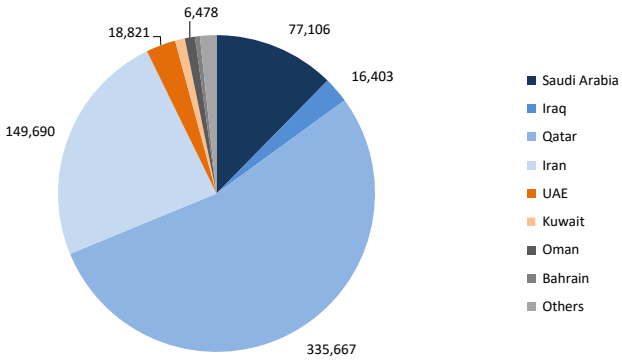
The Middle East is home to vast proven and probable reserves, holding 793bn boe in liquids (oil and condensate) and 624bn boe in gas. This represents 43% of the world's oil reserves and 41% of its gas reserves, with Saudi Arabia, Iraq, Qatar, and Iran controlling 78% of the region's oil reserves. Notably, Qatar alone holds 22% of global gas reserves.

Exhibit 54: Saudi Arabia leads in liquid reserves across the region



Source: Arqaam Capital Research, Wood Mackenzie

Exhibit 55: Qatar dominates regional gas reserves by a wide margin



Source: Arqaam Capital Research, Wood Mackenzie

The Middle East supplies 27% global oil; capacity peaks at 38m bbl/d with increased production from Iraq.

The region continues to be a dominant player in the global oil market, supplying nearly 27% of the world's oil. Oil production capacity from the Middle East is expected to peak at 38 mmbbl/d by FY 31e (from 32 mmbbl/d in FY 24A), with output plateauing until FY 50e. Saudi Arabia's share in the region's oil production will decrease slightly from 40% to 38% by FY 50e, while Iraq is projected to increase its production by 40% by FY 49e, raising its share from 14% to 16%.

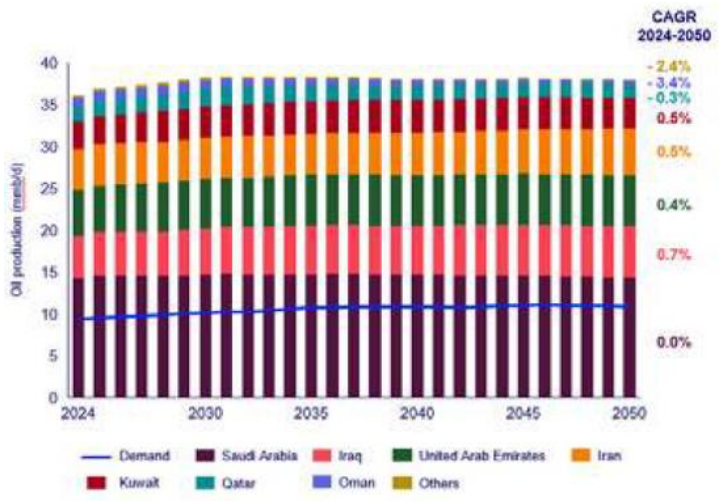
The region's success in the oil and gas sectors is largely due to the strong presence of international oil companies (IOCs) such as Shell, ENI, BP, ExxonMobil, and TotalEnergies. Oman has the highest foreign participation in production, accounting for 40% of its oil and gas output, followed by the UAE and Qatar with 35%.

Regional gas to reach 31 tcf by FY 50e, led by Qatar, Iraq, UAE; Iran declines

Gas production in the Middle East is expected to grow at a slower pace, with a CAGR of 0.9% until FY 50, reaching 31 tcf from 25 tcf in FY 24A. Growth drivers include Qatar (with a CAGR of 2.4%), Iraq (3.5% CAGR), and the UAE (2% CAGR). Qatar's North Field expansion is expected to double its production from 6 tcf to 12 tcf by FY 50e. However, Iran's gas production is expected to decline, with its share of regional output falling from 35% to 26%.

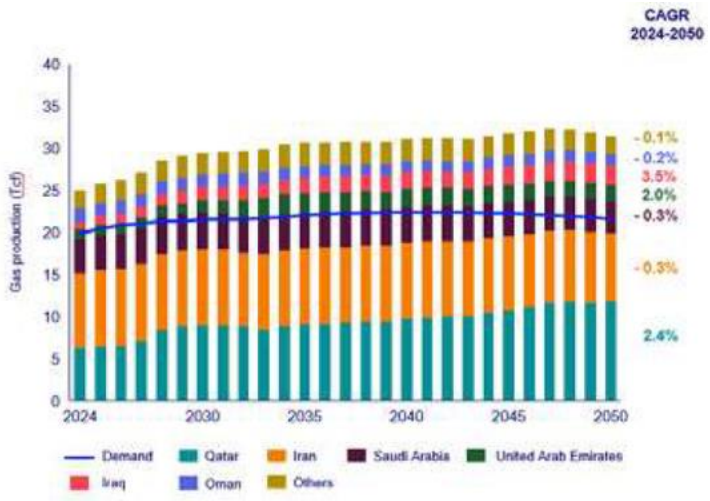
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Exhibit 56: Petrochemicals to drive oil demand growth as road sector share holds steady through FY 50



Source: Arqaam Capital Research, Wood Mackenzie

Exhibit 57: Gas demand grows modestly as renewables displace power sector use, industry share rises by FY 50



Source: Arqaam Capital Research, Company Data

The Middle East, a key global LNG supplier led by Qatar, invests heavily in exploration, expanding gas capacities, and production.

The Middle East plays a significant role in the global gas market, accounting for 23% of global LNG supply in FY 24A, with Qatar holding 83% of the region's LNG capacity. This share is projected to increase to 91% by FY 50e as Qatar continues to expand its LNG supply capacity, starting with a new expansion phase in FY 26e.

Exploration activity in the region remains strong, with ongoing efforts to discover new reserves and enhance existing fields, taking advantage of the region's low production costs. An estimated USD 1.4tr in capital expenditure will be required by FY 50e to exploit these reserves.

Oman's gas production has rapidly expanded, driven by major projects like BP's Khazzan and PDO Block 6, which together account for over 90% of output. With peak supply expected by 2028, ongoing investments in gas processing and pipeline infrastructure support growing domestic demand, especially from industry, amid Oman's energy transition goals.

Saudi Arabia is diversifying its energy resources, with projects like the Jafurah gas field to boost production. Aramco's strategy includes increasing gas production by more than half over FY 21A levels—rising from c. 10.1 bscf/d to over 15 bcf/d by FY 30e. The UAE is investing in both onshore and offshore discoveries, including the Ghasha ultra-sour gas project and the Upper Zakum field expansion. ADNOC aims to unlock unconventional gas resources to achieve gas self-sufficiency by 2030. The discovery of 160tr scf of recoverable unconventional gas resources could unlock an additional 1 bcf/d from the Ruwais Diyab concession before 2030, supporting ADNOC's ambition to become a net gas exporter. Kuwait is focusing on offshore drilling and heavy oil, while Qatar is enhancing LNG production through the North Field Expansion. Bahrain is advancing offshore exploration, Iran is developing the South Pars gas field, and Iraq is increasing capacity through new blocks and the redevelopment of fields like West Qurna and Rumaila.

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Middle Eastern hydrocarbon economies grew at 2% CAGR; modest growth continues with reliance on exports funding public services and upstream investments.

Middle Eastern economies, primarily driven by hydrocarbons, experienced a CAGR of 2.1% in GDP from 2000 to FY 23, reaching USD 2.9tr. This growth is expected to continue, albeit at a more modest pace of 1.1% CAGR until FY 50, reaching USD 5.6tr. The region's GDP is reliant on hydrocarbons, contributing between 20% (Bahrain) and over 50% (Qatar) to national GDPs. Oman's hydrocarbon sector accounted for 38% of its GDP in FY 22A.

Hydrocarbon exports generate significant government revenues, which are used to fund public services and infrastructure projects. Oil and gas exports make up a large portion of government income in Iraq (93% in FY 23), Saudi Arabia (62% in FY 23), and Oman (77% in FY 22).

With the region's commitment to expanding its hydrocarbon sector and favorable upstream project economics, the Middle East will continue to attract upstream investments.

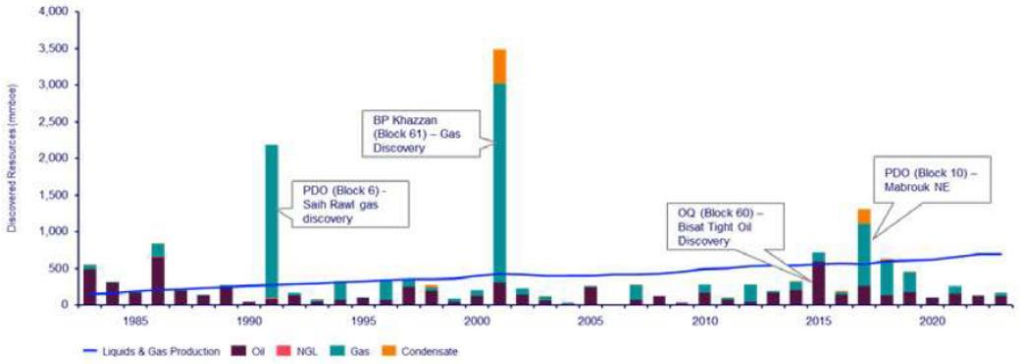
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Oman

Oman's Upstream Oil & Gas sector; Oman's hydrocarbon sector thrives via PSAs

Oman is a key hydrocarbon producer in the Middle East, with oil and gas production playing a vital role in its economy. The country's upstream sector is a blend of national and international oil companies operating under long-term production-sharing agreements (PSAs) with the Omani government. The Ministry of Energy and Minerals regulates the sector, ensuring sustainable resource extraction while fostering investment through competitive licensing rounds.

Exhibit 58: Oman's liquid & gas production has been steadily growing thanks to heavy exploration efforts



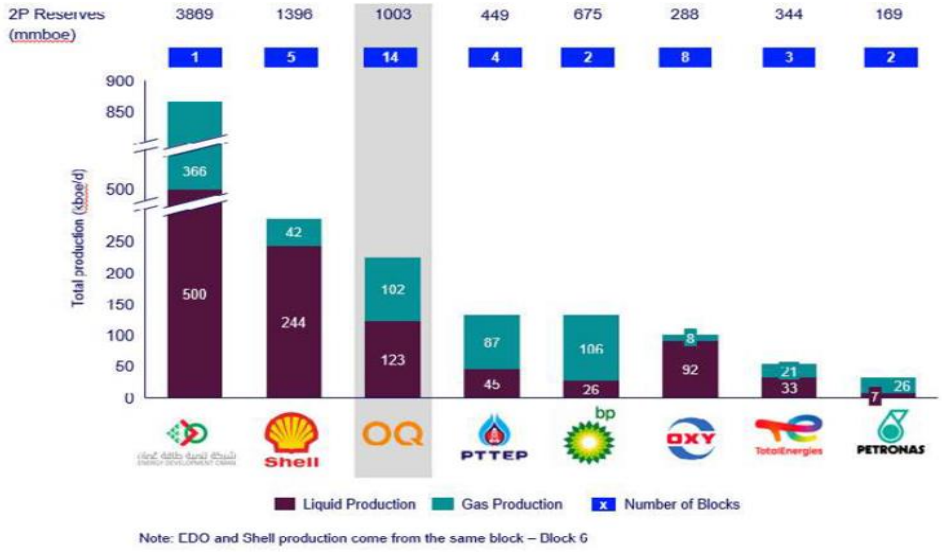
Source: Arqaam Capital Research, Wood Mackenzie

Competitive Landscape: Oman's upstream industry is supported by:

- **OQ** – Oman's national energy company, engaged in exploration, production, and development of multiple blocks, playing a key role in the country's upstream sector.
- **Petroleum Development Oman (PDO)** – The largest producer, managing most of the country's oil fields.
- **Occidental Petroleum (OXY)** – A major player with stakes in Blocks 9, 27, and 62.
- **BP Oman** – Key operator in Oman's natural gas sector, particularly in Block 61.
- **TotalEnergies & OQEP** – Partners in Oman's LNG expansion, particularly in Block 10.
- **Daleel Petroleum & CC Energy Development (CCED)** – Mid-sized operators contributing to Oman's crude output.

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Exhibit 59: Oman O&G production by the company's working interest for FY 24 (kboe/d); OQ leads

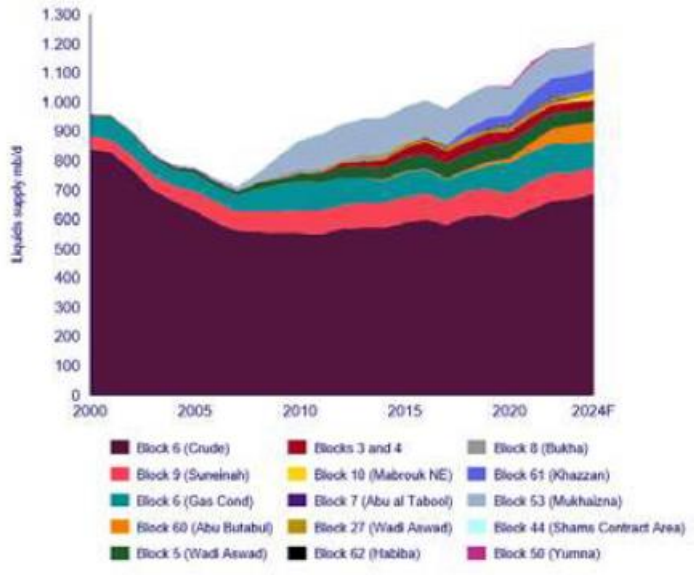


Source: Arqaam Capital Research, Wood Mackenzie

Oil Production & Reserves; Oman, the Middle East's largest non-OPEC oil producer at 1.05 mbpd, sustains output via EOR and exploration

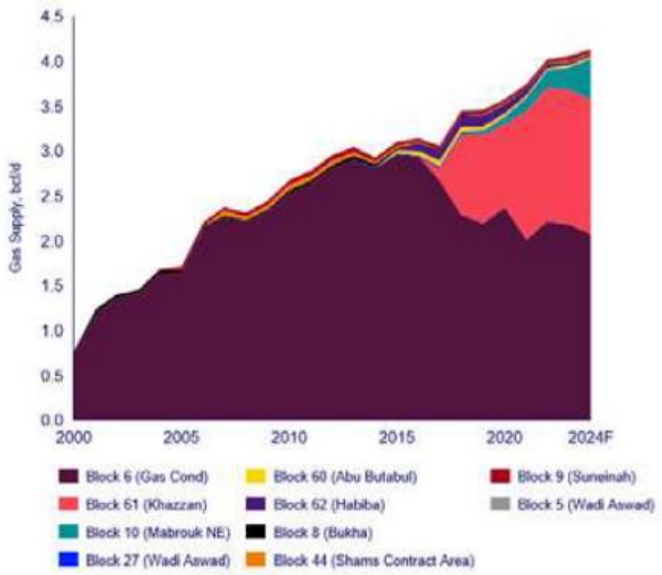
Oman is the largest non-OPEC oil producer in the Middle East, with crude oil and condensate production averaging 1.05 mbpd in FY 23A. Despite its mature fields, Oman continues to maintain production levels through enhanced oil recovery (EOR) techniques, exploration activities, and asset optimization. Proven crude oil reserves stood at 4.9bn barrels in FY 23A. Key producing blocks include Block 6 (operated by PDO), Block 61 (BP's tight gas project), and Block 10 (recently awarded to TotalEnergies and OQEP).

Exhibit 60: Oman liquids supply (onstream) for FY 00-24e (mmbbl/d)



Source: Arqaam Capital Research, Wood MacKenzie

Exhibit 61: Oman gas supply (onstream) for FY00-24e (bscf/d)



Source: Arqaam Capital Research, Wood Mackenzie

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Oman's thriving natural gas sector, with 24 Tcf reserves, fuels domestic use, LNG exports, and bolsters the energy mix.

Oman is becoming an increasingly important player in the natural gas sector, with reserves estimated at over 24 trillion cubic feet (Tcf). Gas production, primarily for domestic use, power generation, and LNG exports, has grown significantly. The country is focusing on unconventional sources, such as gas from Block 61 (Khazzan & Ghazeer) and Block 10 (Marsa LNG project).

Natural gas contributes to nearly 35% of Oman's total energy mix, with investments in LNG and downstream petrochemical projects further driving demand. Oman LNG, in which OQEP has a strategic stake of 20%, with an annual LNG production capacity of c.11.4m tons.

Oman's upstream remains resilient, strategic support and investments drive growth opportunities.

Despite global energy price volatility, Oman's upstream sector remains resilient, buoyed by its strategic location, strong government support, and ongoing investments in gas exploration. OQEP's participation in key blocks and LNG projects presents substantial production growth and revenue diversification opportunities.

Key industry trends:

- **Gas Expansion Focus:** Oman is prioritizing gas exploration, with major projects like Marsa LNG expected to increase export capacity.
- **Enhanced Oil Recovery (EOR) & Technology:** To maintain production in mature fields, operators are increasingly relying on advanced technologies like polymer flooding, steam injection, and CO2 injection.
- **Privatization & Partnerships:** Oman continues to attract foreign investments through strategic partnerships and the restructuring of state-owned enterprises.
- **ESG & Sustainability Initiatives:** Oman is committed to reducing carbon intensity in its oil and gas sector, with several companies adopting low-carbon strategies and renewable integration in operations.

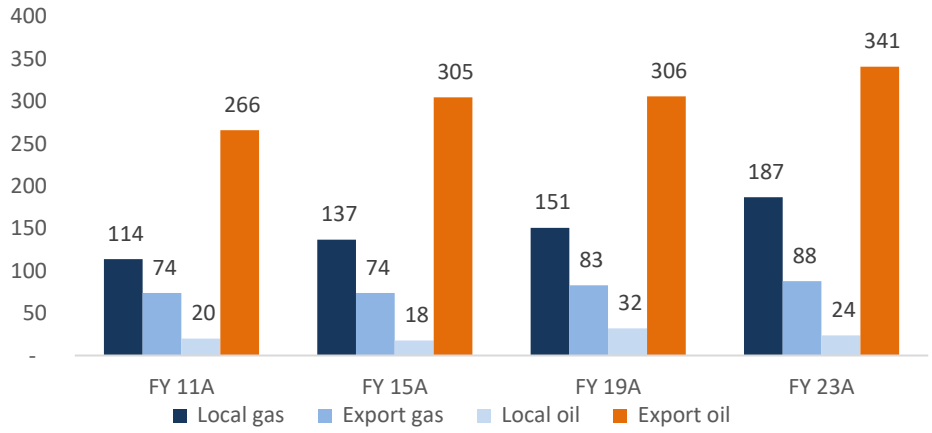
Oman's stable economy, investor-friendly regulations, and improved fiscal balance boost hydrocarbon investment and FDI growth

Oman's stable inflation rate of 1% and currency stability enhance its attractiveness as an investment destination. Regulatory frameworks, such as the Foreign Capital Investment Law (FCIL), facilitate foreign ownership in most sectors, making Oman a top choice for investment in the hydrocarbon sector. As a result, Oman has become the fifth-largest destination in the Middle East for greenfield projects.

Oman's fiscal and external balances have improved due to stronger oil prices and fiscal reforms, leading to an upgrade of its credit rating from BB to BB+ (Fitch) in FY 24. FDIs have grown by 30.5% since FY 20, reaching USD 70.4bn in FY 22. Public debt decreased from nearly 70% of GDP in FY 20 to the mid-30s, with Oman recording over 6% fiscal surplus last year

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Exhibit 62: Oman exported 93% of its crude, mainly to China, via the Mina Al Fahal terminal in FY 23A (mmboe)



Source: Arqaam Capital Research, Wood Mackenzie

Exhibit 63: Oman crude exports for H1 24; Oman exports 93% of crude, mainly to China, via the Mina Al Fahal terminal near Muscat



Source: Arqaam Capital Research, Wood Mackenzie

Exhibit 64: Oman LNG exports for H1 24; Oman's LNG exports led by China, but domestic demand rises to phase out exports by FY 35A



Source: Arqaam Capital Research, Wood Mackenzie

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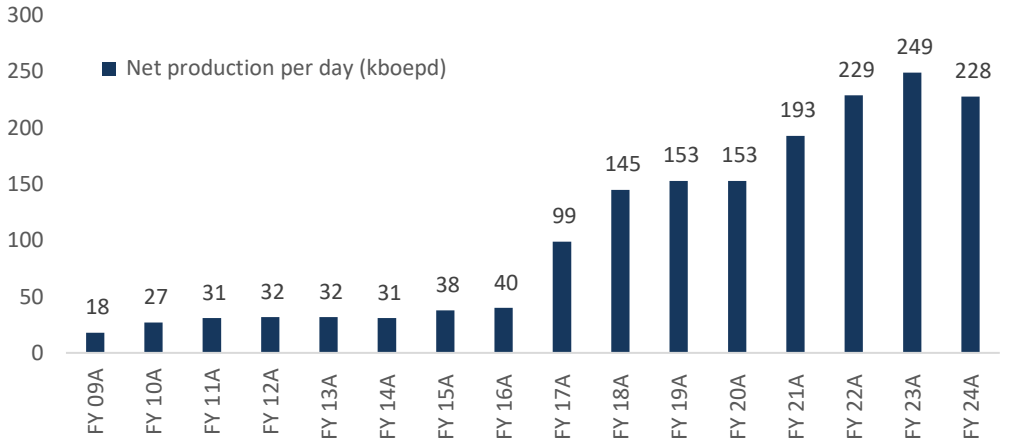
More on OQEP

OQ Exploration & Production (OQEP) – Oman's national upstream champion

OQ Exploration & Production (OQEP) is Oman's largest pure-play oil and gas exploration and production company and the country's only government-owned upstream operator. As a subsidiary of OQ, Oman's flagship energy company, OQEP is a cornerstone of Oman's hydrocarbon sector, accounting for around 56% of OQ's adjusted EBITDA in FY24A. The company ranks among the nation's top three oil and gas producers—alongside EDO and Shell—and controls one of the largest reserve bases in the country.

Since its establishment in FY 09, OQEP has demonstrated remarkable growth, expanding its production nearly 14-fold to an average of 227.8 kboe/d by FY 24. The company accounted for approximately 14% of Oman's total oil, gas, and condensate production in FY 23A and holds 2P working interest reserves of approximately 0.974bn boe as of H1 24.

Exhibit 65: OQEP's trajectory of net production/day, standing at 228 kboepd in FY 24A



Source: Arqaam Capital Research, Company Data

OQEP benefits from Oman's strategic location, a well-developed regulatory framework, and a stable economic environment, making it an attractive player in the region's energy landscape. The company operates a high-quality portfolio of 14 upstream assets, spanning exploration, development, and production. Its key producing assets include:

- **Block 60** – The company's flagship operated asset, contributing nearly 24% of OQEP's total production in FY 24.
- **Block 61** – A major non-associated gas and condensate asset, supplying 33% of Oman's total gas production.
- **Block 65** – A recently developed oil asset with significant long-term reserve growth potential.
- **Block 53** – The Middle East's largest thermal enhanced oil recovery (EOR) contract area.

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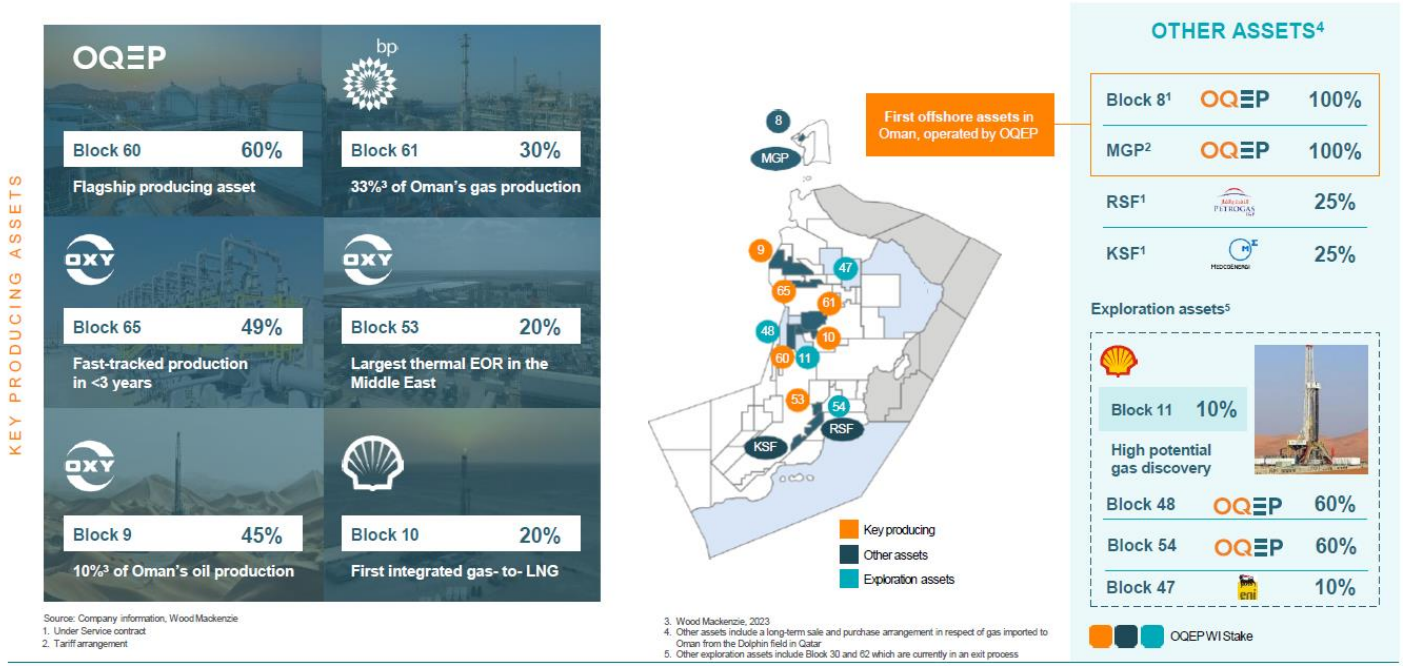
- **Block 9** – A mixed oil, gas, and condensate asset, accounting for 10% of Oman's oil production.

- **Block 10** – A newly operational gas and condensate asset, with future LNG export potential via the Marsa LNG project, expected to start in FY 28e.

Beyond its upstream portfolio, OQEP operates Oman's only offshore production asset (Block 8) and key strategic infrastructure, including the Musandam Gas Plant (MGP) and an oil export terminal. The company also holds long-term agreements for gas imports from Qatar's Dolphin field and actively participates in Oman's industrial diversification efforts by supporting gas-intensive industries.

OQEP's extensive partnerships with leading global oil and gas majors—including BP, Shell, TotalEnergies, and Occidental—enhance its operational capabilities and position it as a key player in Oman's energy transition. As it continues to expand its production footprint, optimize hydrocarbon recovery, and develop new resources, OQEP remains central to Oman's energy security and economic growth.

Exhibit 66: Locations of the OQEP's assets



Source: Company Data, Arqaam Capital Research

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Asset breakdown

Key producing assets

Block 60 – OQEP's flagship operated asset (operated – 60% interest)

Block 60 is OQEP's premier operated asset, located in western central Oman. It comprises four key producing fields—Abu Butabul gas field, Abu Butabul South oil field, Abu Butabul North oil and gas field, and the Bisat oil field. These fields are spread across Shuaiba, Barik, Gharif, and Miqrat reservoirs, with depths ranging from 1,400m to 4,500m. The block is equipped with critical processing infrastructure, including i) a gas processing facility at Abu Butabul, commissioned in FY 14A, and ii) three oil and condensate processing facilities at Bisat, commissioned in FY 19-22A, which handle all oil and water produced from the Bisat field.

OQEP acquired Block 60, discovered Bisat oil, and sold a 40% stake for USD 1.4bn. OQEP acquired a 100% participation interest in Block 60 in FY 11A and has since led exploration and development efforts, resulting in the Bisat oil discovery in FY 17A. The block hosts a central processing facility with a capacity of +37,000 barrels of oil per day, supporting +10% production growth in OQEP's operated portfolio. The company retains operational control despite selling a 40% combined stake to MedcoEnergi Oman Block 60 Limited and Medco Daya Oman Block 60 PTE LTD for USD 1.4bn in Dec-23. The Block 60 EPSA expires in 2048, with the potential for a 10-year extension if mutually agreed upon by the parties thereto.

Block 60 achieved 60.6 kboe/d production and the lowest operating cost, vital to OQEP's portfolio. Block 60's gross production averaged 60.6 kboe/d in FY 24A, achieving an industry-leading operating cost of USD 5.94/boe, the lowest for any oil block in Oman. As of H1 24, working interest production from Block 60 stood at 35.3 kbbl/d of oil & condensate and 12.5 mmscf/d of gas, underscoring its role as a key asset in OQEP's portfolio.

Exhibit 67: Block 60

Block 60	FY 21	FY 22	FY 23	H1 23	H1 24
Working interest production – oil (kboe/d)	26.9	50.5	58.7	60.8	34.9
Working interest production – gas (mmscf/d)	29.5	22.8	21.3	22.7	11.9

Source: Arqaam Capital Research, Company Data

OQEP expands Block 60 with more rigs, increased capacity, and infrastructure upgrades for sustainable growth. OQEP is actively expanding Block 60 to maximize its production potential through a series of strategic initiatives. Currently, four rigs are in operation—three focused on Bisat and one dedicated to gas and exploration drilling. To accelerate production, a fifth rig is set to be introduced in FY 25e. Additionally, the company is expanding the Bisat processing facility to handle 850,000 barrels of water and 65 kbbl/d of oil by Jul-25, with further plans to increase capacity to 1.2m barrels of water and 100 kbbl/d of oil in the future.

OQEP enhances efficiency with new power lines and solar projects, reducing emissions and energy costs. In line with its sustainability goals, OQEP is implementing key power infrastructure projects to enhance efficiency and reduce emissions. A 107 km overhead power line is being connected to Bisat's new substation, supplying 100 MW of electricity to phase out in-house power generation, improving reliability and lowering carbon intensity. The company is also

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considering a 35 MW solar project that would cover 33% of Bisat's energy needs, further reducing costs and its carbon footprint.

Block 60 remains vital to OQEP, offering large-scale production, cost efficiency, and growth potential. Block 60 remains a cornerstone of OQEP's upstream portfolio, distinguished by its large-scale production capacity, operational cost efficiency, and long-term expansion potential. With ongoing infrastructure enhancements, the asset is well-positioned for sustainable growth. As OQEP continues to optimize its operations, Block 60 plays a crucial role in both the company's growth strategy and Oman's broader energy sector.

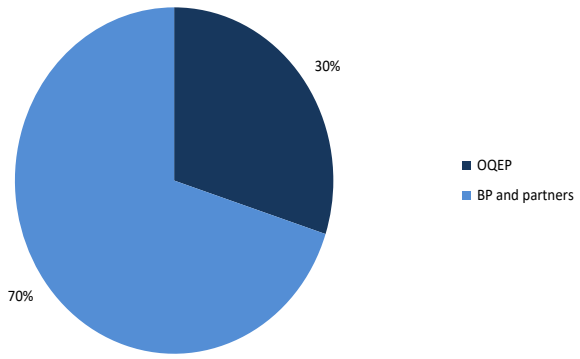
Block 61 – A key gas asset in Oman (non-operated – 30% interest)

Block 61 is one of Oman's most critical gas-producing assets, contributing 33% of the country's total gas production in FY 23A. Located onshore in central Oman, the block contains two major producing gas fields—Khazzan and Ghazeer—situated in the Barik and Miqrat reservoirs at depths ranging from 4,000m to 5,000m. The asset currently supplies 1.5 bcf/d (gross) of gas to Oman's domestic market, with potential additional recoverable resources of up to 2 TCF (gross) under ongoing appraisal.

Block 61's CPF infrastructure ensures efficient gas extraction, processing, and resource management. The block's operations are supported by a robust infrastructure centered around the Central Processing Facility (CPF), which houses three gas processing trains, two condensate trains, and water management facilities. This advanced setup ensures efficient gas extraction, processing, and resource management.

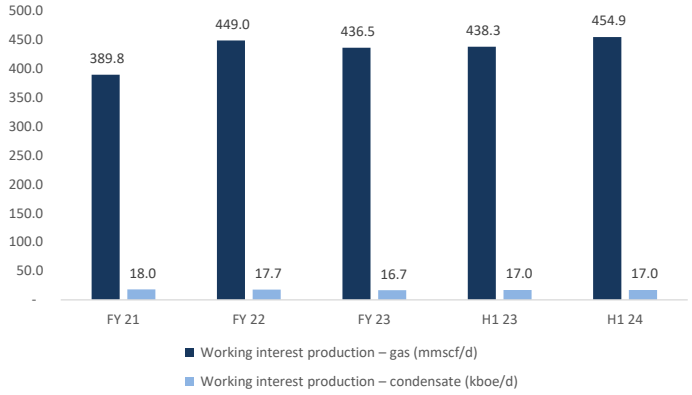
OQEP holds a 30% stake in Block 61, with BP and partners sharing ownership. OQEP originally acquired a 40% working interest in Block 61 in FY 14A through the government's participation rights. In FY 18A, the company divested 10% to Petronas, bringing its stake to 30%. The remaining ownership is split among BP (40%), the operator of the block, PTTEP (20%), and Petronas (10%). The Exploration and Production Sharing Agreement (EPSA) for Block 61 is set to expire in 2043, with an option for a 10-year extension if mutually agreed.

Exhibit 68: OQEP holds 30% working interest in Block 61



Source: Arqaam Capital Research, Company Data

Exhibit 69: With gas production of 454.9 mmscf/d and condensate production of 17.0 kbbl/d



Source: Arqaam Capital Research, Company Data

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Block 61's strong production growth and low operating costs drive OQEP's portfolio profitability. Production from Block 61 remains strong, with H1 24 figures showing a working interest gas production of 454.9 mmscf/d and condensate production of 17.0 kbbl/d. This reflects an increase from FY 23's average production of 436.5 mmscf/d of gas (+4 y/y) and 16.7 kbbl/d of condensate (+2 y/y). The asset benefits from attractive unit operating costs, reinforcing its position as a highly efficient and profitable component of OQEP's portfolio.

Exhibit 70: Block 61

Block 61	FY 21	FY 22	FY 23	H1 23	H1 24
Working interest production – condensate (kboe/d)	18.0	17.7	16.7	17.0	17.0
Working interest production – gas (mmscf/d)	389.8	449.0	436.5	438.3	454.9

Source: Arqaam Capital Research, Company Data

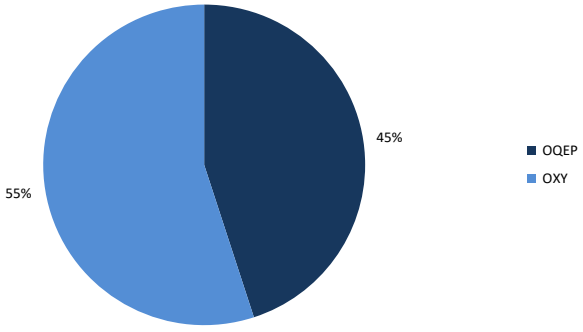
OQEP is expanding Block 61 through Miqrat development, Barik area expansion, and compression installation. To further enhance Block 61's output and longevity, OQEP is pursuing multiple growth initiatives. These include the continued development of the Miqrat field to expand gas reserves, the expansion of the Barik gas area to improve reservoir quality and well performance, and the installation of inlet compression to reduce wellhead pressure and increase recoverable resources. Additionally, new field development planning aims to sustain production levels above current gas sales agreements (GSA) and extend output beyond 2043.

Block 9 – A high-potential oil and gas asset (non-operated – 45% interest)

Block 9 is a key contributor to OQEP's upstream portfolio, accounting for 10% of Oman's total oil production in FY 23A. Located onshore in northern Oman, it primarily produces oil, along with gas and condensate. The block consists of multiple producing fields grouped into two main clusters: the Safah Area and the Wadi Latham Area. These fields are situated in the Natih and Shuaiba reservoirs at depths ranging from 1,500m to 1,600m. The block is equipped with three oil processing facilities and one gas and condensate processing facility.

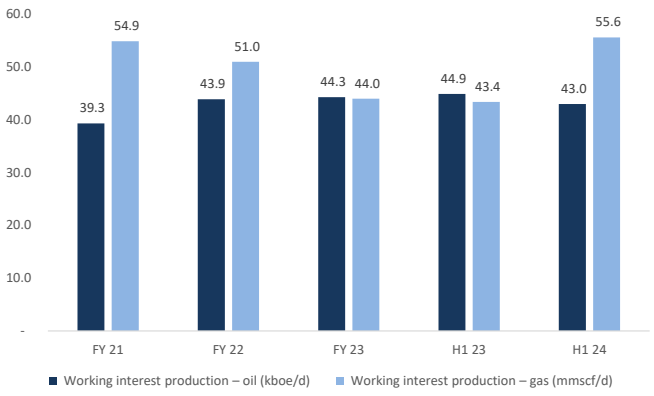
OQEP holds 45% in Block 9, a key oil producer with growth potential. OQEP holds a 45% working interest in Block 9 under an EPSA, alongside Occidental Petroleum (Oxy), which operates the block with a 50% stake, and Mitsui E&P Middle East B.V., which holds the remaining 5%. The EPSA for Block 9 is set to expire in 2030, and discussions are expected with the Omani government regarding a potential extension and new terms for continued development.

Exhibit 71: OQEP's working interest share amounts to 45% in Block 9



Source: Arqaam Capital Research, Company Data

Exhibit 72: with H1 24 working interest production of 43.0 kbbl/d of oil & condensate and 55.6 mmscf/d of gas



Source: Arqaam Capital Research, Company Data

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Block 9's steady production and exploration success support future development and value creation. Production from Block 9 has remained strong, with H1 24 figures showing a working interest production of 43.0 kbbl/d of oil & condensate (-4 y/y) and 55.6 mmscf/d of gas (+28 y/y). This follows FY 23A average production of 44.3 kbbl/d of oil and condensate and 44.0 mmscf/d of gas. Since its first oil output in 1984, the block has experienced steady production growth, supported by high exploration success rates of around 70% and a reserve replacement ratio exceeding 100% between FY 21A and FY 23A.

Exhibit 73: Block 9

Block 9	FY 21	FY 22	FY 23	H1 23	H1 24
Working interest production – oil (kboe/d)	39.3	43.9	44.3	44.9	43.0
Working interest production – gas (mmscf/d)	54.9	51.0	44.0	43.4	55.6

Source: Arqaam Capital Research, Company Data

Block 9 offers growth, with drilling plans and infrastructure synergies to boost output. Block 9 presents a major growth opportunity for OQEP, with future development plans focused on drilling five to ten exploration wells per year to unlock additional reserves. The block also benefits from its proximity to Block 65 and Block 27, allowing for cost optimization and infrastructure synergies. Additionally, OQEP is working on enhancing production infrastructure to sustain long-term output and maximize resource recovery.

Strong production, high exploration success, and growth plans make Block 9 a key asset for OQEP. With its strong production base, high exploration success rate, and potential for further development, Block 9 is a cornerstone asset in OQEP's portfolio, representing **34**% **and 9%** of total **oil and gas** production**, respectively in H1 24**. Its growth trajectory positions it as a key driver of the company's future production expansion and long-term value creation.

Block 10 – A strategic gas and condensate asset (operated – 20% interest)

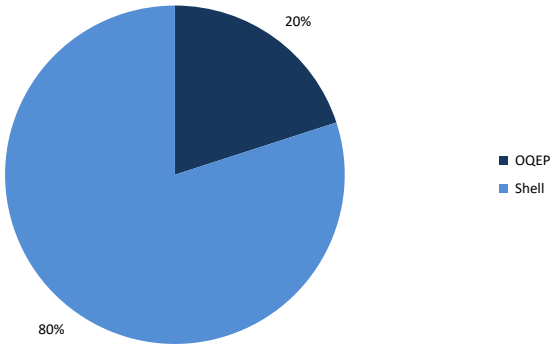
Block 10 is a gas and condensate asset located onshore in western central Oman, operated under a concession agreement between the Government, Shell (operator), Marsa LNG LLC (Marsa), and OQEP. Production from Block 10 is processed at the adjacent Saih Rawl Plant, which is operated by Petroleum Development Oman (PDO).

Block 10 includes four gas fields, with ongoing exploration and development initiatives. The block comprises four primary gas fields: Mabrouk North-East (MBRNE) and Mabrouk East (MBRE), both discovered in FY 17A; Mabrouk West (MBRW), discovered in FY 18A; and the Tawf Dahm (TD, TDS, TDM) field, which is still under appraisal and classified as contingent resources. These fields are located in the Barik, Al Bashair, and Miqrat reservoirs at depths ranging from 4,500m to 4,900m.

OQEP holds 20% of Block 10, with Shell as operator. OQEP holds a direct 13.4% working interest in Block 10 and an additional 6.6% through its 20% stake in Marsa, bringing its total working interest to 20%. The remaining shares are held by Shell, which operates the block with a 53.5% stake, and Marsa, which owns 33.2% (with TotalEnergies holding 80% of Marsa and OQEP the remaining 20%). The concession agreement for Block 10 expires in 2050, with an option for a 10-year extension if mutually agreed.

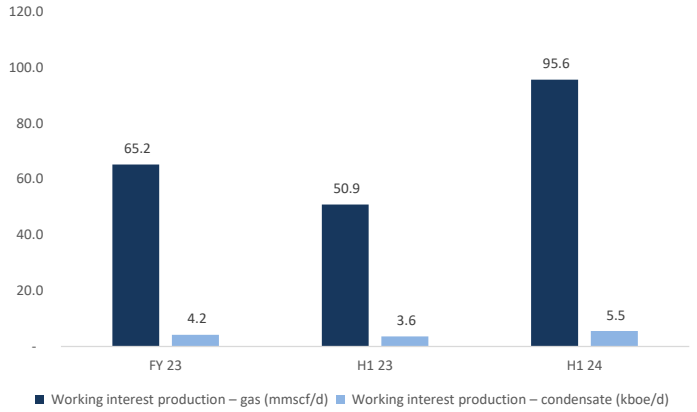
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Exhibit 74: OQEP holds 20% working interest in Block 10, with 80% held by Shell



Source: Arqaam Capital Research, Company Data

Exhibit 75: With production at 95.6 mmscf/d of gas and 5.5 kbbl/d of condensate as of H1 24



Source: Arqaam Capital Research, Company Data

Block 10's production ramped up in FY 23A, with strong growth in H1 24A. The first production from Block 10 commenced in Jan-23, and output has ramped up significantly. By H1 24A, working interest production stood at 95.6 mmscf/d of gas and 5.5 kbbl/d of condensate, up from average of 65.2 mmscf/d and 4.2 kbbl/d in FY 23A, respectively.

Exhibit 76: Block 10

Block 10	FY 23	H1 23	H1 24
Working interest production – oil (kboe/d)	65.2	50.9	95.6
Working interest production – gas (mmscf/d)	4.2	3.6	5.5

Source: Arqaam Capital Research, Company Data

Block 10 supports Oman's energy transition through integration with Marsa LNG project. Block 10 plays a key role in Oman's energy transition through its integration with the Marsa LNG project, which is set to become the Middle East's first LNG bunkering facility, located at the Port of Sohar. Currently, gas from Block 10 is sold to IGC (government arm and is currently the sole buyer of gas in Oman) under long-term agreements. However, once the Marsa LNG plant is commissioned in FY 28e, Marsa's proportionate gas entitlement will be redirected as feedstock for LNG production, while the remaining gas will continue to be sold to IGC until FY 41e. The plant will initially have a nameplate capacity of 1 mmtpa, with potential expansion to 2 mmtpa, and will be fully powered by a 300 MW solar plant by TotalEnergies and OQ Alternative Energy.

Financing for the USD 500m LNG plant will be structured through a combination of a subordinated loan from joint venture participants and a syndicated loan from Omani, regional, and international banks. OQEP will provide a USD 100m support guarantee, while TotalEnergies will guarantee USD 400m.

OQEP aims to maximize Block 10's potential with growth initiatives and long-term development. OQEP is actively working to maximize Block 10's potential through various growth initiatives. These include continued drilling at Miqrat beyond the expiry of the gas sales agreement in 2041, exploration and appraisal of the Tawf Dahm (TD, TDS, TDM) fields, development of the discovered Ghudun reservoir at Mabrouk North, and the installation of inlet compression to lower wellhead pressure and unlock incremental resources.

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With its growing production profile, integration into the Marsa LNG project, and long-term development potential, Block 10 remains a crucial asset for OQEP. It plays a significant role in supporting Oman's gas security and LNG expansion strategy, positioning the country as a key player in the global energy transition.

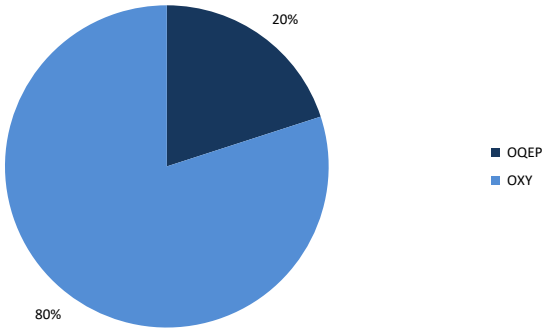
Block 53 – The largest thermal EOR project in the Middle East (non-operated – 20% interest)

Block 53 is a major onshore oil development in southeastern Oman, recognized as the largest thermal enhanced oil recovery (EOR) contract area in the Middle East. While primarily an oil-producing asset, it also yields light oil and condensate from the Thuleilat reservoir, a conventional water-flooded reservoir. The block's diverse hydrocarbon profile makes it a strategically important asset within OQEP's portfolio.

The block's reserves are in the Gharif reservoir, with production from multiple reservoirs and facilities. Block 53's oil reserves are primarily located in the Gharif reservoir, with additional production from the Aruma, Kahmah-Khuff, and Thuleilat reservoirs at depths ranging from 600m to 2,600m. The block is equipped with two oil facilities, processing extracted hydrocarbons.

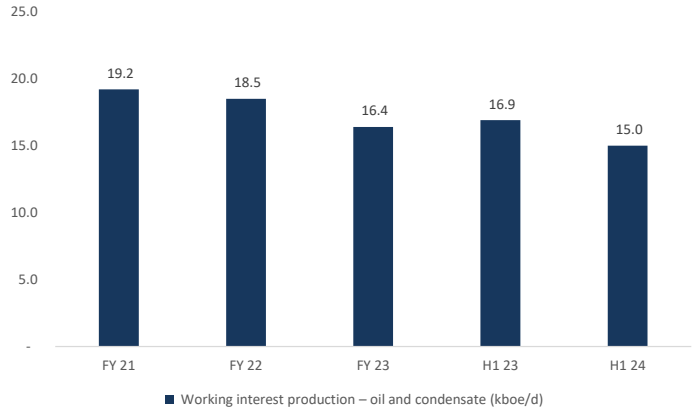
OQEP holds a 20% stake in Block 53, with Occidental Petroleum as the operator. OQEP holds a 20% working interest in Block 53 under an Exploration and Production Sharing Agreement (EPSA), alongside the operator, Occidental Petroleum (Oxy) at a 47% stake, Indian Oil Company Limited with 17%, Liwa Energy Limited with 15%, and PTTEP with 1%. The EPSA is set to expire in 2035, with the possibility of a 10-year extension if mutually agreed by all parties.

Exhibit 77: OQEP holds 20% working interest in Block 53 with OXY



Source: Arqaam Capital Research, Company Data

Exhibit 78: With working interest production standing at 15.0 kbbl/d of oil and condensate in H1 24



Source: Arqaam Capital Research, Company Data

Production started in 2005, with H1 24A output at 15.1 kbbl/d, slightly down from FY 23A. Production at Block 53 has been ongoing since first oil in 2005. As of H1 24A, OQEP's working interest production stood at 15.0 kbbl/d of oil and condensate, 8.5% lower than the FY 23 average of 16.4 kbbl/d. Despite this decline, Block 53 remains a key asset due to its large resource base and continued development efforts aimed at enhancing recovery rates and sustaining production.

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Exhibit 79: Block 53

Block 53	FY 21	FY 22	FY 23	H1 23	H1 24
Working interest production – oil (kboe/d)	19.2	18.5	16.4	16.9	15.0

Source: Arqaam Capital Research, Company Data

Significant contingent resources in Block 53 could be upgraded to 2P reserves with efficiency improvements. Block 53 holds significant contingent hydrocarbon resources that could be reclassified as 2P reserves, unlocking further production potential. OQEP and its joint venture partners are actively engaging with stakeholders to explore commercial improvements that could enhance investment returns. Additionally, the JV is evaluating advanced recovery techniques to increase oil extraction efficiency from the field, ensuring long-term productivity.

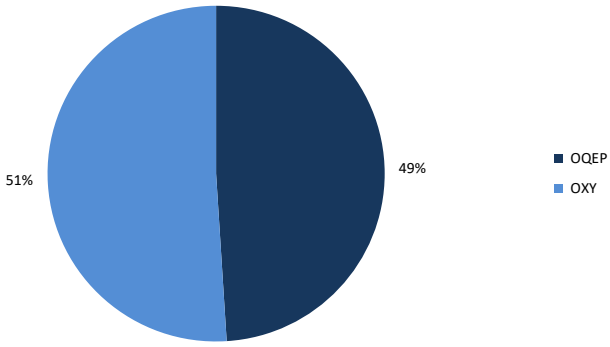
Block 65 – A high-growth oil asset with rapid development (non-operated – 49% interest)

Block 65 is a rapidly developed onshore oil asset in northern Oman, achieving first production in less than three years after concession entry. The block was jointly acquired by OQEP and Occidental Petroleum (Oxy) in FY 19A, and following successful oil discoveries, a Declaration of Commerciality (DOC) was announced in Sept-22. This fast-tracks development highlights Block 65's strong potential within OQEP's portfolio.

The block's oil fields are located in the Natih reservoirs, at depths ranging from 1,500m to 2,000m. It benefits from existing oil and gas processing facilities and is strategically positioned adjacent to Block 9 and Block 27, both operated by Oxy. This proximity allows for cost synergies and potential infrastructure integration, enhancing the economic efficiency of operations.

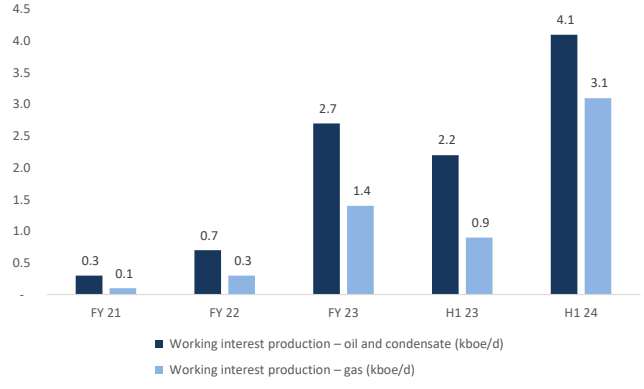
OQEP holds a 49% stake in Block 65, with Oxy holding 51%, and an EPSA until 2037. OQEP initially held a 27 1/7% working interest in Block 65, with Oxy retaining 72 6/7%. In FY 22A, the Omani government exercised its participation rights through OQEP, increasing its working interest to 49%, while Oxy holds the remaining 51%. The EPSA for Block 65 is set to expire in 2037, with an option for a five-year extension. Additionally, OQEP and Oxy have agreed to a Gas Sales Agreement (GSA) for the block, which was finalized by the end of FY 24.

Exhibit 80: OQEP holds 49% in Block 65 with OXY



Source: Arqaam Capital Research, Company Data

Exhibit 81: With working interest production of 4.1 kbbl/d of oil and condensate and 3.1 mmscf/d of gas



Source: Arqaam Capital Research, Company Data

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Production ramped up from FY 23 to H1 24, reaching 4.8 kbbl/d oil and 4.2 mmscf/d gas (+52% and 2.2x y/y). Production at Block 65 has grown significantly since first oil in FY 21A. As of H1 24A, working interest production reached 4.1 kbbl/d of oil and condensate and 3.1 mmscf/d of gas, marking a substantial increase from the FY 23 averages of 2.7 kbbl/d of oil & condensate (+52% y/y) and 1.4 mmscf/d of gas (+2.2x y/y). This strong production ramp-up underscores the block's high exploration success and rapid development cycle.

Exhibit 82: Block 65

Block 65	FY 21	FY 22	FY 23	H1 23	H1 24
Working interest production – oil (kboe/d)	0.3	0.7	2.7	2.2	4.1
Working interest production – gas (mmscf/d)	0.1	0.3	1.4	0.9	3.1

Source: Arqaam Capital Research, Company Data

Block 65 holds significant reserve growth potential, supported by high exploration success rates and the quick maturation of discoveries. Its low-cost development model requires only limited facility expansion, making it a capital-efficient asset. The block's location near Block 9 and Block 27 further enhances its cost efficiencies, creating opportunities for shared infrastructure and operational synergies.

Block 65's rapid development, reserve growth, and low costs make it a strategic, scalable asset for OQEP. With its rapid transition from discovery to production, strong reserve growth outlook, and low development costs, Block 65 stands as a long-term strategic asset in OQEP's portfolio. Its scalability and operational efficiency position it as a key contributor to the company.

Exhibit 83: Key producing assets

			FY 21		FY 22		FY 23		H1 23		H1 24	
Operator	**Current Working Interest**	**License Expiry**	**Oil and Condensate (mmbbl)**	**Gas (bscf)**	**Oil and Condensate (mmbbl)**	**Gas (bscf)**	**Oil and Condensate (mmbbl)**	**Gas (bscf)**	**Oil and Condensate (mmbbl)**	**Gas (bscf)**	**Oil and Condensate (mmbbl)**	**Gas (bscf)**
Operated assets												
Block 60	Company (60%)	2048	9.8	10.8	18.4	8.3	21.4	7.8	11.0	4.1	6.4	2.2
Total operated key producing assets			**9.8**	**10.8**	**18.4**	**8.3**	**21.4**	**7.8**	**11.0**	**4.1**	**6.4**	**2.2**
Non-operated assets												
Block 61	BP (30%)	2043	6.6	142.3	6.5	163.9	6.1	159.3	3.1	79.3	3.1	82.8
Block 9	OXY (45%)	2030	14.4	20.0	16.0	18.6	16.2	16.1	8.1	7.8	7.8	10.1
Block 10	Shell (20%)	2050	0.0	0.0	0.0	0.0	1.5	23.8	0.6	9.2	1.0	17.4
Block 53	OXY (20%)	2035	7.0	0.0	6.7	0.0	6.0	0.0	3.1	0.0	2.7	0.0
Block 65	OXY (49%)	2037	0.1	0.0	0.3	0.1	1.0	0.5	0.4	0.2	0.8	0.6
Total non-operated key producing assets			**28.0**	**162.4**	**29.5**	**182.6**	**30.8**	**199.7**	**15.3**	**96.6**	**15.4**	**110.9**
Total key producing assets			**37.8**	**173.2**	**47.9**	**190.9**	**52.2**	**207.5**	**26.3**	**100.7**	**21.7**	**113.1**

Source: Arqaam Capital Research, Company Data

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Exploration Assets

Block 48 – A high-potential onshore exploration asset.

Block 48 is an onshore exploration asset located in western central Oman. Initially wholly owned by OQEP, the company divested 40% of its interest in Dec-23, selling 20% stake for each of MedcoEnergi and Medco Daya for a total consideration of USD 24.5m. Despite the divestment, OQEP remains the majority stakeholder and operator, leading exploration activities to unlock the block's hydrocarbon potential.

OQEP conducts exploration in Block 48 through surveys, studies, and drilling to assess hydrocarbon prospects. OQEP has been actively conducting exploration programs in Block 48, focusing on seismic surveys and reprocessing, geoscience studies, and exploration drilling. These initiatives are aimed at identifying viable hydrocarbon prospects and assessing the commercial viability of the asset.

OQEP holds 60% of Block 48, with MedcoEnergi and Medco Daya holding 20% each. EPSA expires in FY 25e. Following the divestment, Block 48's ownership structure now consists of OQEP holding a 60% stake as the operator, with MedcoEnergi and Medco Daya each holding 20%. The Exploration and Production Sharing Agreement (EPSA) is set to expire in FY 25e. However, if a Declaration of Commerciality (DOC) is achieved, the agreement is expected to be extended, with an additional optional extension right to support further development.

Block 48's location in a proven basin enhances exploration potential for future commercial discoveries and development. Block 48 presents significant exploration upside, benefiting from its strategic location in a proven hydrocarbon basin. This enhances its potential for commercial discoveries, positioning OQEP and its partners for future development opportunities. The company continues to evaluate exploration results and advance studies to determine the block's long-term production potential.

Block 48 is a key asset for OQEP's reserve growth, supporting upstream expansion and new resource development. As part of OQEP's broader exploration strategy, Block 48 serves as a key asset for future reserve growth. With ongoing studies and drilling activities, it remains an integral component of the company's expansion plans in Oman's upstream sector, reinforcing OQEP's commitment to unlocking new hydrocarbon resources.

Block 11 – A high-potential gas exploration asset

Block 11 is an onshore exploration asset in central Oman, regarded by OQEP, Shell, and TotalEnergies with significant potential for gas discoveries. Exploration activities are actively progressing, and a recent gas discovery at the Jaleel field has reinforced the block's prospects as a major gas asset.

Block 11's EPSA (FY 22A) includes Shell (67.5%), TotalEnergies (22.5%), and OQEP (10%), with OQEP's stake potentially rising to 40% upon DOC. The block is operated under an Exploration and Production Sharing Agreement (EPSA) signed in FY 22A, with Shell holding a 67.5% stake as the operator, TotalEnergies owning 22.5%, and OQEP holding the remaining 10%. The EPSA is set to expire in FY 25e, but in the event of a DOC, it is expected to be extended, with an additional optional extension right. If the Omani government exercises its participation right through OQEP

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upon a DOC, OQEP's working interest would increase from 10% to 40%, significantly enhancing its stake in the block's future development.

Exploration at Block 11 includes seismic studies and drilling, with a recent gas discovery at the Jaleel field. Exploration efforts at Block 11 continue to advance, with ongoing seismic studies and well drilling aimed at assessing commercial viability. The recent gas discovery at the Jaleel field highlights the block's strong potential for additional reserves, which could play a key role in bolstering Oman's domestic gas supply and LNG export market.

Block 11 supports OQEP's gas strategy, contributing to Oman's gas supply and potential LNG expansion. Block 11 aligns with OQEP's long-term gas strategy, contributing to Oman's growing gas demand and supporting the country's potential LNG expansion. If commercial development moves forward, Block 11 could become a key gas-producing asset, further strengthening OQEP's upstream portfolio and reinforcing its role in Oman's energy sector.

Block 47 – A promising onshore exploration asset

Block 47 is an onshore exploration asset in northern Oman, where ongoing exploration activities are being conducted to assess its commercial viability. The block is considered a promising opportunity for hydrocarbon discoveries, with efforts focused on evaluating its resource potential through seismic surveys and drilling programs.

Block 47's EPSA (2020) includes Eni (90%) and OQEP (10%), with potential for OQEP's stake increase post DOC. The block is operated under an Exploration and Production Sharing Agreement (EPSA) signed in FY 20A, with Eni holding a 90% stake as the operator and OQEP owning the remaining 10%. The EPSA is set to expire in FY 25e, but if a Declaration of Commerciality (DOC) is made, it is expected to be extended, with an additional optional extension right to support further development.

Block 47 aligns with OQEP's strategy of expanding its exploration portfolio, offering potential future production growth and reserve additions. Exploration efforts at Block 47 are ongoing, with seismic surveys and drilling activities aimed at identifying viable hydrocarbon prospects. If commercial reserves are confirmed, the block could become a valuable asset in Oman's upstream sector, further strengthening OQEP's role in the country's energy landscape.

Block 54 – A strategic onshore exploration opportunity

Block 54, also known as the Karawan Concession, is an onshore exploration asset located in Oman's Al Wusta Governorate. The block covers an area of 5,632 km² and is situated in a geologically attractive zone on the eastern flank of the South Oman Salt Basin, adjacent to established producing fields. Exploration efforts are focused on unlocking the underexplored potential of this acreage through seismic acquisition, appraisal of legacy wells, and new drilling campaigns.

Block 54's EPSA (2025) is held by OQEP (60%, operator) and Genel Energy (40%), with Genel carrying part of OQEP's costs during the initial work program. The EPSA was signed in FY 25A and is structured around a three-year initial exploration phase, with a gross work commitment of up to USD 25m. The agreement is expected to be ratified by Royal Decree, providing a

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framework for phased exploration and optional extensions should a Declaration of Commerciality (DOC) be achieved.

Block 54 is aligned with OQEP's strategic objective of expanding its upstream footprint and diversifying its operated portfolio. The partnership with Genel Energy provides both technical and financial support during early exploration, de-risking OQEP's exposure while preserving upside potential. If commercial discoveries are confirmed, the block could materially contribute to Oman's reserve base and production profile, reinforcing OQEP's role as a leading national E&P player.

Exhibit 84: Exploration assets

Exploration Assets	Operator	Current Working Interest	License Expiry
Operated Assets			
Block 48	OQEP	60%	December 31, 2025
Block 54	OQEP	60%	n/a
Non-Operated Assets			
Block 11	Shell	10%	October 19, 2025
Block 47	Eni	10%	March 24, 2025

Source: Arqaam Capital Research, Company Data

Diversified Assets

Block 8 – Oman's first offshore upstream asset

Block 8 is Oman's first offshore upstream asset, located off the Musandam Peninsula in northern Oman. Unlike other assets in OQEP's portfolio, Block 8 is owned by the Omani government and operated by OQEP under a cost-plus service agreement. This arrangement differs from OQEP's typical ownership structure, as the company does not hold any reserves or resources in this block.

The service agreement compensates OQEP for operational and management services. The service agreement, which began in Jan-19, does not provide OQEP with any revenue from the sale of hydrocarbons produced in the block. Instead, OQEP is compensated for its operational and management services under this agreement, which is renewed annually.

Ongoing evaluations are being conducted to assess the potential for additional drilling in the West Bukha field. In addition, plans are in place to drill a new gas well in the Bukha field, with the drilling scheduled for Q4-24. These efforts are aimed at supporting further hydrocarbon production in the field.

Evaluations continue for additional drilling in West Bukha and plans for a new gas well in Bukha. Although Block 8 does not generate direct revenue for OQEP, it plays an important role in Oman's offshore energy sector. The block supports the country's overall hydrocarbon production and offers opportunities for future exploration and development. Its operations are essential for maintaining and enhancing Oman's offshore energy capabilities, with potential for growth in the sector.

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MGP – A strategic oil and gas processing and export facility

MGP is a key oil and gas processing plant and export terminal located in Musandam, Oman. This facility is a crucial part of Oman's energy infrastructure, providing essential processing and export capabilities for hydrocarbons. It processes oil, gas, and condensate from offshore Block 8, and it also has the capacity to handle production from other adjacent contract areas in the Musandam region. The facility supports the export of small quantities of oil for shipping, adding to Oman's overall export capacity.

MGP, owned by OQEP, operates under a BOOT model with a tariff agreement expiring in FY 36e. MGP is wholly owned by OQEP and operates under a Build, Own, Operate, and Transfer (BOOT) model. The tariff agreement with the Omani government ensures that OQEP is compensated for both its operational activities and its capital investment. The agreement is set to expire in FY 36e, at which point ownership of the facility is expected to be transferred to the government.

The financial model for MGP operates on a cost-plus basis. Under this model, the government reimburses OQEP for all operating expenditures, while OQEP receives a fixed annual fee. This fee covers capital expenditure and guarantees a return on investment for OQEP, providing stable and predictable cash flow.

As a critical midstream asset, MGP plays a significant role in strengthening Oman's energy infrastructure. It supports offshore production processing and facilitates the export of hydrocarbons. The fixed return model ensures stable revenue, making MGP a valuable long-term asset for OQEP.

KSF and RSF – Service agreement assets in Block 6

KSF and RSF are onshore oil-producing assets located in Block 6, southern Oman. OQEP holds a 25% interest in service agreements for both contract areas, which entitles the company to financial remuneration based on production, rather than direct rights to production or reserves.

KSF and RSF produce oil, with OQEP receiving 25% of production but no ownership. KSF produces heavy oil and is operated by MedcoEnergi on behalf of PDO (Petroleum Development Oman, the country's leading oil and gas exploration and production company). RSF produces both light and heavy oil, with operations led by Petrogas Rima LLC on behalf of PDO. Under the service agreements, OQEP does not hold production or reserves in these assets. Instead, the company receives cash payments corresponding to its 25% interest in production from each asset. Should additional reserves be discovered, financial compensation is distributed to the service agreement participants.

KSF and RSF offer OQEP steady returns, leveraging third-party expertise and avoiding operational risks. The strategic importance of KSF and RSF lies in providing OQEP with steady financial returns without the operational risks typically associated with direct ownership of oil production assets. These service agreements allow OQEP to benefit from production growth while leveraging the expertise and cost efficiencies of third-party operators.

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Dolphin – A strategic gas import and supply agreement

OQEP plays a crucial role in Oman's energy security through its long-term gas import agreement with the Dolphin field in Qatar. Under this arrangement, the company imports approximately 70tr Btu of gas per year and supplies it to the Omani government (via IGC) on back-to-back terms, generating a fee.

The agreement ensures a stable gas supply for Oman, with some volumes diverted for Musandam power generation. The key features of this agreement include a long-term take-or-pay contract, which ensures a stable and reliable gas supply. The gas is primarily delivered to IGC, supporting Oman's domestic energy needs. In addition, some volumes are diverted to the Musandam region on an interruptible basis for power generation, under separate contractual arrangements.

Strategically, this agreement ensures a steady supply of gas for both power generation and industrial use in Oman, thus contributing to the country's energy security. It also supports energy diversification, reducing reliance on domestic gas production, and strengthening Oman's regional relations within the GCC, promoting energy cooperation. By leveraging these Dolphin gas imports, OQEP helps balance Oman's gas demand, ensuring reliable energy availability while maintaining profitability through margin-based supply agreements.

Exhibit 85: Other assets

			FY 21		FY 22		FY 23		H1 23		H1 24	
Operator	**Current Working Interest**	**License Expiry**	**Oil and Condensate (mmbbl)**	**Gas (bscf)**	**Oil and Condensate (mmbbl)**	**Gas (bscf)**	**Oil and Condensate (mmbbl)**	**Gas (bscf)**	**Oil and Condensate (mmbbl)**	**Gas (bscf)**	**Oil and Condensate (mmbbl)**	**Gas (bscf)**
Block 8	OQEP	Annual Renewal	0.20	2.90	0.20	2.70	0.30	3.50	0.20	1.90	0.10	1.40
KSF	Medco	2039	1.10	-	1.20	-	1.20	-	0.60	-	0.70	-
RSF	Petrogas	2040	0.90	-	0.90	-	0.80	-	0.40	-	0.50	-
Total (Block 8, KSF & RSF)			**2.20**	**2.90**	**2.20**	**2.70**	**2.30**	**3.50**	**1.20**	**1.90**	**1.30**	**1.40**

Source: Arqaam Capital Research, Company Data

Assets under an exit process - Blocks 52 and 30– Relinquishment and exit strategy

OQEP is in the process of relinquishing or exiting its interests in Blocks 52 and 30, in line with its strategic portfolio optimization. These blocks either lack commercial discoveries or do not align with the company's long-term development priorities.

Block 52 – Awarded in FY 17A, is being relinquished due to a lack of commercial discoveries.

Block 52 is a deepwater offshore exploration area located in southeastern Oman, which was awarded to OQEP in Dec-17. The ownership structure consists of Eni (55%, operator), Qatar Petroleum (30%), and OQEP (15%). Despite the initial exploration efforts, no commercial discoveries have been made in the block. As a result, the participants have notified the Omani government of their decision to relinquish the block in FY 24. This relinquishment decision

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reflects the company's strategy to optimize its asset portfolio by focusing on more promising and commercially viable opportunities.

Block 30 – OQEP plans to exit Block 30, focusing on more promising, commercially viable assets

Block 30 is an onshore gas contract area in northern Oman, awarded to OQEP in Nov-17. The ownership structure consists of Occidental Petroleum (Oxy) as operator with 72 6/7% and OQEP with 27 1/7%. Development options for the block are currently being assessed, but OQEP has agreed in principle to exit, awaiting government approval for the relinquishment. This decision is part of OQEP's strategy to streamline its portfolio and concentrate on higher-value exploration and development assets.

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Reserves Overview

The company estimates its reserves and resources using standard recognized evaluation techniques applied by its in-house reserve engineering team and an external reserves reviewer. The reserves classifications—1P, 2P, and 3P—represent different levels of certainty in the estimation of oil and gas reserves:

- **1P reserves (Proven reserves):** These are quantities that are reasonably certain to be recoverable under existing economic and operational conditions, including the categories of **proved developed producing (PDP)**, **proved developed non-producing (PDNP)**, and **proved undeveloped (PUD)**.
- **2P reserves (Proven + Probable reserves):** These reserves include both 1P reserves and probable reserves, offering a moderately certain estimate.
- **3P reserves (Proven + Probable + Possible reserves):** This category combines proven, probable, and possible reserves, providing the broadest, yet least certain estimate.

Similarly, **1C**, **2C**, and **3C** refer to **contingent resources**—quantities of hydrocarbons that are estimated to be potentially recoverable but are not yet considered commercially viable:

- **1C:** Low estimate (high certainty).
- **2C:** Best estimate (moderate certainty).
- **3C:** High estimate (low certainty), reflecting varying degrees of technical and economic feasibility.

Exhibit 86: Summary of reserves and resources

Category	FY 23	H1 24
1P Reserves (Working Interest)		
Oil and Condensate (mmbbl)	262	240
Gas (bscf)	2,394	2,274
Total (bboe)	0.68	0.63
2P Reserves (Working Interest)		
Oil and Condensate (mmbbl)	422	400
Gas (bscf)	3,449	3,330
Total (bboe)	1.02	0.97
3P Reserves (Working Interest)		
Oil and Condensate (mmbbl)	578	556
Gas (bscf)	4,411	4,291
Total (bboe)	1.34	1.30
2C Contingent Resources (Working Interest)		
Oil and Condensate (mmbbl)	323	323
Gas (bscf)	2,882	2,882
Total (mmboe)	820	820

Source: Arqaam Capital Research, Company Data

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Key strengths and strategic positioning of OQEP in Oman's Energy sector

Strategic and dominant market position: OQEP is the largest pure-play upstream oil and gas company in Oman and the only government-owned operator. It is the third-largest operator in the country by reserves and production, with a significant stake in Oman's energy sector. As of Jun-24, the company holds 2P working interest reserves of 0.974 bboe and 2C contingent resources of 820 mmboe.

Integration within OQ Group: The company is a core part of the OQ Group, one of the largest conglomerates in Oman, and a major player in the Sultanate's energy sector. The company contributes approximately 40% to OQ Group's Adjusted EBITDA and 14% to Oman's total oil, gas, and condensate production in FY 23A. It directly employs more than 655 people as of June 2024, with a workforce that is predominantly Omani nationals (91%). The company is also committed to supporting the government's Omanisation strategy, enhancing local employment.

Oman's investment appeal: Oman's strategic location, growing GDP, young population, and a stable government create an attractive investment environment. The country's regulatory framework is well-established, particularly for the oil and gas sector, making it an ideal location for foreign direct investment (FDI). Oman's credit rating improvements, fiscal turnaround, and commitment to the oil and gas industry provide strong macroeconomic stability. This is further supported by the country's location outside the Strait of Hormuz, offering strategic access to export hubs.

Strong asset portfolio: The company's assets include some of Oman's most strategic fields, such as Block 61 (33% of Oman's total gas production in 2023), Block 9 (10% of Oman's total oil production), and Block 8, Oman's first offshore production area. These assets offer a balanced commodity exposure, with gas accounting for 59% of reserves (as of December 2023). Additionally, the company has a diverse portfolio across various contract areas, including joint ventures with major international oil companies (IOCs), which adds considerable operational expertise and scale.

Gas-focused future: The company has a significant presence in gas with its assets like Block 10, which is aligned with the Marsa project—a first-of-its-kind integrated gas-to-LNG facility in Oman. Gas demand is expected to grow substantially in Oman and globally, positioning OQEP to benefit from this trend. The company's gas production and infrastructure investments align well with the energy transition.

A partner of choice: OQEP's reputation as a reliable and capable partner for IOCs is a competitive advantage. With joint ventures across seven contract areas with major players like Shell, Eni, and Petronas, OQEP's ability to form strategic partnerships and attract large, sophisticated energy companies reflects its strong market position. These partnerships not only drive growth but also offer access to new technologies and international expertise, positioning OQEP as a partner of choice in Oman's upstream sector.

Proven growth record: OQEP has shown impressive growth since its establishment in 2009, with production increasing by nearly 14 times by 2023. It has consistently expanded its exploration and production portfolio through both organic growth in existing fields and strategic

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acquisitions. The company has also benefitted from government participation rights, most recently in Blocks 61 and 65, further enhancing its reserves and production capacity.

Resilient cash flow and dividend policy: The company generates robust cash flows, supported by low operating costs (USD 8/boe in FY 24A compared to peers' USD 16/boe) and strong fiscal discipline. OQEP is committed to delivering shareholder value, with a base dividend of USD 600m, in addition to performance-linked dividends, which align with the company's ESG performance. The company's strategic initiatives to reduce its carbon intensity and invest in renewable energy projects reflect its commitment to a sustainable future.

Commitment to ESG and health & safety: OQEP has a clear sustainability agenda with a target to achieve net-zero emissions by 2050 for its upstream assets. The company is actively reducing its carbon intensity through renewable energy initiatives and flare reduction projects. It has a strong focus on health, safety, and environmental (HSE) performance, with a notable reduction in lost-time injury frequency (LTIF) from 0.30 in 2020 to 0.08 in 2023. Additionally, OQEP plans to publish its first sustainability report in 2025, enhancing transparency and stakeholder engagement in its ESG initiatives.

Experienced leadership: OQEP is led by a seasoned management team with an average of 25 years of industry experience across major IOCs and government positions. The team has a strong track record of executing large-scale growth projects, managing joint ventures, and enhancing the company's operational efficiency. This experienced leadership is poised to drive OQEP's next phase of growth in an increasingly competitive global energy landscape.

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Strategy and Outlook

OQEP's strategy focuses on reinforcing its leading position in Oman's upstream sector by expanding its reserves and production, particularly in gas. The company is committed to diversifying its asset base and pursuing decarbonization initiatives. Its robust cash flow generation, low-cost operations, and strategic partnerships with IOCs provide the foundation for sustainable growth and value creation.

OQEP plans to continue expanding its portfolio through asset acquisitions and partnerships. The company is expected to benefit from Oman's attractive investment climate and long-term commitment to the oil and gas sector. The company's significant exposure to gas, coupled with its strong fiscal regime and strategic infrastructure, positions it well for future growth in the global energy transition.

The company's ability to generate resilient cash flows, maintain low operating costs, and deliver shareholder returns through dividends makes it an attractive investment. Moreover, its ongoing focus on ESG and health & safety practices ensures that it remains a responsible and sustainable energy producer.

OQEP's leadership team, with their deep industry experience and project delivery track record, is well-positioned to navigate challenges and capitalize on opportunities in the evolving energy market.

Investment Considerations

Geopolitical and regulatory risks: While Oman's stable government and favorable regulatory environment support OQEP, the company's operations are still subject to geopolitical risks, especially given its significant exposure to the global oil and gas market. Changes in oil and gas policies or tax regimes could impact the company's financial performance.

Commodity price volatility: As an upstream oil and gas company, OQEP is exposed to fluctuations in commodity prices, especially for oil and gas. Although its long-term contracts provide some stability, short-term price movements could affect profitability.

Energy transition risks: The global shift towards cleaner energy sources could affect long-term demand for oil and gas. OQEP's focus on gas, however, positions it favorably in the context of the energy transition, as natural gas is seen as a bridge fuel.

Operational and development risks: As the company continues to expand and develop new assets, there are inherent risks related to project execution, cost overruns, and delays. However, OQEP's experienced management team and strong track record mitigate some of these risks.

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